



NATIONAL BUSINESS INITIATIVE

INTEGRATED ANNUAL REPORT

2013 - 2014

DIVERSITY

LEADERSHIP

CREDIBILITY

EMPOWERMENT

SUSTAINABLE

COLLABORATION IN THE NEXT 20 YEARS



Network South Africa

Regional partner of the World Business Council
for Sustainable Development



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1

OUR VISION

“Our vision is to create and support a sustainable, equitable and thriving society that makes South Africa one of the world’s great places to live, work and do business”.



2

OUR MISSION

The **NBI**, as a business collective, provides the **PROGRESSIVE LEADERSHIP** and **ADVOCACY ROLES** needed in South Africa to **SUPPORT** and accelerate **BUSINESS ACTION** to achieve a **SUSTAINABLE, EQUITABLE** and **THRIVING SOCIETY**.



3

OUR VALUES

- Innovation
- Accountability
- Empowerment
- Trust
- Passion
- Diversity

ABOUT REPORT

This is the NBI's third integrated annual report. It sets out our strategy, activities and performance for the financial year ending 30 June 2014 across the most significant financial, environmental, social and governance issues facing the organisation.

The structure and content of this report is guided by the governance principles outlined in the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (King III), the statutory reporting requirements of the Companies Act, 2008 and the guidance of the International Integrated Reporting Council's International <IR> Framework.

Reporting of sustainability information is aligned to the Global Reporting Initiative (GRI) G3 guidelines and a GRI Index is provided at the end of this report. We self-declare level C compliance with the GRI.

The information provided in the transformation section of this report aligns with the dates of the BEE certificates reported in that section. Apart from this exception, informa-

tion provided in this report covers the activities of the NBI in South Africa for the 12 months to 30 June 2014.

The organisation's BEE certificate is externally verified and the financial information contained in this report has been independently audited by BDO (their report appears on page 23). While we acknowledge the benefit of external assurance over other sustainability issues, given the scale of the NBI and the organisation's relatively small direct environmental impact this may be considered in the future.

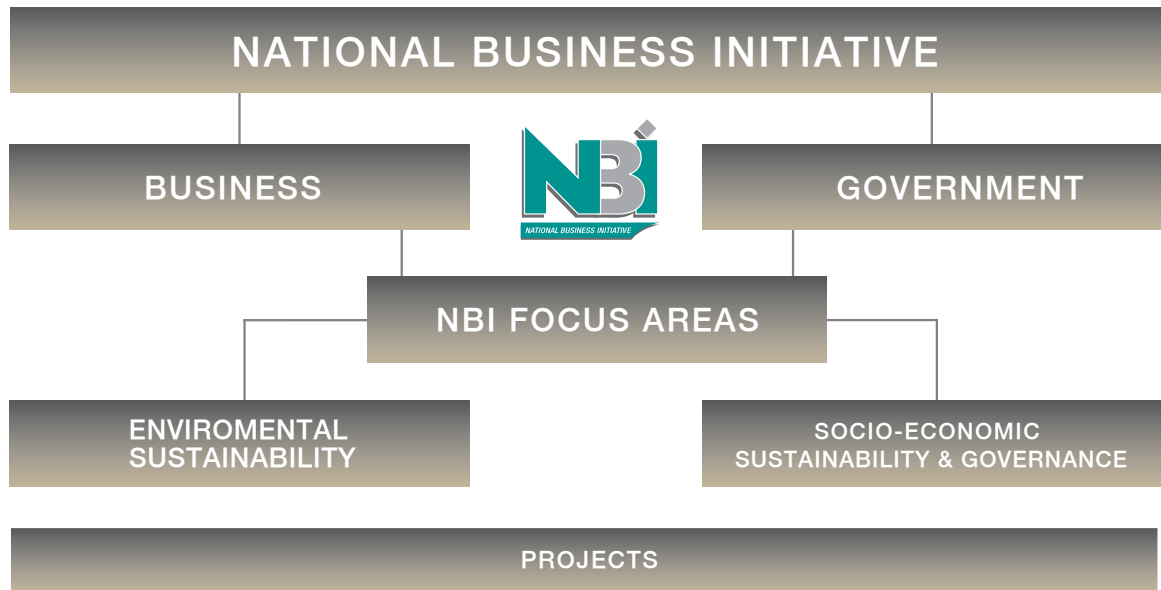
The board of directors acknowledges its responsibility to ensure the integrity of the integrated report and has applied its collective mind to the preparation and presentation of the integrated report. The board is of the opinion that the information contained in the report is accurate and is presented in accordance with the <IR> Framework.

For further information regarding the contents of this report, please contact:

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WHAT WE DO



ENVIRONMENTAL SUSTAINABILITY

ENERGY EFFICIENCY

Private Sector Energy Efficiency Programme (PSEE)(pX)

PSEE Steering Committee

Energy Efficiency Leadership Network (EELN)(pX)

EELN Advisory Committee

CLIMATE CHANGE & WATER

Carbon Disclosure Project (CDP)(pX)

Green Skills

Advisory Committee Environment and Society (ACES)

Adaptation

Greenhouse Gas Accounting Programme

Carbon Tax Offsets

Water Disclosure Project (WDP)(pX)

GREEN ECONOMY

Green Economy Financing

Barriers to Low Carbon Finance

SOCIO-ECONOMIC SUSTAINABILITY & GOVERNANCE

ETHICAL LEADERSHIP & MANAGEMENT

Anti-Corruption Learning Forum

Integrity Pacts

UNGC Local Network Support

Sustainability Best Practice and Reporting

UNGC Advisory Committee

BUILDING AN EFFECTIVE SKILLS PIPELINE

Johnson & Johnson Bridges to Employment

Construction Partnership (CIP)

EOH Skills Tool

Eastern Cape Education Development Trust

Skills for Employability

TVET Support

Welding

Lecturer Workplace Experience

TVET Links

Technical Skills Business Partnership

National Skills Accord

INFRASTRUCTURE DEMAND AND UTILISATION

WHAT WE DO

TRAINING

ENVIRONMENTAL SUSTAINABILITY

ENERGY EFFICIENCY

Energy Management Systems

Energy Efficiency Management

CLIMATE CHANGE & WATER

Greenhouse Gas (GHG)
Accounting

GREEN ECONOMY

SOCIO-ECONOMIC SUSTAINABILITY & GOVERNANCE

ETHICAL LEADERSHIP & MANAGEMENT

Social and Ethics Committees

Human Rights

Anti-Corruption

BUILDING AN EFFECTIVE SKILLS PIPELINE

INFRASTRUCTURE DEMAND AND UTILISATION

ENGAGEMENTS AND EVENTS

ENVIRONMENTAL SUSTAINABILITY

ENERGY EFFICIENCY

CLIMATE CHANGE & WATER

Carbon Tax

Environmental Offsets

GREEN ECONOMY

SOCIO-ECONOMIC SUSTAINABILITY & GOVERNANCE

ETHICAL LEADERSHIP & MANAGEMENT

Social and Ethics
Committees

Human Rights

Anti-Corruption

UNGC Events.

UNGC CEO Leadership
Forum

Anti-Corruption
Learning Forum

BUILDING AN EFFECTIVE SKILLS PIPELINE

Skills Events

Employment Equity Events

INFRASTRUCTURE DEMAND AND UTILISATION

SUPPORTED BY

THOUGHT LEADERSHIP SERIES / QUIET CONVERSATIONS / UNITED NATIONS GLOBAL COMPACT

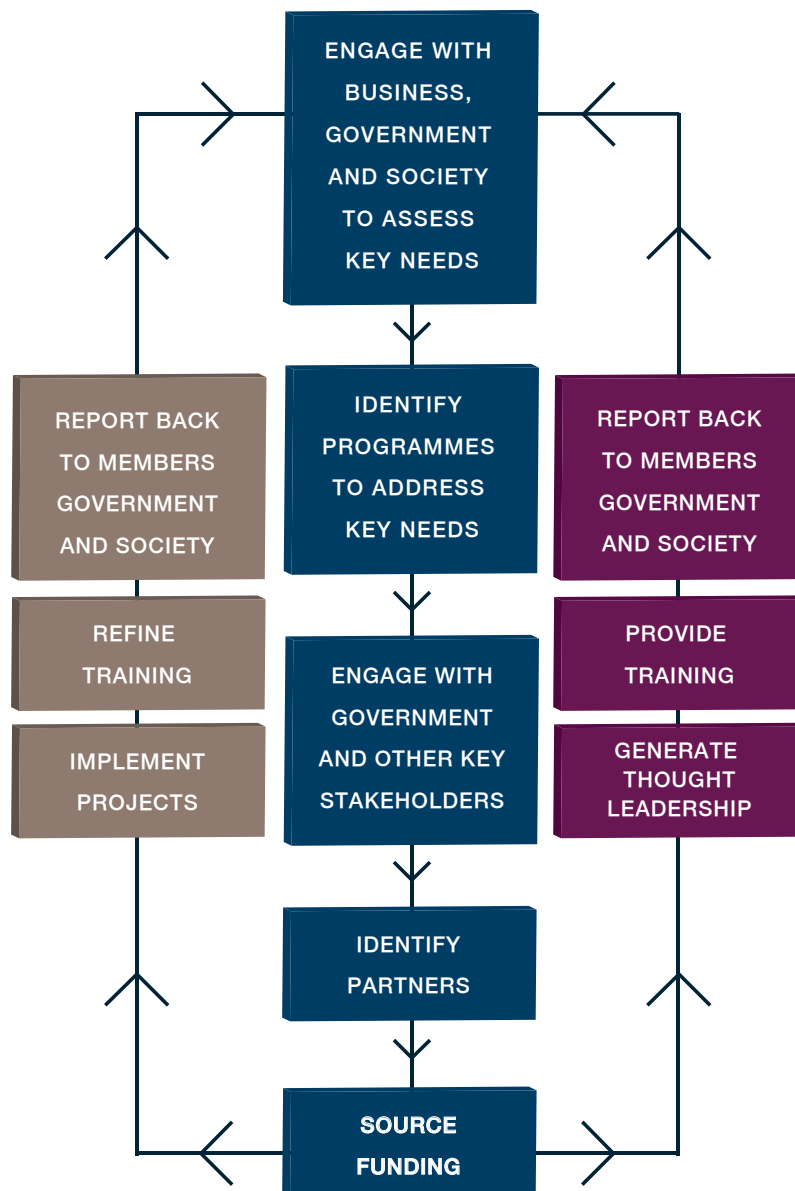
WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

WHO WE ARE

The National Business Initiative for Growth, Development and Democracy (NBI) is an independent, voluntary business coalition of leading companies committed to shaping a sustainable future through responsible business leadership and action, working in partnership with government. It is a registered public benefit organisation with the main objective of promoting economic growth, sustainable development and an enduring democracy, particularly for the benefit of the disadvantaged communities of South Africa.

South Africa faces many challenges, including high unemployment, widespread inequality, a failing education system, skills shortages, endemic corruption and a fractured labour relations framework. These issues are exacerbated by weak local and global economic growth and an increasingly complex political environment. Long-term solutions will require all sectors of the country to work together.

The NBI offers those seeking a sustainable future for South Africa a practical and effective platform on which to engage with each other, government and other stakeholders through facilitation, thought leadership and collective and practical action. The NBI mobilises the collective ability of companies to play a constructive role in transforming the country and creating an ethical, prosperous and equitable society.



