Environmental and CSI Reporting in South African MNCs

A review of company reporting practices with regards to Corporate Social Responsibility and the Environment. The review is conducted for 16 companies of varied sectors for the 2011 and 2012 financial year.

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Introduction
Sustainability has been defined as the practices which meet the needs of the present
generation without compromising the ability of future generations to meet their own needs
(ERIS, 2013). The sustainability of business operations has increasingly come to include both
social and environment components. In this way, companies are encouraged to
acknowledge their impact on the communities of their employees and the environment in
which they operate.

Objective
As a first report based on information from the South African Multinational Company
Database, the objective is to provide a partial trend analysis of the reporting practices of 16
JSE listed South African Multinational Companies as previously selected by the Global
Unions as being of particular interest. A partial trend analysis is provided due to the fact that
there are only two periods of observations for each company analysed. This first report
forms a baseline study for future annual reporting and analysis. The aim is to provide
knowledge such that stakeholders, particularly unions, can engage with companies and
sectors on broader issues and in solidarity with other broader civil society organisations.

Overview
Trade between countries, and certainly at levels of business interactions between countries,
can be understood according to global value chains (GVCs). These global chains describe all
the activities involved in the production of goods and services from their conception to their
end use\(^1\). As countries begin to source more of their inputs from varied locations and
operate across the borders of different nations, it has become important to analyse and
understand value chains due to their impact workers and the environment (UNCTAD, 2013).

For the purposes of this report, however, the understanding of value chains is limited only
to the transnational operations of companies and its implications on the social and
environmental conditions of the countries in which these multinationals operate – even
considering the importance of supply chain interactions in company reporting patterns.

\(^1\) http://www.globalvaluechains.org/concepts.html
The 2013 World Investment Report notes that participation in GVCs tends to exert a downward pricing pressure on operations. This, in turn, has a negative effect on social and environmental compliance by companies (UNCTAD, 2013). Cost cutting strategies have particularly devastating effects for developing countries as these countries are home to the majority of the world’s marginalised populations.

Developing countries are believed to have more lenient social and environmental standards making it easier for multinational companies operating there not comply with internationally desirable environmental and social standards without censure (UNCTAD, 2013). In countries where this is the case, companies have little incentive to comply with the standards established in the developed world which they view as a further cost to doing business. Global reporting guidelines like the OECD Guidelines for Multinationals (2011) do encourage companies to behave responsibly in all their operations.

Beyond avoiding the obvious negative impacts they may make on societies by breaking international standards of corporate behaviour, companies are understood to have possible positive impacts on the locations in which they establish operations, providing jobs, the advancement of skills, access to communications and the like. Companies that limit their engagement with communities and the environment in which they operate may also limit the developmental capacity in these locations as community development is widely considered to be driven also by the private sector. If companies do not invest in the communities of their employees in the countries in which they operate, this will ultimately slow down the development. It is essential for affected stakeholders to demand that multinational enterprises and the companies in their value chains comply with international requirements and where possible to advance on these standards.

International standards developed by the United Nations Global Compact (2013) promote a precautionary approach to the environment and encourage the diffusion of environmentally friendly technologies into company operations. In this way, companies are able to tie their approach to sustainable development in to their core competencies and business activities.

National standards advanced by the King III Reporting Standards require that companies report on all the impacts of doing business as well as their perceived and known effects on communities and the environment. In reporting for their operations in South Africa, King III
also requires that companies report on how they support social transformation. In this way companies are required to disclose how they advance previously disadvantaged employees (King III, 2009).

In reviewing the company’s social responsibility, the Global Reporting Initiative encourages companies to also disclose their labour practices in all operations (GRI, 2013). This requirement is also supported by the Johannesburg Stock Exchange Social Reporting Index (JSE SRI) (JSE SRI, 2012). This includes how well companies adhere to the standards of “decent work\(^2\)” and their investment in their workers through human capital development. When companies develop the skills of their employees, they also invest in the growth of the nations’ economy.