WHO WE ARE

DELIVERING SUSTAINABLE VALUE

The NBI's history of delivery over the last 20 years and the deep partnerships it has fostered in undertaking its projects position it well to build business coalitions to address the country's many challenges. Its strong ties to global initiatives such as the World Business Council for Sustainable Development (WBCSD) and the United Nations Global Compact (UNGC) increase access to international best practice as well as providing a means for members to influence global thinking.

The World Business Council for Sustainable Development (WBCSD) is a global CEO-led organisation of more than 200 forward-thinking companies representing combined revenues of over \$7 trillion. The WBCSD galvanises the global business community to create a sustainable future for business, society and the environment.

The NBI is the South African global partner for the WBCSD, affording members access to:

- International networks and platforms
- Global and local best practice
- Relevant sustainability tools and methodologies
- Shared knowledge and experience

www.wbcسد.org

Regional partner of the World Business Council
for Sustainable Development



LEADERSHIP TEAM



Joanne Yawitch
Chief Executive Officer



Valerie Geen
Head: Energy



Steve Nicholls
Head: Climate Change
& Water



Dr Peter Mukoma
Head: Private Sector
Energy Efficiency



Makano Morojele
Head: Skills
Development



Gillian Hutchings
Head: Membership and
Communications



Renee Singh
Human Resources
Coordinator



Megan Allie
Finance Manager and
IT Coordinator



Wouter van der Merwe
Finance Manager



Dr. Achieng Ojwang
Programme Manager:
Global Compact SA

OUR MEMBERS



HIGHLIGHTS



PROGRAMME FUNDING - page 10
Increased 311% to R11.1 million



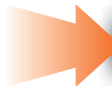
HEADCOUNT - page 33
Increased 16% to 36 to staff the PSEE project



WATER CONSUMPTION - page 38
Increased 8% to 411 m³



ELECTRICITY CONSUMPTION - page 38
Decreased 42% to 99 202 kWh



BEE STATUS - page 36
Remains at Level 4



BLACK BENEFICIARY BASE OF SOCIO-ECONOMIC PROJECTS
Remains at 100%

Income by Source (Rm)



OUR STRATEGY

Since its inception 20 years ago, the NBI has been effective in bringing business, government and other stakeholders together to address South Africa's most important sustainable development priorities. The organisation has established a reputation for delivering strong business collective action, relevant thought leadership and programmes in areas critical to business.

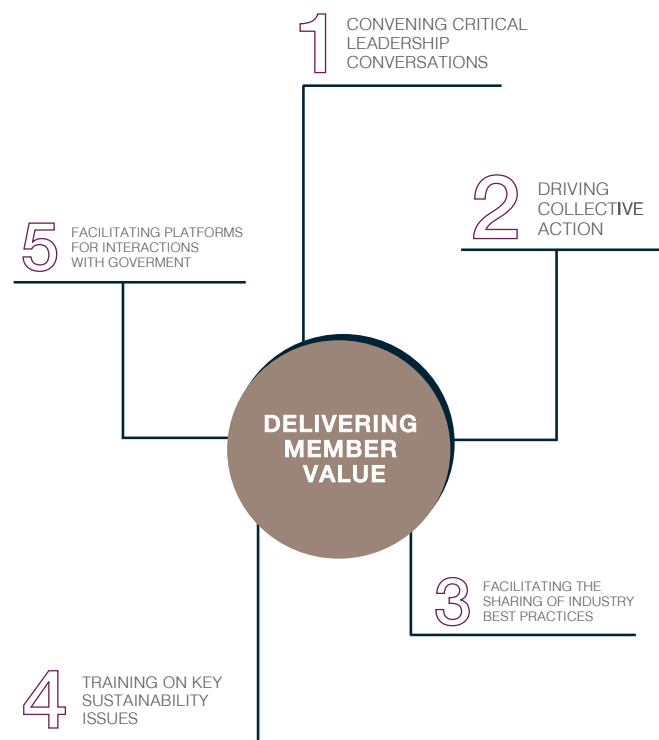
We believe our country's most significant priorities are:

- employment creation, economic growth and reducing poverty and inequality;
- strengthening our country's human capital through education and skills development; and
- driving ecological balance so that the scarce resources available to our generation can also be used and developed by the next.

The NBI provides a means for business to proactively take the lead in critical areas and build trust, coordination and collaboration with government, communities, the youth and other stakeholders. We represent the interests of our members within the context of national priorities as well as shaping their understanding of sustainable development. We do this by providing exposure to thought leadership, international best practice guidelines, tools and programmes, and networking opportunities. We look forward to continuing to facilitate growth and development for the benefit of our members and the country, for the next 20 years and beyond.

Delivering on our value proposition

Our strategic focus areas are built around those areas business is most able to impact, and is most impacted by, and particularly those areas where business has the most leverage and desire to drive societal change. Our two broad focus areas are Environmental Sustainability, and Socio-economic Sustainability and Governance. These break down into the six work streams shown in the diagram below, supported by the adaptation of international partnerships and guidelines such as the WBCSD and the UNGC to the South African context.



Key projects

Our projects concentrate on the areas we believe have the potential for the greatest impact and scale:

- Building a skills pipeline;
- Energy efficiency;
- Climate change and water, and the green economy.

These projects are extended and supported through ongoing engagements with government and other key stakeholders, targeted training interventions and various events relevant to our focus areas. In 2014, the NBI held 56 events across Gauteng, Western Cape and Kwa-Zulu Natal.

Programmes under development

We are developing further programmes in areas relevant to our members, including:

- enterprise development (ED) with a focus on collective platforms for sharing best practice, value chain sustainability and opportunities for youth within ED programmes;
- expansion of the Johnson & Johnson Bridge to Employment programme beyond the health sector;
- facilitating a series of "Quiet Conversations" to build trust and enable challenging issues to be addressed. These conversations will align with both our current content focus areas as well as other economic and social issue challenges;
- water availability, infrastructure and pricing; and assessing the organisation's role in the rest of Africa, as its members and partners expand into the continent.

BUILDING SUSTAINABILITY

The concept of sustainability is built into the NBI’s DNA. We are a registered public benefit organisation established to support the long-term prosperity of South African society and business. Our main aim differs from that of profit-driven businesses, which focus on generating financial returns. Our goal is to maximise value for our members by:

- leveraging the intellectual capital developed within the NBI, as well as that arising from our close partnerships with global institutions such as the UNGC and WBCSD, the input of our members, and through our collaborations with academic institutions and industry thought leaders;
- building social and relationship capital through our standing in the business community and our established partnerships with regional and national government.

By building intellectual, social and relationship capital, we support the long-term goals of the country and business by creating an economic, environmental, social and governance context in which all stakeholders can thrive.

While building financial capital is not our core focus, it is crucial for the organisation’s sustainability. We need to ensure that we can source sufficient funds to enable us to continue to add value to our members through

our projects, training initiatives, thought leadership and ongoing engagements with stakeholders. This is one of the most critical challenges to the long-term sustainability of the NBI as an organisation.

The NBI’s human capital comprises the organisation’s employees, management and unit heads, without which we would not be able to implement any of our initiatives. As a relatively small organisation, the NBI’s reliance on manufactured capital largely relates to the offices we occupy and their contents. This also means that our direct input on natural capital – the environment around us – is similarly not significant. However, environmental issues, particularly climate change and energy efficiency, are core focus areas of the organisation and we consequently report on our own environmental impacts in recognition of their significance.

The NBI’s most material sustainability issues

Our most material issues are those risks and opportunities that have the most significant potential impact on our long-term sustainability. These were identified and prioritised through the outcome of risk workshops run during the year, board and management deliberations, membership engagement and the reporting process.

These issues include both financial and non-financial considerations - environmental, social and governance risks and opportunities ultimately translate into financial risks and opportunities and equally affect our ability to generate sustainable value for our stakeholders over the long term.

The table below summarises the most material issues facing the NBI, the relevance to the organisation and our response. These issues are analysed in more detail in the relevant sections of the report.

FINANCIAL CAPITAL

MATERIAL ISSUE

Financial sustainability

23

RELEVANCE

We need sufficient financial capital to implement our programmes and provide value to our members and stakeholders.

RESPONSE

- Maintaining a strict focus on managing costs without compromising delivery.
- Continuous engagement with members to ensure the organisation remains relevant to members’ needs.
- Formalised collection procedures to ensure timely receipt of member fees.
- Improved project management capabilities and tools to ensure programme delivery and project cost recovery.
- Formalising and communicating the organisation’s value proposition.
- Cost recovery model introduced for non-NBI members.
- Sponsorships in money and kind sourced for projects.

FINANCIAL CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

MATERIAL ISSUE

Strategic positioning

27

RELEVANCE

We need to ensure that we continue to meet members' changing needs.

RESPONSE

- Revised strategy aligned to members' needs.
- Membership Council ensures member input into NBI work streams and overall strategy.
- Continual engagement with members to understand their needs and reiterate our value proposition.
- Key projects in each work stream.
- Ensuring a good understanding of competitor organisations' value propositions and how we compare.

FINANCIAL CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

INTELLECTUAL CAPITAL

MATERIAL ISSUE

Project execution

30

RELEVANCE

Successful execution on projects with impact and scale demonstrates the NBI's value proposition and reinforces our strong reputation for delivery

RESPONSE

- Organisation structured for improved delivery.
- Improving project management capabilities and tools to ensure programme delivery and project cost recovery.
- Addition of required resources on a project-specific basis.

SOCIAL AND RELATIONSHIP CAPITAL

MATERIAL ISSUE

Governance

31

RELEVANCE

Good corporate governance is essential in all organisations.

RESPONSE

- Compliance with the new Companies Act.
- Continued progress in applying the principles of King III in our organisation.
- Social, Ethics and Transformation Committee established.

HUMAN CAPITAL

INTELLECTUAL CAPITAL

MATERIAL ISSUE

Human capital

33

RELEVANCE

We need to attract and retain motivated staff with the appropriate skills to deliver on our strategy effectively.

RESPONSE

- Organisation structured for improved delivery.
- Ongoing engagement with staff to address morale issues arising from the restructuring.
- Process in place to recruit appropriate skills required.
- Team-based approach to ensure spread of skills and relationships.

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

MATERIAL ISSUE

Transformation

36

RELEVANCE

The NBI is committed to the principles of transformation

RESPONSE

- Certified value-adding level 4 B-BBEE contributor, affording 125% procurement recognition level to donors including a certified 100% black beneficiary base, supporting benefits under Social Economic Development.

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

MATERIAL ISSUE

Environment

38

RELEVANCE

While our direct environmental impact is small, we recognise our obligation to manage it responsibly.

RESPONSE

- Tracking and reporting of environmental indicators.
- Energy, water and waste efficiency initiatives are in place.

CHAIRMAN'S REPORT

The developing social, political and labour trends in South Africa bring further proof that the distinction between economic, environmental and social issues is becoming increasingly blurred. The NBI serves as a collective platform for business that enables its role to be optimised. We aim to facilitate engagements between business, government and other stakeholders to ensure that business is well represented and that the initiatives arising from these engagements contribute to the development of the country. Addressing the long-term social, environmental and governance issues facing business ultimately supports corporations to compete more effectively.

Our progress in 2013/2014

Like many organisations operating in the current business environment, the NBI faced some critical challenges in the last year. As in prior years, one of the most critical challenges continues to be ensuring that we maintain our membership base and move closer to a viable funding model that will support the long-term sustainability of the organisation.

The continued tough South African market conditions have inevitably caused companies to shorten their timeframes and increase their focus on short-term profitability. This shortening of focus makes it difficult to shift the attention of members and potential members to the long-term socio-economic and environmental challenges facing South Africa, which the NBI addresses.

We focused our efforts on refining and communicating the NBI's excellent value proposition as well as aligning the organisation to the needs of our members to ensure that we address the priorities they have identified.

Under the circumstances that prevailed over the financial year, the NBI produced a very good performance. Although member donations decreased 18% to R13 million, strong growth in project income helped us to end the year in a far stronger financial position. Good leadership and the necessary hard decisions have directly resulted in the improved situation the organisation finds itself in and repositioned the NBI for long-term sustainability.

Our strategy

Our strategy is discussed in detail on page 11 of this report. We implement a broad range of projects and activities grouped under our two broad focus areas of Environmental Sustainability and Socio-economic Sustainability and Governance. These initiatives are supported by our positions as South African global partner for the WBCSD and local host of the UNGC, as well as our ability to create thought leadership and facilitate quiet con-

versations with influential stakeholders.

Among the range of activities implemented by the NBI, which are summarised in the diagram on page 5, our key projects are combined in following three areas:

- Building a skills pipeline

Our work in this area aims to close the gap between what higher education is doing and what the needs are in the jobs arena. The businesses of tomorrow will be built on the skills the country develops today. The NBI continues its projects to engage with the Technical and Vocational Education and Training (TVET) colleges to help increase their efficiency. We work with business, including the construction sector, to inform TVET curricula to ensure that these match employer requirements.

- Energy efficiency

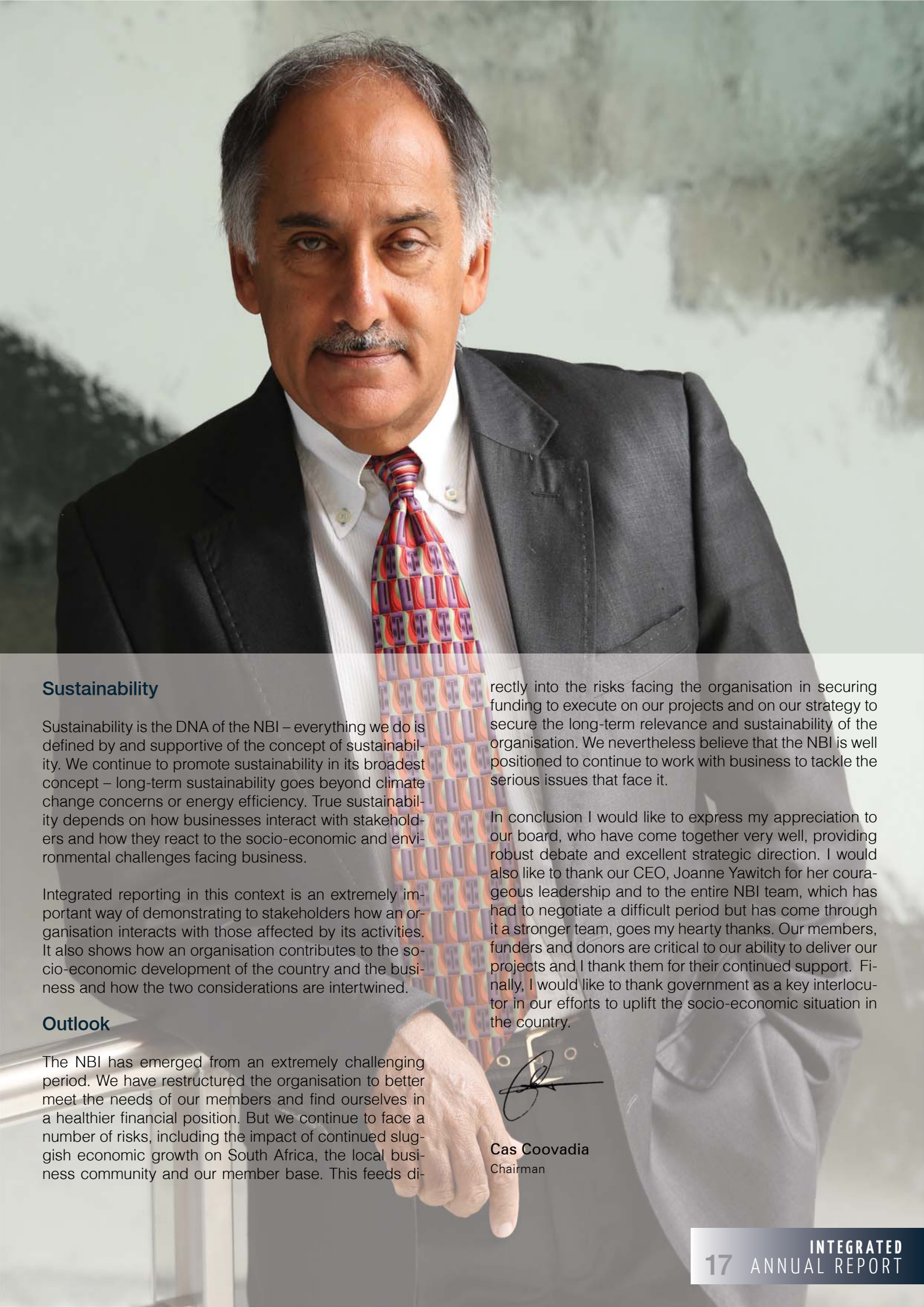
Improving the efficiency with which energy is used has become a key concern of business, given the rapid rise in energy costs and interruptions to supply. The NBI facilitates the Energy Efficiency Leadership Network (EELN), which is now in its ninth year and has more than 50 large corporations participating. The Private Sector Energy Efficiency (PSEE) is a substantial programme that demonstrates the NBI's ability to deliver on an implementation of this magnitude. By year end the PSEE was helping nearly 100 large and medium businesses to improve their energy efficiency and has been extended to ensure the rollout reaches more small and medium businesses.

- Climate change, water and the green economy

We have a range of projects to support business in its approach to managing climate change, water challenges and improving the understanding of the green economy. The CDP, formerly known as the Carbon Disclosure Project, is in its seventh year and South Africa again achieved one of the highest CDP response rates in the world. A particular area of focus was on greenhouse gas accounting and we facilitated several sessions during the year. Other new projects include a focus on water pricing and energy pricing. The NBI will scale-up initiatives to assist business to manage water resources better.

Governance

We continue to see the benefits of the restructured governance framework we implemented last year. Our board is smaller, more focussed and more active. The skills set on the board offers excellent strategic guidance for the organisation and active support of management. The newly established board committees are all working very well and providing improved governance oversight and relevant input into the organisation.



Sustainability

Sustainability is the DNA of the NBI – everything we do is defined by and supportive of the concept of sustainability. We continue to promote sustainability in its broadest concept – long-term sustainability goes beyond climate change concerns or energy efficiency. True sustainability depends on how businesses interact with stakeholders and how they react to the socio-economic and environmental challenges facing business.

Integrated reporting in this context is an extremely important way of demonstrating to stakeholders how an organisation interacts with those affected by its activities. It also shows how an organisation contributes to the socio-economic development of the country and the business and how the two considerations are intertwined.

Outlook

The NBI has emerged from an extremely challenging period. We have restructured the organisation to better meet the needs of our members and find ourselves in a healthier financial position. But we continue to face a number of risks, including the impact of continued sluggish economic growth on South Africa, the local business community and our member base. This feeds di-

rectly into the risks facing the organisation in securing funding to execute on our projects and on our strategy to secure the long-term relevance and sustainability of the organisation. We nevertheless believe that the NBI is well positioned to continue to work with business to tackle the serious issues that face it.

In conclusion I would like to express my appreciation to our board, who have come together very well, providing robust debate and excellent strategic direction. I would also like to thank our CEO, Joanne Yawitch for her courageous leadership and to the entire NBI team, which has had to negotiate a difficult period but has come through it a stronger team, goes my hearty thanks. Our members, funders and donors are critical to our ability to deliver our projects and I thank them for their continued support. Finally, I would like to thank government as a key interlocutor in our efforts to uplift the socio-economic situation in the country.

A handwritten signature in black ink, appearing to be 'Cas Coovadia', written over a light grey background.

Cas Coovadia
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

The NBI performed well against the targets we set for ourselves in the year to June 2014. The organisation's finances turned around and our projects made good progress. We increased our presence in Kwa-Zulu Natal and the Western Cape, raising the profile of the NBI substantially. The activities of the previous year had positive spinoffs and we received good feedback from our members.

The positive programme delivery and improved financial position of the NBI were particularly pleasing in the context of an operating environment that remains extremely challenging. We are fundamentally dependant on the health of the economy as the financial position of our members has a direct impact on our financial situation. In the likely scenario that the South African economic situation continues to get tougher, attracting and retaining members and project funders is likely to become more and more challenging.

Financial sustainability

Financial sustainability and attracting funds remain our key challenges. It is imperative that the NBI clearly communicates our value proposition so that the direct value membership of the organisation offers companies is immediately apparent. From an organisational perspective, this brings the challenge of establishing programmes that are broad enough to deliver real benefits to society while being narrow enough to show specific value to our more than 100 members. This is a tightrope we have to walk on an ongoing basis.

For the first time in several years, the organisation ended the year in a stronger financial position, declaring a surplus of R3.4 million. Membership donations decreased 18% to R13 million but were offset by a strong increase in project cost recoveries to R11 million. Personnel expenditure rose 26% as we added staff in key positions and built capacity for the Private Sector Energy Efficiency (PSEE) project while administration costs were contained to an increase of less than 1%. Cash flow was better than it has been for a long time as the programmes we put in place over the last 18 months began to bear fruit.

Strategic positioning

Just as we need to focus on communicating the NBI's value proposition to the business community, we need to ensure that our unique positioning within South African business organisations is fully understood. We believe the NBI enjoys a solid reputation as a business organisation in the sustainability sector that adds value, is well connected, implements impactful programmes and delivers good quality thought leadership.

Project execution

One of the NBI's unique features among similar organisations is its active delivery of projects relevant to the long-term sustainability of business in South Africa. We discuss many of the organisation's multiple projects around the country in the rest of this report, but the PSEE project was by far the biggest in the last year. The first review of the PSEE by the UK's Department for International Development (DFID), the project's funder, led to an extension to the end of November 2015. We now have 15 people in place with capacity in Durban, Cape Town and Port Elizabeth, and a strong pipeline of projects and targets. While overall progress has been acceptable, there are always things we could be doing better and we are focused on improving these. We are nevertheless pleased with the overall progress of the project and look forward to accelerating delivery in the remainder of the project timeline.

Governance

We began to see the benefits of the governance restructure we implemented last year through the input from the new board and the new board committees, which have been working well together. Our member-facing governance initiatives developed well as we significantly increased our activities around the United Nations Global Compact (UNGC), including our work on social and ethics committees and the UNGC principles. We built capacity and progressed our planning around the anti-corruption programme. We have started establishing integrity pacts, although progress has been slower than we had hoped due to the lead up to the national elections and the need for more consultation with industry organisations.

Human capital

The NBI's human and intellectual capital are key assets of the business. We maintain a core team of skilled staff and then match our staffing levels to project activity. In 2014 our headcount climbed to 39 people as we added 15 staff members for the PSEE, with some additions in the skills programme and climate finance teams. After the disruptions of the restructuring, we are pleased to see that staff morale is improving and staff turnover decreased to less than 5%.