The JSE SRI affirms that company reporting on social, environmental and good governance criteria must be done for the whole group (JSE SRI, 2012). In this way, South African listed companies should adhere to global standards for reporting on all performance indicators (social and environmental included) and conform to national requirements in cases specific to that countries operations (for instance, South Africa requires reporting on transformation).

**Methodology**
This report reviews 16 South African companies which have operations in other countries in Africa. These companies form part of the LRS/FES Multinational Company Database, [http://www.lrs.org.za/mnc](http://www.lrs.org.za/mnc).

An assessment of the companies’ reporting on corporate social responsibility (CSR) and environmental performance was made from a set of indicators defined by the database. For CSR reporting an assessment of the company’s involvement in the community and the investment in human capital was conducted. For environmental reporting the focus was on the reporting standards of the company as well as the major environmental factors that affect company operations.

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\(^2\) Concept of decent work has been advanced by the International Labour Organisation and requires that workers have opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. [http://www.ilo.org/global/topics/decent-work/lang--en/index.htm](http://www.ilo.org/global/topics/decent-work/lang--en/index.htm)
Table 1: South African MNCs included in the Report

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Sector</th>
<th>Company Latest Year-end</th>
<th>Number of Operations in Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Bank</td>
<td>Banking &amp; Financial Services</td>
<td>31-Dec-12</td>
<td>18</td>
</tr>
<tr>
<td>WBHO</td>
<td>Construction</td>
<td>30-Jun-12</td>
<td>7</td>
</tr>
<tr>
<td>Illovo</td>
<td>Food &amp; Beverage</td>
<td>31-Mar-12</td>
<td>6</td>
</tr>
<tr>
<td>SABMiller</td>
<td>Food &amp; Beverage</td>
<td>31-Mar-12</td>
<td>13</td>
</tr>
<tr>
<td>Network Healthcare Holdings</td>
<td>Health</td>
<td>30-Sep-12</td>
<td>2</td>
</tr>
<tr>
<td>Sun International</td>
<td>Hospitality</td>
<td>30-Jun-12</td>
<td>7</td>
</tr>
<tr>
<td>Eskom Holdings Limited</td>
<td>Industrial</td>
<td>31-Mar-12</td>
<td>5</td>
</tr>
<tr>
<td>AngloGold Ashanti</td>
<td>Mining</td>
<td>31-Dec-12</td>
<td>6</td>
</tr>
<tr>
<td>De Beers Family of Companies</td>
<td>Mining</td>
<td>31-Dec-12</td>
<td>3</td>
</tr>
<tr>
<td>Gold Fields</td>
<td>Mining</td>
<td>31-Dec-12</td>
<td>2</td>
</tr>
<tr>
<td>Sappi</td>
<td>Paper &amp; Packaging</td>
<td>30-Sep-12</td>
<td>1</td>
</tr>
<tr>
<td>Massmart / Walmart</td>
<td>Retail</td>
<td>30-Jun-12</td>
<td>12</td>
</tr>
<tr>
<td>Pick n Pay</td>
<td>Retail</td>
<td>28-Feb-12</td>
<td>9</td>
</tr>
<tr>
<td>Shoprite Checkers</td>
<td>Retail</td>
<td>30-Jun-12</td>
<td>17</td>
</tr>
<tr>
<td>MTN Group</td>
<td>Technology &amp; Telecoms</td>
<td>31-Dec-12</td>
<td>16</td>
</tr>
<tr>
<td>Vodacom Group Limited</td>
<td>Technology &amp; Telecoms</td>
<td>31-Mar-12</td>
<td>5</td>
</tr>
</tbody>
</table>

Corporate Social Responsibility (CSR) Reporting

CSR Spend

In 2011, the 16 companies under review reported spending a total of 228 million USD towards corporate social investment. In 2012, CSR contributions increased by 22.2 per cent. Though the increases are nominal, they remain above the levels of inflation in South Africa.\(^5\)

The 16 companies contributed more to the CSR spend even they were on average less profitable by 8.4 per cent in 2011. One would expect that company profitability would be

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3 Latest year-end with used in for the analysis.
4 SABMiller recognises 13 operations in Africa (including South Africa) and has an additional 20 countries where it has associate operations. [www.sabmiller.com](http://www.sabmiller.com)
5 In 2012, annual inflation in South Africa was recorded at 5.71%, Stats SA, 2013.
directly proportional to the level of CSR spend. It is possible that there is a lag in the response of company CSR spend to changes in profitability. It would, therefore, be interesting to see if the contributions to CSR in 2013 are affected by the levels of profitability reported in 2012.

There is likely to be a strong relationship between CSR spending and profitability for those companies that explicitly stipulate such a policy. Shoprite is one such company which contributes 1 per cent of profit to CSR spending annually. In 2012, Sappi and Massmart reported spending 1.2 per cent and 3.1 per cent of after tax profits on CSR respectively. Massmart increased their contributions to CSR by 1.1 percent; the company contributed 2.0 per cent of after tax profits towards CSR initiatives in 2011.

**Figure 1.1: Company Corporate Social Investment Spend for the sample companies**

![Figure 1.1: Company Corporate Social Investment Spend for the sample companies](image)

**CSR Spend Proportions by Companies in the sample**

In 2011, Gold Fields contributed 24 per cent of the total CSR spend of the 16 companies under review. Their CSR contribution in 2012 increased to 49 per cent of the whole. However, this value included operation and maintenance costs, in addition to spending on community development (referred to below). Gold Fields CSR spend also includes contributions to infrastructure development in the regions in which they operate.

In 2011, SABMiller contributed 18 per cent of the total CSR spend in the sample. In 2011, SABMiller’s contribution declined to 12 per cent.
The least contribution to total sample CSR spend is about 1 per cent in 2011 and 2012. In 2011, the companies contributing 1 per cent to total sample CSR spend were: Shoprite, Massmart; WBHO; Sun international; Illovo and Sappi. However, for 2012 we note that Pick n Pay and De Beers Family of Companies have not disclosed their CSR spend.

Figure 1.2: 2011 Company CSR as Proportions of Total Sample Spend

- Gold Fields
- De Beers Family of Companies
- SABMiller
- MTN Group
- Standard Bank
- Eskom Holdings Limited
- Network Healthcare Holdings
- Massmart
- Anglogold Ashanti
- Vodacom Group Limited
- Pick n Pay
- Shoprite
- MTN Group
Looking at the individual company values of CSR spend, we note that 5 of the 14 companies with data for both periods have shown a decline in CSR contributions. The largest decline is seen for Sappi and SABMiller. These companies spent 16.92 per cent and 16.05 per cent less on CSR activities in 2012 respectively.

Gold Fields had the greatest increase in CSR expenditure; however, as noted above, this value includes operation and maintenance costs as mentioned. Multinationals such as Anglogold Ashanti (44.8 per cent), Massmart (39.1 per cent) Eskom (37.3 per cent), WBHO (34.0 per cent) and MTN Group (32.2 per cent) increased CSR contributions by more than 30%.