There was pleasing progress in our skills programmes for improving employability. We worked closely with the construction sector on a work integrated learning programme and chaired Business Unity South Africa's (BUSA) education and skills management team with government. We scaled up many of our skills projects during the year, including our work with Afrox on improving welding skills, the work integrated learning partnership with the construction sector and our partnership



with the British Council to build capacity within TVET colleges. We are also exploring a work integrated learning initiative with the hospitality industry and continue to run ongoing awareness and information events.

Transformation

Transformation is an important consideration for all business in South Africa and a significant lever to drive socio-economic development in the workforce and in the country. We are committed to the principles of transformation and measure our transformation progress against the Department of Trade and Industry (dti) Codes of Good Practice. The NBI is a certified value-adding level 4 contributor.

Environment

The direct impact of the NBI on the environment is small. We nevertheless recognise our responsibility to manage our environmental footprint responsibly and manage our resource use. The move to smaller premises and the installation of energy efficient lighting helped us reduce our Scope 2 carbon emissions from purchased electricity by 27%. Water consumption increased 8% in 2014. While we have focused on reducing travel through remote meetings, we have had to balance this with the need to deepen the NBI's presence in provinces around the country.

The positive indirect impact that the NBI has on the environment is evident in our various environmental projects. These include the PSEE and the EELN that continue to reach more companies, demonstrating best practice and building capacity. Our activities around water started to gain traction and we received a grant from the Development Bank of South Africa that will allow us to expand our work around green economy finance con-

siderably. The CDP had another good year and we also rolled out greenhouse gas accounting training to companies around the country.

Outlook

We have a busy year ahead of us, with delivery on the PSEE a significant focus for the organisation in the next 18 months. We are committed to achieving the project targets set for July 2015 and are establishing the delivery pipeline required to achieve these goals.

Increasing the momentum in our water programmes is another focus area. We have partnered with PricewaterhouseCoopers (PwC) to implement a water pricing initiative and will then focus on establishing partnerships in the private sector to manage water use.

Our climate change work is expanding to communicate developments in the environmental policy arena, linking the evolving carbon tax debate and other policy work as well as international developments around climate change.

We will also look to expand our skills programmes beyond work integrated learning and we are expanding the Bridge to Employment programme into other areas to build school children's understanding about their career opportunities.

We believe that successful implementation of these and our other projects will continue to demonstrate the organisation's relevance to our members and other stakeholders as well as our ability to add value in the long term.

Joanne Yawitch

Chief Executive Officer

STAKEHOLDER ENGAGEMENT

SOCIAL AND RELATIONSHIP CAPITAL

Building deep and lasting relationships with business, government and other key stakeholders is an important way the NBI creates value for its members. Stakeholder engagement is therefore one of the core activities of the NBI. We define our broader stakeholders as any group affected by and affecting the company's operations.

We communicate with our stakeholders through a range of communication channels that aim to raise awareness about sustainable development. Communications with external stakeholders include:

- On a Clear Day is published weekly and reaches 2 347 readers;
- Five Quick Briefs sent to a database of about 2 666 subscribers;
- NBI in the News compiled and sent quarterly; and
- NBI content inclusions in the WBCSD quarterly Global Network Newsletter.

We are busy drafting a Stakeholder Engagement Plan that will guide and formalise the organisation's future engagements.

Our main stakeholder groups, how we interact with them, their key concerns and how we address these are detailed in the table below.

STAKEHOLDER GROUPS		
MEMBERS		
NATURE OF ENGAGEMENT	CONCERNS	HOW WE ADDRESS THESE
<ul style="list-style-type: none"> • Continual interaction, board, membership council (both national and provincial), programme advisory structures, various publications, dialogues and events 	<ul style="list-style-type: none"> • A clear, unique value proposition • Value for money • Efficient and effective delivery on projects 	<ul style="list-style-type: none"> • Delivery on our core projects • Networking opportunities • Thought leadership in support of sustainable development
PROJECT BENEFICIARIES		
NATURE OF ENGAGEMENT	CONCERNS	HOW WE ADDRESS THESE
<ul style="list-style-type: none"> • Interaction during project setup, delivery and closure/exit 	<ul style="list-style-type: none"> • Effective sustainable development 	<ul style="list-style-type: none"> • Delivery on our core projects

STAKEHOLDER GROUPS

PROJECT SPONSORS

NATURE OF ENGAGEMENT

- Interaction during project setup, delivery and closure/exit

CONCERNS

- Efficient and effective delivery on projects

HOW WE ADDRESS THESE

- Delivery on our core projects
- Thought leadership in support of sustainable development

OTHER BUSINESS ORGANISATIONS (e.g. BUSA, BLSA, BBC)

NATURE OF ENGAGEMENT

- Interaction through partnerships and other business forums

CONCERNS

- Co-ordinated and collaborative sustainable development in support of business in South Africa

HOW WE ADDRESS THESE

- Delivery on our core projects
- Regular interactions to drive strategic alignment

EMPLOYEES

NATURE OF ENGAGEMENT

- Ongoing interaction
- Performance reviews

CONCERNS

- Business sustainability
- Fair wages
- Good working conditions

HOW WE ADDRESS THESE

- Performance management reviews
- Ongoing communication

ACADEMIC INSTITUTIONS

NATURE OF ENGAGEMENT

- Ongoing interaction
- Sitting on advisory boards
- Lecturing

CONCERNS

- Partnering to provide thought leadership

HOW WE ADDRESS THESE

- Delivery on our core projects
- Developing thought leadership

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUPS

REGIONAL AND NATIONAL GOVERNMENT

NATURE OF ENGAGEMENT

- Ongoing project-level interaction
- High-level interaction
- Interaction with other business organisations
- Sitting on working groups
- One-on-one support of key officials

CONCERNS

- Advancing the country's sustainable development agenda

HOW WE ADDRESS THESE

- Delivery on our core projects
- Developing thought leadership
- Maintaining strong relationships with government to act as a bridge between government and businesses

STRATEGIC PARTNERS (including the WBCSD, UNGC)

NATURE OF ENGAGEMENT

- Ongoing project-level interaction
- High-level interaction

CONCERNS

- Advancing the international sustainable development agenda
- Demonstrating the contextual relevance for South Africa

HOW WE ADDRESS THESE

- Delivery on our core projects
- Thought leadership in support of sustainable development

DELIVERY PARTNERS (CDP, WRI, JET, specialist consultants)

NATURE OF ENGAGEMENT

- Ongoing project-level interaction
- High-level interaction

CONCERNS

- Advancing sustainable development

HOW WE ADDRESS THESE

- Delivery on our core projects
- Thought leadership in support of sustainable development

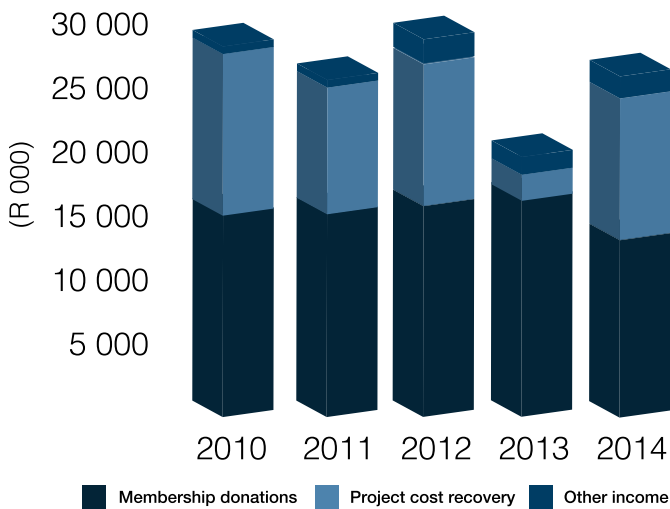
MATERIAL ISSUES

FINANCIAL SUSTAINABILITY

FINANCIAL CAPITAL

Our goal is not to generate financial returns, but to create non-financial value for our members and other stakeholders. Over the long term, the projects and programmes we facilitate aim to develop a society in which socio-economic development is supported and where our members can achieve their strategic goals, including maximising their financial returns.

Revenue by source

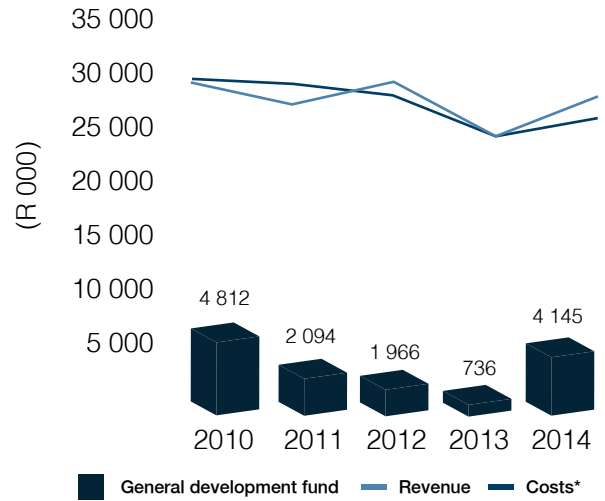


The NBI is critically dependent on memberships donations to fund its operations and projects, and these comprised 50% of total revenue in 2014 (81% in 2013). When business is under pressure, membership payments to the NBI suffer. These challenging economic times are when the need for the change our programmes and initiatives facilitate are most needed.

While the PSEE project absorbed a great deal of management attention and resources this year, it also ensured that for the first time in three years the NBI ended the year in a better financial position than it started. However, this is a short-term project, ending in the second half of 2015 and three other funding agreements expire in the first quarter of the 2015 financial year.

Managing our costs responsibly is an important part of ensuring that we create value for our members and stakeholders cost-effectively. However, this must be balanced against the need to ensure that we have the capacity to deliver on our projects. Capacity and financial constraints limit our ability to capitalise on opportunities and generate new projects. Continued uncertainty about the financial sustainability of the organisation also affects our ability to attract and retain the human capital and intellectual capital the organisation needs to deliver effectively.

NBI Revenue, Costs and Reserves



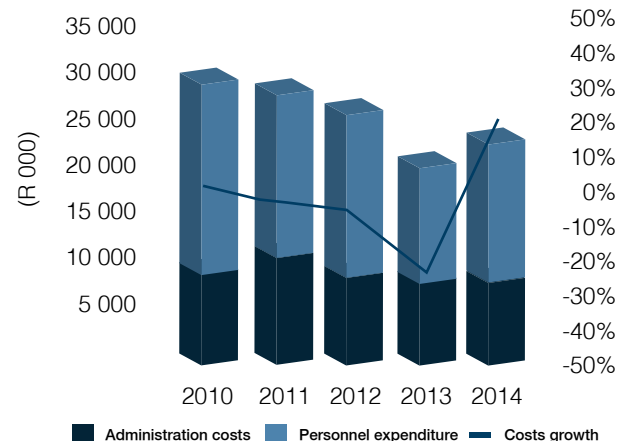
We need to establish a funding strategy that will ensure the financial sustainability of the NBI in the long term, so that we can continue to support sustainable solutions to the challenges facing our country.

Financial performance in 2014

Membership donations decreased 18% to R13.0 million (2013: R15.8 million) while project cost recoveries increased 311% to R11.1 million (2013: R2.7 million) largely due to the PSEE project funded by the DFID. Total revenue increased to R25.9 million (2013: R19.5 million) resulting in a surplus for the year of R3.4 million (2013: deficit of R1.2 million).

The benefits of the organisational restructure continue and costs increased 16% in 2014 against revenue growth of 32%. Personnel costs increased 26% as more staff were added to implement the PSEE project and represent 66% of total costs (2013: 61%). The increase in administration costs was limited to 0.8%.