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6 Gold Fields CSI spend includes maintenance provision and operating costs. This is why the stated value is much higher than last year’s value.
Table 2: Company reported CSR Spend

<table>
<thead>
<tr>
<th>Company Name</th>
<th>% change CSI Spend</th>
<th>2011 CSI Spend (Million USD)</th>
<th>2012 CSI Spend (Million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Fields</td>
<td>151,26</td>
<td>54,00</td>
<td>135,68</td>
</tr>
<tr>
<td>SABMiller</td>
<td>-16,05</td>
<td>40,50</td>
<td>34,00</td>
</tr>
<tr>
<td>MTN Group</td>
<td>32,24</td>
<td>17,80</td>
<td>23,54</td>
</tr>
<tr>
<td>AngloGold Ashanti</td>
<td>44,78</td>
<td>17,20</td>
<td>24,91</td>
</tr>
<tr>
<td>Standard Bank Group</td>
<td>-3,38</td>
<td>15,79</td>
<td>15,26</td>
</tr>
<tr>
<td>Eskom Holdings Limited</td>
<td>37,34</td>
<td>8,64</td>
<td>11,86</td>
</tr>
<tr>
<td>Vodacom Group Limited</td>
<td>-4,99</td>
<td>10,92</td>
<td>10,38</td>
</tr>
<tr>
<td>Massmart</td>
<td>39,13</td>
<td>3,50</td>
<td>4,86</td>
</tr>
<tr>
<td>Network Healthcare Holdings</td>
<td>3,28</td>
<td>4,34</td>
<td>4,48</td>
</tr>
<tr>
<td>Shoprite</td>
<td>8,34</td>
<td>3,62</td>
<td>3,93</td>
</tr>
<tr>
<td>WBHO</td>
<td>33,95</td>
<td>2,82</td>
<td>3,78</td>
</tr>
<tr>
<td>Illovo</td>
<td>-1,19</td>
<td>2,01</td>
<td>1,98</td>
</tr>
<tr>
<td>Sun International</td>
<td>0,40</td>
<td>2,62</td>
<td>2,63</td>
</tr>
<tr>
<td>Sappi</td>
<td>-16,92</td>
<td>1,89</td>
<td>1,57</td>
</tr>
<tr>
<td>Pick n Pay*</td>
<td></td>
<td>7,93</td>
<td></td>
</tr>
<tr>
<td>De Beers Family of Companies*</td>
<td></td>
<td></td>
<td>34,70</td>
</tr>
</tbody>
</table>

If one is to quantify the CSR investment of a company by an amount apparently put aside for the purpose then it must be noted that the value of the contribution of multinationals is dependent on the size of the organisation; where larger companies may contribute more in monetary terms though this may equal the same in percentage terms to smaller investments. It is therefore important not simply to note the currency value of the spend, but how this relates to the per cent financial position of the company in question. As is noted below however, quantifying CSR spend as something separate from core business is not without its own problems for those who claim all business activity should show reflect the company’s responsibility to society.

A further challenge is from this way of quantifying CSR spend is deciding what should be included. From the total CSR spend disclosed by Gold Fields, which includes spending on maintenance, it is not always clear what total CSR spend consists of. It is possible that companies may inflate the amount contributed to CSR initiative by adding operational costs to the figures. There does not appear to be a clear understanding or agreement on what
exactly CSR must and must not include; no strict criteria as to what can be included in their reported CSR spend. In order to both compare the investments of companies and to analyse trends in companies and sectors, such clarity would be useful.

The whole area of CSR as separate from core company business remains contentious as it may be argued that the way that a company is governed and plans its key business operations should always incorporate the understanding of a responsibility for the stakeholders affected by such operations. In this view CSR spend is criticised as a marketing and public relations charity spend after the fact of poor business practices, low wages and environmental degradation.

**Community Involvement**

The Multinational Database groups CSR activities into 3 classes. These are: service to communities; addressing unemployment and upholding human rights. These categories broadly cover the community activities that companies report on. Figure1.4 shows that all companies under consideration claim to have CSR initiatives that provide service to the communities. Such services include supporting local police stations and other charitable organisations as well as infrastructure development.