Costs



MATERIAL ISSUES

FINANCIAL SUSTAINABILITY

FINANCIAL CAPITAL

What we are doing about it

Our goal is to rebuild the NBI's reserves to cover at least 18 months of operational expenses. Currently, our reserves cover 2.2 months of average monthly expenses. Increasing this to 18 months will require the organisation to consistently generate surpluses.

We aim to achieve this through a combination of the following activities:

- **Increase membership donations**
 - Constantly communicate our unique value proposition and continue to demonstrate our ability to deliver value to our members.
 - Continue to formalise member relationships to reduce cancellations without advance notice, late and non-payment of membership donations.
 - Continue with the implementation of more robust recovery processes for outstanding donations.
 - Continue to implement inflation-linked increases in donations.
 - Continue to diversify our membership base.
- **Ensure project cost recovery**
 - Formalised project management disciplines are in place, supported by a costing framework and software solutions.
 - Formalise agreements with project sponsors and donors to ensure accurate budgeting and forecasting, tight cost controls and effective recovery of project costs.
- **Establish other sources of funds**
 - Develop a broader more formalised funding strategy.
 - Investigate options for overseas funding.
 - Improve returns on our invested funds.
 - Proceed with relevant projects to unlock dormant funds.
- **Manage costs**
 - Effectively balance human capital costs with capacity and our ability to deliver.
 - Manage administration costs responsibly.
 - Solicit sponsorships and services in kind from members and partners to keep operational costs low.
 - Extend and rigorously apply the cost-recovery model from non-members for training sessions and workshops.

GOALS FOR 2014

Retain and increase membership income as well as project income at a scale that will begin to rebuild the NBI's reserves and therefore the NBI's financial sustainability.

PERFORMANCE IN 2014

Membership income decreased 18%. Project income increased 311%. General development fund increased to R4.1 million.

GOALS FOR 2015

Membership income to be increased through retention and new member acquisition, as well as project income to ensure the implementation of the NBI's strategy as well as the rebuilding of the NBI's reserves and therefore the NBI's financial stability

GOALS FOR 2014

Continue to drive cost efficiencies in the NBI's operations, specifically in IT and telephony systems.

PERFORMANCE IN 2014

Administration costs increased less than 1% in 2014 against a revenue increase of 32%. IT cost reductions took longer to realise than expected, but will be achieved in 2015.

Review IT systems and prepare to implement recommendations in 2015.

GOALS FOR 2015

Implement recommendations from the cost efficiencies review.

Reduce IT costs by 80% by changing service providers and systems from ADSL and Diginet to fibre optic to enhance the IT system's performance and reduce costs.

Value added

Value added is a measure of the increase in financial value created by the organisation over and above the cost of infrastructure and services required to operate. The value added statement below shows how this is distributed to employees, beneficiaries and other stakeholders that contributed to its creation. The statement also shows the value retained and reinvested for the further development of the organisation.

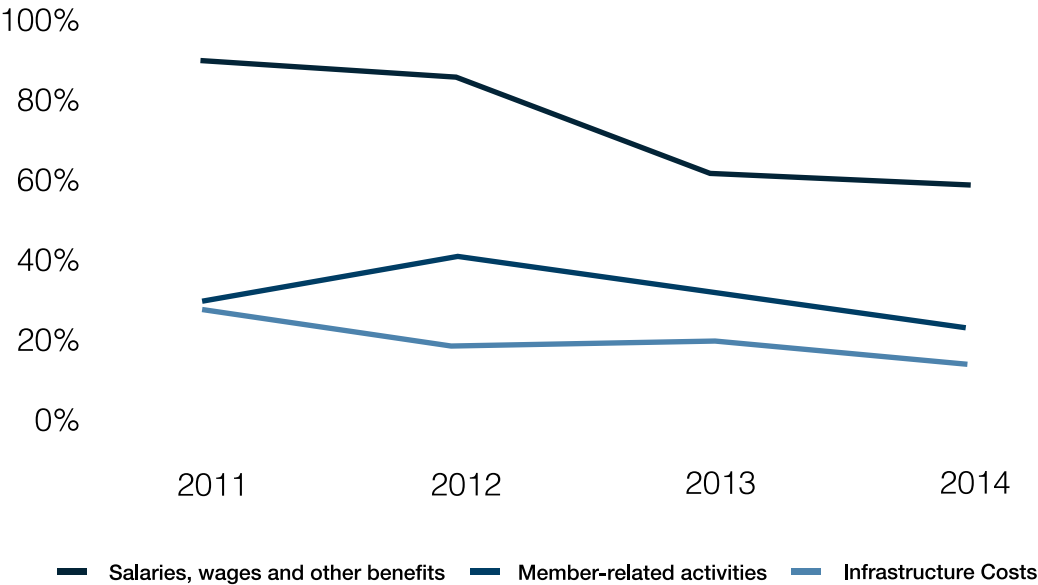
VALUE ADDED STATEMENT

For the year ended 30 June

COMPANY

		2014	2013	2012
		R'000	R'000	R'000
WEALTH CREATED				
Revenue		25 879	19 536	28 319
Value added		25 879	19 536	28 319
Add: Income from investments		119	58	203
Wealth created		25 998	19 594	28 522
WEALTH DISTRIBUTION				
	%			
Employees				
Salaries, wages and other benefits	57%	14 846	11 823	17 718
Member related activities	10%	2 640	3 160	3 138
Infrastructure costs	20%	5 095	5 834	7 782
Interest on borrowings	0%	8	7	12
Government taxation and levies	0	0	0	0
Retained in the company	13%	3 409	0	0
To provide for the maintenance of capital	7%	1 909	0	0
To provide for expansion	6%	1 500	0	0
	100%	25 998	20 824	28 650

Distribution of value added / Total value added



STRATEGIC POSITIONING

SOCIAL AND RELATIONSHIP CAPITAL

FINANCIAL CAPITAL

South African companies have a range of business organisations and socio-economic development projects they can choose to support. It is important that our actions, projects and programmes clearly distinguish the NBI from other business organisations and that our unique value proposition is clear in the minds of our members, the business community and broader society. We need to ensure that we understand our members' strategic objectives to ensure that the actions of the NBI continue to support these goals.

Our key programme streams focus on areas that we believe have the greatest potential to develop scale to positively impact both beneficiaries and our members. Our three key programme streams are:

- Building a skills pipeline;
- Energy efficiency;
- Climate change, water and the green economy.

What we are doing about it

The NBI aims to ensure that it remains relevant to South African business by:

- Working closely with other business organisations such as Business Unity South Africa (BUSA), Business Leadership South Africa (BLSA) and the Black Business Council (BBC) to ensure that projects and programmes are complementary and to minimise duplication. This is particularly relevant to the NBI's skills programmes, where the NBI is well positioned to play a co-ordinating and implementing role.
- Deepening our intellectual capital and thought leadership developed in our focus areas. This has been derived from the experience and deep understanding we have developed through our programmatic work and our level of involvement and engagement with our members.
- Continuing to develop external communication channels to ensure members, potential members and other stakeholders understand the NBI's strategic focus, value proposition and achievements.
- Partnering with other thought leaders to ensure that members benefit from broader insights into key issues. These partners include GIBS, KPMG (Green Economy Work) and PwC (Water).
- Strengthening our communication strategy and implementing social media communication channels.

GOALS FOR 2014

Develop platforms for Quiet Conversations.

PERFORMANCE IN 2014

The Quiet Conversations initiative was delayed to avoid politicisation of debates in the period before the 2014 elections. It will be rolled out in 2015.

Our work on Quiet Conversations has been linked to our programme work areas. Although it was difficult to initiate in this reporting year due to the national elections and time it took for the new government to settle in.

During the reporting year we consulted with members on the importance of Quiet Conversations, however more can be done in the next financial year.

GOALS FOR 2015

Take forward the Quiet Conversations work around climate change, skills development and anti-corruption.

To begin Quiet Conversations addressing socio-economic development concerns.

STRATEGIC POSITIONING...

SOCIAL AND RELATIONSHIP CAPITAL...

FINANCIAL CAPITAL...

GOALS FOR 2014

Continue to play a bridge-building role between government and business.

PERFORMANCE IN 2014

The bridge-building role manifested through the NBI programmes in strengthening relationships between government and business.

GOALS FOR 2015

Building relations between government and business will continue in 2015 to build and strengthen existing structures.

We hope to develop new relationships through our programmes particularly in skills development in our work on integrated learning. Also looking at the impact of risks and opportunities that climate change has on business. We are also looking at integrating integrity packs in large businesses through our UNGC work. The NBI work in energy continues to encourage collaboration between government and business on providing incentives.

GOALS FOR 2014

Raise the awareness of environmental sustainability risks as a strategic issue for business and society.

PERFORMANCE IN 2014

Produced five Quick Briefs and hosted 56 events providing forums and platforms for thought leadership.

Raised awareness through projects such as the CDP, WDP, EELN and PSEE.

GOALS FOR 2015

Continue with our work on CDP, climate change and water, and the WDP.

Host member exclusive events through the NBI Thought Leadership Series to raise awareness of climate change risks, opportunities and policies to build capacity.

Continue to produce case studies on energy, climate change and skills development.

Increase consultation and dissemination of the work in the green economy financing space.

GOALS FOR 2014

Build the capacity of companies to deal with sustainability management.

PERFORMANCE IN 2014

Ran ten training sessions and workshops in areas including energy management systems, energy efficiency management and greenhouse gas accounting.

GOALS FOR 2015

Work on greenhouse gas accounting will continue.

There will be a special focus on EELN capacity building for small and medium companies and best practice and innovative technology.

The Local UN Global Compact will continue to provide capacity building around human rights, labour and anti-corruption.

GOALS FOR 2014

Provide mechanisms for lagging companies to learn from the leaders.

PERFORMANCE IN 2014

Ran three networking events, the CDP and the WDP.

Partnerships with the UNGC and WBCSD.

GOALS FOR 2015

Provide forums and platforms for companies to share best practice.

All programme areas will provide knowledge and experience where we develop a critical mass for companies whose approach and project implementation effects best practice.

PROJECT EXECUTION

SOCIAL AND RELATIONSHIP CAPITAL

FINANCIAL CAPITAL
INTELLECTUAL CAPITAL

The NBI is unique among business organisations in that we combine strategic thinking and thought leadership with effective execution of relevant projects. By making sure that projects deliver on their outcomes as scheduled we continue to build the reputation of the NBI as an organisation that delivers.

We also need to make sure that projects are implemented efficiently to build trust with our member base and partners that their funding is spent wisely. Organisational capacity must be balanced with the need for financial sustainability – we need to ensure that our staffing, operational structure and cost base are appropriate to ensure we can deliver while not compromising our financial future. This is especially relevant in the current challenging economic environment for our members and the organisation.

What we are doing about it

- Implemented a project management system to ensure projects and costs are effectively managed.
- Rationalised our operational resources and add resources for specific projects as required.
- Improved feedback channels.

GOALS FOR 2014

Provide more robust project level reporting, including variance against actual.

PERFORMANCE IN 2014

Improved monthly reporting towards mid-2015.

GOALS FOR 2015

Keep regular reports.

Regular, refined and robust reporting to be improved for the specific programmes.

GOALS FOR 2014

Tighten our performance management system.

PERFORMANCE IN 2014

A more rigorous system has been put in process against set performance and delivery.

Reviewed all the NBI administrative resources with a view to implement tighter performance management.

A process to tighten up performance contracts was completed.

GOALS FOR 2015

Keep regular reports.

Regular, refined and robust reporting to be improved for the specific programmes.

GOALS FOR 2014

Review and improve procurement systems.

PERFORMANCE IN 2014

Our procurement systems were externally reviewed and are being refined

GOALS FOR 2015

To refine procurement processes for better functioning systems.

GOALS FOR 2014

Improve our contract management and legal process.

PERFORMANCE IN 2014

This was bedded down and improved in the reporting year.

GOALS FOR 2015

Continue to improve contract management.

Review and improve legal processes as required.

GOALS FOR 2014

Better project management and execution.

PERFORMANCE IN 2014

This has improved through the more accurate reflection of costs.

GOALS FOR 2015

Project management and execution to continue improving through regular reviews and reporting.

GOVERNANCE

SOCIAL AND RELATIONSHIP CAPITAL

We believe that good governance is an essential cornerstone of sustainability, for all organisations, businesses and countries. Through our commitment to the principles of good governance, as described in King III, the NBI can ensure an ethical internal culture and build trust with its members, partners, government and other stakeholders. Failure to demonstrate this commitment poses a reputational risk to the organisation, which could lead to a loss of confidence by members and funders and, ultimately, result in financial losses. It would also make it difficult to attract and retain the unit heads, management and employees the NBI needs to achieve its strategic goals.

The NBI supports good corporate governance in South Africa through a number of initiatives discussed in the socio-economic sustainability and governance section on page 52 of this report. As a consequence of these initiatives, and our role as the local host of the United National Global Compact (UNGC), business and society expect the NBI to entrench the principles of good governance in all its activities.

What we are doing about it

NBI's revised governance architecture, established last year, aligns the organisation with the require-

ments of the new Companies Act and King III. The organisation's governance structures and activities are reported in the governance report on page 56.

This year, our governance activities focused on further entrenching the principles of King III into our organisation, including:

- Further strengthening the Audit and Risk Committee by adding finance expertise.
- Initiating an external review of our procurement system.
- Developing a code of conduct - which is still in progress.
- Implementing a Fraud and Corruption Policy.
- Conducting a review of the NBI's policies which is still underway.
- Formalising our risk management processes.
- Initiating a review of our organisational values.
- Training of staff on key issues and policies, which is ongoing.
- Developing a more robust induction process - which is still underway.

GOALS FOR 2014

Improve communication between governance structures such as advisory councils, and the NBI board.

PERFORMANCE IN 2014

Communication is improving through the inclusion of the Provincial Advisory Council Chair's ex-officio position on the NBI board.

GOALS FOR 2015

To build on and continue to strengthen the improved communication.

GOALS FOR 2014

NBI 20 years of existence and board visibility increased.

PERFORMANCE IN 2014

The NBI was profiled in its twentieth year of existence through annual report back events in Johannesburg, Cape Town and Durban. More work is being done on increasing board visibility which has not been achieved at the desired level due to capacity constraints which have now been addressed.

GOALS FOR 2015

To build on and continue to strengthen the improved communication.

HUMAN CAPITAL

HUMAN CAPITAL

INTELLECTUAL CAPITAL

Our employees are the means by which we implement our many projects, deliver training, host events and engage with members, government and our other stakeholders. They are also the repository of the skills and experience that create the thought leadership that is a key differentiator for the NBI. As such, our human capital represents one of our most valuable assets.

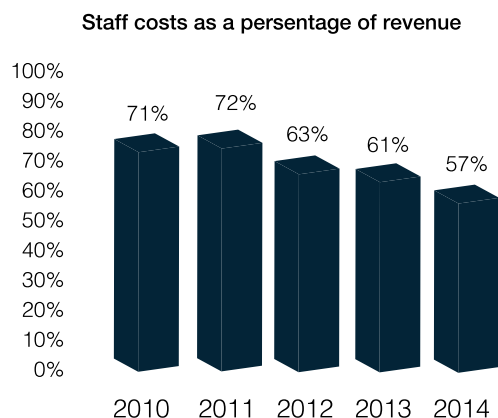
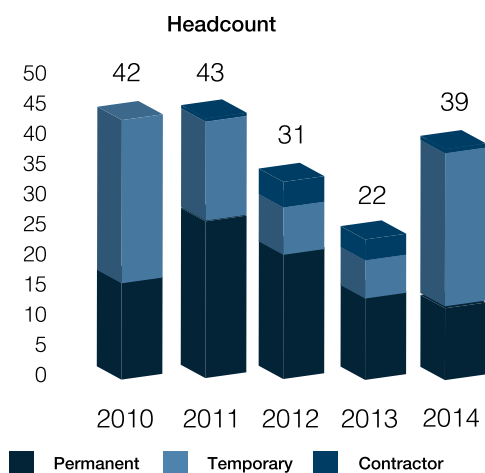
At the same time, employee costs represent our single largest operating cost and we need to ensure that we have enough skilled people to meet our project requirements. Getting the balance between skills and costs correct is crucial to our financial sustainability, project execution and strategic positioning.

Performance in 2014

Headcount increased to 39 at the end of the 2014 financial year (2013: 22), mainly due to additions required to deliver on the PSEE project. Staff turnover improved to 5%, compared to 41% in 2013, due to retrenchments in the prior year. Staff costs represented 57% of total revenue earned (2013: 61%) as the additional staff added for the PSEE was offset by the additional project recoveries.

Historically disadvantaged South Africans comprise 75% of our workforce (2013: 82%) and women comprise 69% (2013: 68%).

The organisation has policies and procedures in place that aim to ensure the safety, health and wellness of our employees, aligned with regulatory occupational health and safety requirements. There were no injuries during the period that resulted in lost workdays (2013: none). While we are concerned about the significant impact of HIV/Aids on individuals and communities in South Africa, we do not believe it poses a direct threat to the long-term sustainability of the NBI.



The United Nations Global Compact (UNGC) is the world's largest voluntary corporate citizenship and sustainability initiative. More than 12 000 participants, including over 8 000 businesses in 145 countries around the world, have committed to aligning their operations and strategies with the UNGC's 10 universally accepted principles. These principles cover human rights, labour, the environment and anti-corruption.

South African companies are required by the Companies Act to disclose how they adhere to international guidelines including the UNGC.

The NBI is the local host of the UNGC, affording members access to:

- International networks and platforms
- Global and local best practice
- Relevant sustainability tools and methodologies
- Shared knowledge and experience

www.unglobalcompact.org



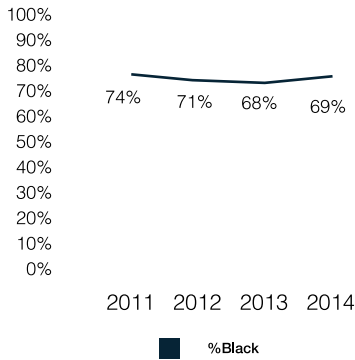
Network South Africa

HUMAN CAPITAL...

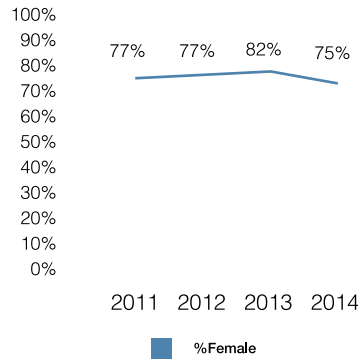
HUMAN CAPITAL...

INTELLECTUAL CAPITAL...

Staff breakdown by Race



Staff breakdown by Gender



Human capital challenges and opportunities

Attracting and retaining the key human resources needed to take the organisation forward is a significant risk for the NBI. Staff morale is improving after the restructuring, but continued uncertainty around the financial sustainability of the organisation has also had an impact. The NBI is a small organisation, staff turnover is relatively low and the management structure after the reorganisation is flat, all of which make career planning difficult.

Since her appointment, the CEO has focussed on restructuring and stabilising the NBI to position it for

future growth, and implementing the significant new projects. The planned addition of a head of operations will free the CEO from daily operational involvement and allow more focus on the strategic imperative of ensuring the long-term sustainability of the NBI.

What we are doing about it

The human resources (HR) department manages the NBI's human capital in terms of our HR policies and established practices. Initiatives taken to address our human resources challenges include:

- Raising awareness about the NBI's values and culture.
- Rolling out talent management and performance management programmes.
- Renewing the organisation's internship and bursary programmes.
- Implementing performance contracts to reward delivery and increase accountability.
- Considering a development strategy and a succession planning programme.
- Salary adjustments to address imbalances revealed by the benchmarking exercise.
- Renewed focus on training and development within the organisation.
- Using a team-based approach to ensure that skills and relationships are developed across a broad base.

GOALS FOR 2014

Hold a values workshop.

PERFORMANCE IN 2014

Values workshops completed.

GOALS FOR 2015

Living the new values.

GOALS FOR 2014

Provide continued support for recruitment and resourcing needs for the organisation, in particular for the PSEE project in the new financial year.

PERFORMANCE IN 2014

20 new staff will be secured for the PSEE project by the end of 2014.

GOALS FOR 2015

Retaining PSEE project staff and ensuring successful completion of the project.

GOALS FOR 2014

Complete an employment equity (EE) report to ensure that the NBI meets its compliance obligations.

PERFORMANCE IN 2014

The NBI completed and submitted its EE report in January 2014.

GOALS FOR 2015

EE report to be completed and submitted in January 2015.

GOALS FOR 2014

Implement a specific staff development strategy to identify individual development needs.

PERFORMANCE IN 2014

Review skills development and training requirements for staff in October 2014.

GOALS FOR 2015

Identify gaps and upskill staff through development training.

GOALS FOR 2014

Provide managerial training.

PERFORMANCE IN 2014

Review managerial training needs.

GOALS FOR 2015

Identify training and upskill management.

GOALS FOR 2014

Provide training on IT systems, including the CRM and event management, as well as on the website.

PERFORMANCE IN 2014

Ongoing CRM and event management training.

GOALS FOR 2015

New CRM implementation and training required.

TRANSFORMATION

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

The principles of transformation underpin the sustainable, equitable and thriving society the NBI seeks to create and support. The outcomes of our projects and initiatives support these principles in alignment with the national agenda. The NBI creates value through the relationships it builds between business, government and communities, and demonstrating our commitment to transformation is critical to the sustained relevance of our organisation.

What we are doing about it

We measure our transformation progress against the Department of Trade and Industry Codes of Good Practice (dti CoGP). The NBI is a qualifying small enterprise and is measured across the employment equity, preferential procurement and socio-economic development categories. The NBI is an externally verified level 4 value-adding B-BBEE contributor.

	TARGET	2011	2012	2013/14
Certificate valid to:		16/02/12	23/01/13	24/02/15
Assurance provider		Empowerdex	EVS	EVS
Ownership		N/A	N/A	N/A
Management	25	25	22.53	Not assessed
Employment equity	25	25	25	24.92
Skills development		N/A	N/A	N/A
Preferential procurement	25	25	25	25
Enterprise development		N/A	N/A	0
Socio-economic development	25	25	25	25
Total score	100	100	97.53	74.92
Level		One	Two	Four

GOALS FOR 2014

A diverse, skilled and experienced workforce.

PERFORMANCE IN 2014

Recruitment of new staff as identified in various units.

GOALS FOR 2015

Retention of new staff and identifying development gaps.

GOALS FOR 2014

Staff and skills retention.

PERFORMANCE IN 2014

Review of skills requirements and identify training.

GOALS FOR 2015

Completion of training as required and up skilling staff.

GOALS FOR 2014

Strengthen our focus on transformation in procurement practices.