Many multinationals also consider initiatives that promote local economic development as part of their CSR policies. These initiatives are particularly important in South Africa as the unemployment rate was reported to be 25.6 per cent in the second quarter of 2013 (Stats SA, 2013). In 2011 four companies were reported as supporting causes that address unemployment in local communities. This increased to 7 in 2012. Eskom Limited Holdings and De Beers Family of Companies are the only companies which were recorded as having initiative that address unemployment both in 2011 and in 2012.
Of the companies under review, only 8 reported on having CSR initiatives outside of South Africa in 2011. This increased to 10 in 2012. 7 of the 16 multinationals have reported as having CSR initiatives outside of the country both in 2011 and 2012. These are from varied sectors and they are: Anglogold Ashanti, Gold Fields, Illovo, MTN Groups, SABMiller, Sappi and the Standard Bank Group.

Five companies have not disclosed having any CSR initiatives in countries apart from South Africa. This is in spite of having operations in numerous locations across Africa. It is, therefore, important for unions in different countries to engage with these companies such that similar treatment is given to workers and communities across borders while also acknowledging differences across operations in these countries. If in fact such initiatives are carried out, it is important that they are reported on.

**Labour Relations**
This section of the report considers how companies in our sample have elected to report on their investment in their employees or human capital, as they are sometimes labelled. The selected indicators include: company investment in employee skills development; Occupational Health and Safety (OHS); employee relations regarding HIV/AIDS; Employee
Stock Ownership Plans and Broad-based Black Economic Empowerment (with regards to South Africa).

**Figure 1.5: Company Reporting on Labour Relations**

![Bar chart showing company reporting on various aspects]

All the companies in our sample report investing in their employees. The development of employee skills is said to support the growth of the organisation which provides an incentive for companies to continue to invest in their employees. Limited information is provided on the degree to which companies invest in their employees across Africa outside of South Africa. There is also less information about how this compares to the human capital investment in the home country – South Africa – bearing in mind the differences in size of the labour force and the scale of the operations.

In reporting on skills development, the companies in our sample display 2 dominant trends. Companies often report on investment and training in reference to: i) employee retention and ii) spending on the skills development of previously disadvantaged employees.

Companies are said to invest in the health of their employees in order to further enhance their overall well-being and maintain their levels of productivity. Eleven companies explicitly reported on having policies with regards to OHS in 2011; this number increased to 14 in 2012. Vodacom and Pick n Pay are the only multinationals which have not explicitly reported on their OHS policy in both 2011 and 2012. Other companies in our sample that
belong to their sectors (telecoms and retail) have reported on their OHS policies. For companies belonging to the retail sector have (Shoprite and Massmart), reports on their OHS policies have been noted only for 2012.

Sub-Saharan Africa is severely and disproportionately affected by the HIV/AIDS pandemic in relation to the rest of the world. The World Health Organisation (WHO) reports that in 2007 67 per cent of all individuals infected with HIV were in Sub-Saharan Africa7. In addition to the adverse health effects that result from the prevalence of HIV, HIV prevalence has negative effects on the productivity of the work force and it has a grave effect on an employees’ livelihood. It is for these reasons that companies should engage with their staff and provide the necessary reforms to address HIV/AIDS in the workplace.

Of our sample, 13 companies explicitly reported having HIV/AIDS policies in 2011. This number decreased to 10 in 2012. Many of the companies that report on their HIV/AIDS policies note the importance of having such policies for the overall well-being of the employee. The database does not analyse the content of such policies, which can vary widely.

The HIV/AIDS pandemic has differing levels of urgency in countries across Africa. Other diseases like Malaria have been noted by Anglogold Ashanti as a more urgent need in their Ghana operations. It is important for companies to know the most urgent needs of their workers in all of their operations such that they are able to address them appropriately.

In relation to the other indicators, few companies report on having ESOP policies for qualifying staff. Six companies reported on having the share option plan for the employees in 2011 and 2012. The companies have not disclosed on whether the ESOP policy is across all their operations or just limited to the home country – South Africa.

All companies report on complying with the requirements of Broad-Based Black Economic Empowerment (to varying degrees). Some reported initiatives include the support of businesses and the sale of stocks to enterprises owned by previously disadvantage individuals.