PERFORMANCE IN 2014

Through the PSEE a review was done on the NBI processes resulting in tighter policies and procedures. The Delegation of Authority was reviewed and completed after approval from the board.

GOALS FOR 2015

Efficiently implement the recommendations from the procurement review.

Efficiently implement the recommendations from the Delegation of Authority revised policy and subject our processes to an internal audit.

GOALS FOR 2014

Improve our contract management system as part of the renewed procurement practices.

PERFORMANCE IN 2014

In the case of the PSEE the NBI will be bringing in extra capacity to strengthen process capacity.

GOALS FOR 2015

Efficiently implement the recommendations from the contract management system review.

GOALS FOR 2014

Strengthen our financial policies and procedures in order to accommodate an ever-changing procurement environment.

PERFORMANCE IN 2014

There is currently a review of the NBI policies and procedures underway. Developed an anti-corruption policy, a leave policy and currently updating the retrenchment policy.

GOALS FOR 2015

Focus on reviewing and finalising all other policies.

While our direct environmental impact is small due to the size and nature of the NBI, we facilitate responsible environmental stewardship on a much bigger scale through our environmental projects and initiatives. These are discussed in the section starting on page 40 of this report.

Sustainable business is only achievable when profit growth is balanced with environmental responsibility. We understand our responsibility to measure and minimise our environmental impact. We therefore report our key environmental indicators even though these are not material on a quantitative basis.

Environmental performance in 2014

We continue to implement various internal environmental awareness initiatives to highlight the importance of reducing consumption of resources such as electricity, water and paper.

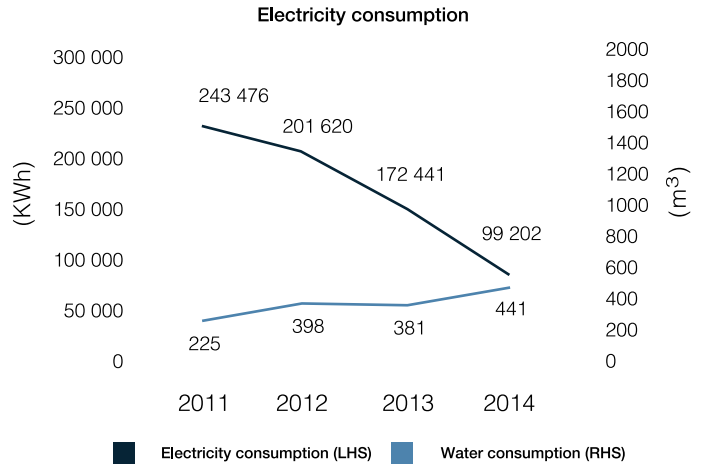
We do not own our offices and our ability to reduce our electricity and water is limited as our usage is allocated by the landlord according to the office space we use. Our landlord is implementing certain technologies to reduce the energy consumption of the building and ultimately the office park.

The organisation consumed 99 202 kWh of electricity in 2014, a 42% decrease on 2013 (172 441 kWh). In January 2013 the organisation moved to smaller offices and the electricity allocation reduced accordingly. While additional office space was taken to accommo-

Carbon Footprint in 2014

We submitted our first CDP response in 2013. While our emissions are small, the submission demonstrates our belief in the importance of the CDP and of leading by example. The exercise also helped us to understand what climate change means for the NBI in terms of our risks and opportunities.

The majority of our carbon emissions come from purchased electricity. We estimate that roughly half of the electricity we consume is used in heating, ventilation and air conditioning, around a third in lighting, roughly 20% is used by office equipment with the remainder split between refrigeration and water heating.



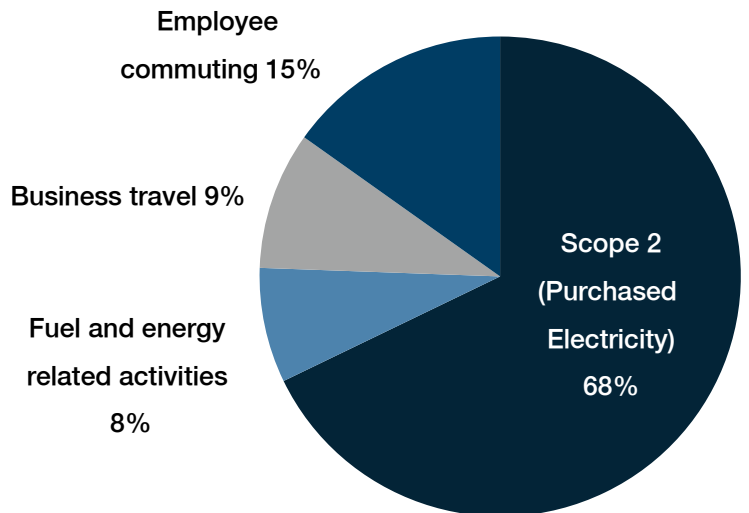
date employees for the PSEE programme, this did not offset the overall reduction in electricity consumption.

We withdrew 411 m³ of water during the year (2013: 381 m³), which represents an increase of 8%.

We aim to reduce unnecessary travel wherever possible and reduce our carbon footprint. Travel costs in 2014 increased 210% due to the increased travel required by the PSEE project.

	2012	2013	2014
Local Airfares	122 101	64 970	197 799
Overseas Airfares	102 081	89 634	281 592
Total	224 182	154 604	479 391

All calculated emissions



GOALS FOR 2014

Reduce our carbon footprint through reducing air travel and through energy efficiency initiatives.

PERFORMANCE IN 2014

Our Scope 2 carbon emissions (indirect emissions from purchased electricity) decreased by 27% from 2013. This is primarily due to our move to smaller offices, but also due to the installation of energy efficient lighting. Our air travel emissions increased two fold this reporting year due to more local flights required by the PSEE project.

GOALS FOR 2015

We aim to further reduce our Scope 3 carbon emissions by 4% through the Green Addendum that was signed between the NBI and our landlord and through an awareness raising programme in the office.

We aim to reduce air travel in 2015 by encouraging staff to use Skype and other teleconferencing options available.

GOALS FOR 2014

Increase the rate and extent of waste recycled by the NBI.

PERFORMANCE IN 2014

Most waste at the NBI is separated and recycled where possible. We have also driven an awareness raising initiative to encourage staff to print double sided to reduce paper waste.

GOALS FOR 2015

To further engage with our landlord to determine the weight of the waste that is recycled so that we can monitor progress going forward.

GOALS FOR 2014

Work with our landlord to identify opportunities to reduce water and energy usage in our office.

PERFORMANCE IN 2014

This financial year we have signed a Green Addendum with our landlord that aims to drive emission reduction activities in our offices through an energy savings scheme.

GOALS FOR 2015

We hope to build on this relationship to explore opportunities for further reductions in energy usage through the installation of motion sensor lighting.

FOCUS AREA REVIEW

The NBI's projects are grouped into two broad focus areas that are further broken down into six work streams, as shown in the diagram below. These are discussed in more detail in the sections that follow.

FOCUS AREAS

ENVIRONMENTAL SUSTAINABILITY	SOCIO-ECONOMIC SUSTAINABILITY AND GOVERNANCE
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WORK STREAMS

ENERGY EFFICIENCY	CLIMATE CHANGE & WATER	GREEN ECONOMY	ETHICAL LEADERSHIP MANAGEMENT	BUILDING AN EFFECTIVE SKILLS PIPELINE	INFRASTRUCTURE DEMAND AND UTILISATION
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FOCUS AREA: Environmental Sustainability

Key strategic objectives:

- To integrate efficient natural resource management into the strategic agenda of companies;
- To enable business to radically innovate the way they manage natural resources throughout their value chains;
- To inform public policy to enable the proactive move towards a green economy; and
- To drive cross-sector action to effect more sustainable resource management by business.

A sustainable, equitable and thriving society requires responsible resource use as well as an understanding and management of environmental impacts to ensure that business and society prosper in a clean, healthy and fertile world.

The NBI supports business to take a responsible approach to its natural capital through facilitating an understanding of the strategic and financial business case for improved natural resource management and usage. We do this by providing access to thought leadership, best practice and innovation in processes, technologies and business models as well as facilitating access to appropriate platforms to share ideas and learnings around these issues.

Our projects are focused on the key areas of energy efficiency, climate change and water and the green economy. The impact of our projects can be seen in the direct improvements in their work areas as well as in increased awareness around these critical issues.

The NBI also facilitates engagements with government to ensure that input from business is included when future environmental policies are considered.

Work Stream: Energy Efficiency

Key Project: Private Sector Energy Efficiency Programme (PSEE)



Objective: To improve energy efficiency in industrial and commercial sectors across various sizes of business in South Africa by helping companies to identify and implement energy saving measures.

South African companies need to manage their energy use to meet both country and value chain obligations to reduce their carbon emissions. The implementation of energy efficiency measures not only saves money by reducing energy use, but can also improve business productivity, competitiveness and innovation, and provide access to financial subsidies and tax incentives.

The PSEE is a countrywide programme of support to improve energy efficiency in small, medium and large South African businesses. The project is funded by the UK government's Department for International Development (DFID) through the UK-SA bilateral relationship and is aligned with the South African government's strategy for reducing energy demand. The multi-stakeholder steering committee that governs the project is led by the Department of Energy.

The NBI PSEE team works closely with the UK's Carbon Trust, which has over 10 years of experience in rolling out similar projects in the UK.

The project's targets are to reach:

- 63 large companies with energy spend of R45 million and above.
- 1 075 medium size companies with energy spend between R750 000 and R45 million.
- 2 625 small companies with energy spend below R750 000.

Performance in 2014

The PSEE programme continues to receive positive feedback from participants. There were a number of challenges that slowed roll out, including staffing, accreditation and appointment of consultants and delays in large and medium-sized companies in signing contracts. While we achieved our goal of reaching 25 large companies by June 2014 (we reached 36), we fell short of our target for medium-sized companies of 375, reaching 62 by the end of the financial year.

The mid-programme review by the DFID indicated that the programme is on track, although there is room for improvement. The necessary adjustments have now been made, including increased marketing and communication, and the PSEE continues to gain momentum. The programme has been extended to November 2015 (previously March 2015) which will allow the pipeline of companies to be substantially scaled up and fully serviced.

GOALS FOR 2014

Reach 25 large companies and 375 medium-size companies by June 2014.

PERFORMANCE IN 2014

36 large companies and 62 medium sized companies were reached by June 2014.

GOALS FOR 2015

Provision of training workshops, seminars and publications to raise the level of energy efficiency awareness to over 900 small businesses.

GOALS FOR 2014

Set up a remote advisory service to support small businesses.

PERFORMANCE IN 2014

The remote advisory service has been established and provided support in terms of energy efficiency advice on the phone to 381 small businesses by June 2014.

GOALS FOR 2015

Over 2 000 small businesses to receive energy efficiency advice through the remote advisory service.

FOCUS AREA REVIEW

GOALS FOR 2014

Set up regional offices in the Eastern Cape, Western Cape and KwaZulu-Natal.

PERFORMANCE IN 2014

The three regional offices have been established and staff recruited to operate from these regions.

GOALS FOR 2015

700 on-site surveys are delivered to medium sized businesses with an annual energy spend between R750 000 and R45m.

Key Project: Energy Efficiency Leadership Network (EELN)

Objective: To drive the continuous improvement of energy efficiency initiatives across member companies and thus South Africa.