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**Labour Rights**
The ILO principles of decent work require that workers be employed in jobs where they will not face discrimination, and will enjoy the rights to freedom of association and collective bargaining, freedom from child labour and forced labour practices as well as a diverse work environment with equal opportunity.

Companies generally acknowledge complying with the universal principles of decent work. However, companies that explicitly note compliance with all requirements do so at the request of the reporting code they comply with. The Global Reporting Initiative requires this compliance from member companies. Further, two of the companies in the sample, AngloGold Ashanti and Shoprite Checkers have signed Global Agreements with the Global Unions. These agreements have at their heart an agreement to comply with the four core labour rights.

**Environmental Reporting**
Reporting on the environmental impact and management of companies has evolved over time. It began as a voluntary activity by companies and is now supported by legislation (DEAT, 2005; King III, 2009). In addition to complying with national (and international) requirements on environmental protection; multinational environmental reports inform stakeholders (government, employees, shareholders, consumers) on an organisation’s treatment of the environment. By so doing, company environmental reporting should allow stakeholders to make an informed decision about the company’s corporate citizenship in this regard.

Of the sample, 11 companies are considered to have a high impact on the environment according to the JSE Social Responsibility Index. These companies belong to the mining industrial, paper and packaging, construction and retail sectors. Organisations belonging to the finance and the telecoms sector are classified as having a low impact on the environment.
Table 2: Company JSE Environmental Impact Classification

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Impact Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>AngloGold Ashanti</td>
<td>High</td>
</tr>
<tr>
<td>De Beers Family of Companies</td>
<td>High</td>
</tr>
<tr>
<td>Eskom Holdings Limited</td>
<td>High</td>
</tr>
<tr>
<td>Gold Fields</td>
<td>High</td>
</tr>
<tr>
<td>Illovo</td>
<td>High</td>
</tr>
<tr>
<td>Massmart</td>
<td>High</td>
</tr>
<tr>
<td>Sappi</td>
<td>High</td>
</tr>
<tr>
<td>Pick n Pay Stores Ltd</td>
<td>High</td>
</tr>
<tr>
<td>SABMiller</td>
<td>High</td>
</tr>
<tr>
<td>Shoprite</td>
<td>High</td>
</tr>
<tr>
<td>WBHO</td>
<td>High</td>
</tr>
<tr>
<td>Network Healthcare Holdings</td>
<td>Medium</td>
</tr>
<tr>
<td>Sun International</td>
<td>Medium</td>
</tr>
<tr>
<td>MTN Group</td>
<td>Low</td>
</tr>
<tr>
<td>Standard Bank Group</td>
<td>Low</td>
</tr>
<tr>
<td>Vodacom Group Limited</td>
<td>Low</td>
</tr>
</tbody>
</table>

Few companies report on the amount they spend on their environmental programmes. In 2011 Anglogold Ashanti, Illovo, Gold Fields and the Standard Bank Group were the only companies that reported amounts spent on environmental conservation. In 2012, only Sappi and Gold Fields reported on the environmental spend. This suggests decreasing participation in this reporting activity.

Environmental Reporting Practices
This section of the report comments on the environmental reporting practices of the companies in the sample. The Multinational Company Database (MNCDB) provides some indicators which inform stakeholders on the performance of the particular multinational in relation to companies with the same environmental impact classification.

With the exception of three indicators (group coverage and identified key impacts) in 2012, more companies reported on more of the indicators that are covered by the MNCDB or at least the same number of companies reported on the indicator as in 2011. This indicates an improved awareness by the companies in our sample to disclose their behaviour with regards to the environment.
All the companies reported on their environmental policy in 2012. This improves on 2011 when only 14 companies reported on their environmental policy. For both periods under review, all companies in the sample indicated having processes in place that would reduce negative impacts on the environment. Even with this result, not all the companies explicitly account for their environmental reporting to be for the whole group. Therefore, workers must engage with their employers to ensure that all operations in all countries are privy to the reforms in environmental practices.

There is significant room for improvement in reporting on stakeholder engagement; that is consulting and discussing these issues with people who are affected by the company’s impact on the environment. Only 25 per cent of companies reported on stakeholder engagement in both periods. Stakeholder engagement is important as it promotes transparency in organisational operations. For workers, the access to vital company information may promote more meaningful dialogue.

In complying with stakeholder engagement Vodacom noted strategies that promote a reduction in the carbon footprint of their consumers across all their operations.

It is also important for companies to properly report on their key impacts on the environment so that stakeholders can assess whether they have properly identified impacts and so that mitigating actions can be measured. Between 2011 and 2012, only 10 companies identified impacts that they deemed possible to ameliorate.

Being able to also quantify a change in behaviour is important as this allows improvements to be analysed and compared. In 2012, 15 companies reported on quantifiable indicators. This shows an improvement of 18.8 per cent from 2011.

In 2012, the JSE SRI (2012) named three of the companies in the sample as part of the top 10 performers in overall sustainability\(^8\) reporting. Sappi, Massmart and the Standard Bank Group were recognised for their compliance to the standards set for sustainability reporting by JSE listed companies. According to the MNCDB, the Standard Bank Group has consistently performed well with regards to environmental reporting. The Group has

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\(^8\) Best performers are companies that meet the thresholds for best performance in relation to environment and climate change, as well as all relevant core indicators in relation to both Society and Governance & related sustainability concerns, including independent chairperson.
reported on all identified indicators. Massmart and Sappi have reported improved performance in 2012 as the multinationals have increased their reporting coverage from 4 and 5 indicators to 5 and 8 indicators respectively.
Figure 2.1: Company Environmental Reporting

Graph showing the number of companies reporting in various sections for 2011 and 2012:
- Reporting Section
- Environmental Policy
- Group Coverage
- Identified Key Impacts
- Quantifiable Indicators
- Target for Impact Reduction
- External Verification
- Processes to Reduce Negative Impacts
- Stakeholder Dialogue

The graph indicates a significant increase in reporting across all sections in 2012 compared to 2011.
Environmental Impact Indicators
In descending order, the major identified impacts in company environmental performance were: energy use, waste management; raw materials and water, and product planning. Energy use appears to be the greatest environmental impact indicator; 14 (2011) and 15 (2012) companies acknowledged that energy use is among their impacts on the environment. One would expect more companies to report on their energy use as all companies are subject to using energy in some way.

Some companies report on investment in research that will enable them to reduce their environmental impact. Such companies included Pick n Pay and Eskom. In 2011 and 2012, Eskom invested R199.5 million and R187.7 million, respectively, on research of renewable forms of energy. Eskom has a significant impact on the environment and if fruitful, their research into renewable forms of energy will reduce the carbon footprint of the enterprise.

More companies have also increased their reporting on waste management. Waste management provides another avenue for workers to engage with employers for an inclusive approach in caring for the environment.

Figure 2.2: Environmental Impact Indicators – Areas Covered in the Report

As enterprises that have a high impact on the environment, mining companies and Illovo are the only multinationals that have reported on the way that they deal with accidents. There has been no change in the reporting patterns of this indicator in 2011 and 2012.
Reporting on environmental protection and personnel has increased in 2012. This indicator provides scope for the multinationals to engage with the community in which they operate and the consumers of their products.

In contrast, reporting on biodiversity and carbon footprint has declined in 2012. Reporting on biodiversity has been characteristic of mining companies (De Beers and Gold Fields) and Sun International (belonging to the hospitality sector) in our sample. This is because of the large dependence (in the case of Sun International) on biodiversity in its operations; and the large negative impact on the natural landscape (in the case of mining companies). Sappi also reports on their commitment to biodiversity in 2012.

**Recommendations**
Overall, companies in the sample have shown increased support for sustainability reporting with regards to the environment and community responsibility. This is implied by the increased commitment to community involvement and environmental indicators.

There is much room for improvement however in both the reporting formats and content. Further, this first report for the MNCDB reveals some shortcomings in the data captured which could be remedied with updates to the system.

**CSR reporting:**

**Impact**

The impact of company initiatives within the communities in which they operate needs to be noted in a quantifiable way. Companies should be aware of and report on the impact of their CSR initiatives in order to ensure sustainability and quality of the initiatives. This information might also enable unions to identify the quality of CSR initiatives.

**Commitment to stakeholder dialogue**

“Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all stakeholders. In contrast, systematic stakeholder engagement enhances stakeholder receptivity and the usefulness of the report” (GRI, 2011, p.10).
One important part of corporate social responsibility is stakeholder engagement. Hence, further interrogation of this aspect of CSR could be interrogated by the database. If the company states that they are involved and cooperating with stakeholders, then which stakeholders and how often (NGOs, community, unions etc.). For instance, similar questions to the following questions could be included:

- According to the report, has the company contacted different stakeholders to discuss their CSR initiatives? (if not CSR initiatives, maybe community involvement)
- Which actors have the company identified as stakeholders?
- Does the company report how they are engaging with stakeholders?
- Does the report show evidence of stakeholder engagement?

Significant scope exists for reforms to include the opinions and participation of workers, particularly those outside of South Africa, in formulating the goals and processes of community and environmental involvement. This recommendation extends to the reporting of the company’s commitment to their own workers. The MNCDB does not yet record the company’s position on various policies concerned with the well-being of their workers. Policies might be a way of revealing social corporate responsibility plans of companies. One suggestion is therefore to include companies’ policies on critical social responsibility issues. The questions could include:

- Has the company an anti-discrimination policy?
- Has the company a HIV and aids policy?
- Has the company a BBE policy?
- Has the company a gender policy?
- Has the company a health and safety policy?
- Has the company have a skill and training policy?
- Has the company a policy for stakeholder engagement?

**CSR spending and economic sustainability**

The indices of CSR spending will be useful for unions and other actors, especially if the main purpose of the report and database is to enable monitoring of CSR commitments. For a long-term use of the database it might be important to have an extensive definition of the
concept and produce a database that might enable unions to identify the quality of the CSR section. The database has the potential of revealing if companies CSR initiatives are an extra cost for companies and for instance established at the expense of living wages.

The CSR spend might be more complicated than what companies have included “CSR” or “sustainability” as a spending. For instance, has the company specified what is included in their CSR or CSI spend? What areas are included in the CSR spending? (Education, health, skills development and training, development program, art, sports etc.).

**Tax**

A further interesting area to cover, which is discussed by GRI, is “the organization’s contribution to the sustainability of a larger economic system”. Hence, it might be valuable to reveal how much tax companies pay.

**Environmental Reporting:**
Overall there is scant reporting on community and in particular environmental responsibility by companies in their operations outside of South Africa. Companies must remain aware of their commitment to their operations in other states and their employees in those states. This commitment could be demonstrated by increased reporting on sustainability in operations outside South Africa.

**Conclusions**
Corporate citizenship concerns far more than money put aside for charitable works or even processes to mitigate a company’s negative impact on the environment. It is not to be confused with charity, even though many companies seem to make this mistake. The UN Global Compact argues that “CSR is not a charitable add-on but should be integrated as core business activity” (UNGC). It is no longer ‘if’ but ‘how’ companies report on their responsibility to the communities, countries and environments in which they work and which afford them locations and markets which is fundamental to perhaps seeing why so few of them understand this responsibility as key to their business.
References

DEAT (2005), Environmental Reporting, Integrated Environmental Management Information Series 17, Department of Environmental Affairs and Tourism, Pretoria