The EELN is a network of companies that supports sharing of best practice, capacity building, and provides an important platform for business to engage constructively with government to provide leadership in energy efficiency. Members sign an Energy Efficiency Pledge that commits them to adopting a coherent, strategic and action-oriented approach to implementation of energy efficiency initiatives in their companies. The EELN provides an opportunity for members to work together to support areas of collective action, collaboration, information sharing and capacity building in order to improve on energy efficiency in their companies.

EELN members provided support for the PSEE, with some of the EELN members being among the large companies signed up to the PSEE. Energy management workshops were also run through the EELN during 2014.

The funding from two of the major sponsors of the EELN comes to an end in the first quarter of the 2015 financial year and alternative sources of funding will have to be secured to continue the good work of the network.

GOALS FOR 2014

To encourage and support companies to develop and implement energy management plans.

PERFORMANCE IN 2014

Support to companies was provided mainly through capacity building courses which integrated guidelines to develop energy management plans. The capacity building developed planning tools and instruction guides for members to use.

Support was also offered to companies via guest presentations at three quarterly meetings on business considerations for developing energy management systems/plans.

GOALS FOR 2015

Measure results via a survey to report on progress made by companies.

Establish a reporting working group to report on progress in achieving commitments companies made which include development of energy baselines, targets and management plans.

GOALS FOR 2014

To support companies through provision or referral to capacity building programmes.

PERFORMANCE IN 2014

Three courses were delivered by service providers with a maximum of 30 delegates per course:

1. Energy management systems (24 attended).
2. Energy efficiency management (21 attended).
3. Measurement and verification (28 attended).

Circulated training calendar as referral to other training courses available to industry practitioners.

GOALS FOR 2015

Provide capacity building workshops on topics that members have indicated (from the survey results) that they need more training on. (One training workshop per quarter).

GOALS FOR 2014

To assist companies in interpreting and/or engaging with the energy efficiency regulatory environment.

PERFORMANCE IN 2014

Updated EELN signatory companies at three quarterly meetings, through the Department of Energy (DoE) and SANEDI updates on regulations for:

1. Carbon tax.
2. Mandatory energy reporting.
3. Income Tax Incentives (i.e. 12L incentive).

GOALS FOR 2015

Conduct follow-up meetings/workshops to clarify incoming policy/regulations (on a needs basis).

GOALS FOR 2014

To facilitate strategic engagement between EELN, government and other relevant stakeholders on pressing issues

PERFORMANCE IN 2014

Held two workshops on the 12L tax incentive scheme to facilitate discussions on programme recommendations made and that were subsequently submitted to National Treasury (NT) for consideration to amend 12L project eligibility criteria through SANEDI's engagements with NT.

GOALS FOR 2015

Conduct meetings to align to the actions of the EELN to the DoE's mandatory energy reporting requirements.

Facilitate strategic dialogues on pressing issues (on a needs basis).

FOCUS AREA REVIEW

Work Stream: Climate Change and Water

The NBI Climate Change, Water and Green Economy team aim to revive the emphasis on the environment as a strategic priority for business by acknowledging and establishing the link between the environment, society and economics. Projects in this work stream are monitored and managed by the Advisory Council on Environment and Society (ACES). The team received further funding from the DBSA Green Fund and the IDC, and added additional capacity during the year.

The NBI is increasingly working more closely with other business organisations, including Business Unity South Africa (BUSA) to develop a cohesive position from business around energy.

Key Project: CDP



The CDP is an international independent not-for-profit organisation that involves more than 767 institutional investors with combined US\$92 trillion of assets under management. The CDP is an important mobilising framework that annually seeks information on the business risks and opportunities presented by climate change as well as greenhouse gas emissions data. Worldwide, over 4 100 organisations, including 81% of the world's largest public companies, use the CDP to disclose their impacts on the environment and natural resources to stakeholders.

The NBI is the South African partner to the CDP and is the only country in Africa participating among over 60 other countries internationally. The project focuses on governance, risk and opportunity identification and emissions management and has encouraged greater investor focus on climate change.

The 2013 report was launched on 28 November 2013 and South Africa took second place behind the Global Fortune 500 in terms of response rate (83%). We also held CDP workshops in March 2014. Carbon disclosures are becoming increasingly important as government works to introduce mandatory reporting on greenhouse gas emissions and finalise the carbon tax framework.

For more information on the CDP programme, please visit www.nbi.org.za

Key Project: CDP Water

South Africa is one of the driest countries in the world and faces significant challenges in delivering the needed quantity and quality of water to users. Much of the country's economic activity occurs in areas with reduced water availability, there are concerns regarding declining water quality and increasing infrastructure challenges, and there is a continuing legacy of unequal access to water in the country. Addressing the country's water challenges will require business to take the lead in finding sustainable solutions.



The fourth CDP water report was launched in March 2014. The questionnaire was sent on behalf of 573 global institutional investors, representing US\$60 trillion in assets, to 59 companies on the JSE 100 that have the greatest potential to impact upon, or be impacted by, water resources. This year the response rate reached 56% compared to 49% in 2012.

The NBI is initiating a water pricing project in collaboration with PwC to produce a thought leadership report on water pricing in South Africa supported by expert interviews with key water stakeholders. A water tool is being developed to enable companies to engage with how they are managing their own water issues, based on the work around the CDP Water project and the challenges companies reported.

Key Project: Green Economy Finance

The Green Economy Finance project is a research project in collaboration with KPMG that aims to provide recommendations for the design of policy and financial instruments that would accelerate investment in the green economy in South Africa. It builds on the outcomes of an ongoing project by the NBI on barriers to access in low-carbon finance and directs research to the areas identified by key stakeholders as the most significant barriers and requiring specific attention.

The project kicked off with a steering group meeting and smaller discussions with key stakeholders.

Other activities during the year include:

Training

- The World Resources Institute (WRI) held greenhouse gas accounting training sessions in Durban, Cape Town and Johannesburg.

Reports

- The NBI released a summary report on the carbon and air quality offsetting process to key people within government (National Treasury, Air Quality and Environmental Planning).
- Work on calculating a grid emissions factor continued, including engagements with Eskom, the WRI, the CDP and the US Environmental Protection Agency. Our goal is to assist government in standardising the grid emissions factors when implementing climate policy.

Advisory and technical

- Invited to sit on a technical working group on environmental offsets.
- Continued to support government on a number of technical working groups.
- Invited to sit on several advisory groups on the Green Economy and Water.
- Extensive engagements with key officials at National Treasury and the Department of Environmental Affairs around the Carbon Tax.

Events

- Aligning CSI and philanthropy capital.
- Encouraging capital owners to collaborate with traditional sources of finance to unlock systemic barriers to investment in the Green Economy.
- Informal monthly breakfast meetings of people in the financial services sector focussed on sustainability integration.

FOCUS AREA REVIEW

GOALS FOR 2014

Revive the emphasis on environment as a strategic priority for business by acknowledging and establishing the link between the environment, society and the economy.

PERFORMANCE IN 2014

We continue to engage with business on the importance of climate change and water through the investor led CDP programme. We reconstituted our unit advisory group under the banner Advisory Committee on the Environment and Society to highlight this change in emphasis. We have been exploring the implications of the need for change and have been working intensively on issues of finance and economic transition. The launch of a Low Carbon Project Primer report, the presentation of the barriers to low carbon finance report at a UNFCCC Long Term Finance Meeting, and the beginning of a larger project on Green Economy Finance Work all highlight the connection between environmental issues and the economy. The team presented at various public events and private lectures. The NBI submitted a chapter to an ASSAF book on the role of business in green technology.

GOALS FOR 2015

In addition to the CDP programme and continuing our work on Green Economy Finance we intend on expanding our work through the launch of a thought leadership series, a report on Water Pricing and working with partner organisations and government to enhance business access to scientific research. The thought leadership series will be part capacity building and part an opportunity for our members to engage with experts on a specific topic and to discuss the implications for their business.

GOALS FOR 2014

Build the capacity of business to execute their commitments and responsibilities towards climate change and water.

PERFORMANCE IN 2014

The NBI hosted a number of information sharing sessions and GHG Accounting training workshops (in Cape Town, Durban and Johannesburg), supported by Quick Briefs. Information sharing topics included the carbon tax, carbon and air-quality offsets, CDP support and biodiversity. We launched technical reports in support of members on assurance and Scope 3 GHG accounting.

GOALS FOR 2015

We will support our members in much the same way and continue to offer thought leadership, technical reports, information sessions and quick briefs on topics most relevant to business. We will continue our GHG accounting programme and will be issuing a report to assist companies who are subject to mandatory reporting, DEROs and the carbon tax. We will continue to support offsets (which span the work areas of Climate Change, Water and air quality and waste). Key to our efforts will be the launch of the thought leadership series, a component of which is capacity building.

GOALS FOR 2014

Work with government to share the expertise and experience of business with the goal of improved policy implementation and improved engagement of NBI member companies with policy formulation through formal channels.

PERFORMANCE IN 2014

The Climate Change and Water team provide support to government by sitting on a number of working groups and providing submissions to government (often via BUSA) and government institutions (WRC, SANBI) on climate adaptation, long term adaptation scenarios, monitoring and evaluation, the Rio+20 high level political forum, water foot printing, and biodiversity information systems. We also initiated a Quiet Conversation programme (running in parallel to the NBI Quiet Conversation strategy but at an implementation level) and held meetings between business and government, mostly on adaptation. We also hosted some Quiet Conversations among business leaders to address the nature of the sustain-

GOALS FOR 2015

We will continue to provide a conduit for safe conversations between business and government. We will continue to support government technical working groups and intensify our Quiet Conversations, expanding on topics covered in both.

GOALS FOR 2014

Expand the focus of our programme area beyond climate mitigation to have a more robust programme in green economy finance, water and adaptation.

PERFORMANCE IN 2014

We ramped up our work in adaptation by presenting South African examples of adaptation best practice and partnerships at a UNGC event at COP19 in Poland. We explored a partnership with the City of Johannesburg in the build-up to the C40 Cities Summit and started to explore a waste programme, specifically working with the National Industrial Symbiosis Programme. We also began expanding on our water programme by developing a more comprehensive water programme for roll-out in 2015, with some preliminary work on water pricing and providing benchmarking opportunities for best practice in water. In order to support the work in water and adaptation we recruited an additional person to start in 2015. By far our most significant area of progress is in the green economy work where we launched an 18-month research project, funded by the Green Fund, and held several discussions with capital owners (CSI and philanthropy) and finance practitioners to drive change.

NBI team members also participate on several national working groups and steering committees including the Alliance for Water Stewardship, Integrity in Water Stewardship, the National Business and Biodiversity Network, and Renewable Energy and Water.

GOALS FOR 2015

We will continue to expand our water and adaptation programmes and build on our green economy finance work. We will launch a series of discussions intended to bring stakeholders to the science (research)-practice-policy nexus together to improve the uptake and effectiveness of research outputs. We will explore how to establish a waste programme that will address our member's needs and use the National Industrial Symbiosis Programme to drive opportunities in the waste sector.

FOCUS AREA REVIEW

FOCUS AREA: Socio-economic Sustainability and Governance

Work Stream: Building an effective skills pipeline

Key strategic objectives:

- To foster meaningful partnerships between business and government to enhance responsiveness to labour market demands.
- Expand the Johnson & Johnson Bridge to Employment programme into a Skilled Youth programme and to other sectors.
- To engender collective action that facilitate mobility from school through the post-school system (with a focus on Technical and Vocational Education and Training (TVET) colleges) and into business.

The NBI's skills work aims to address the challenge business faces of ensuring that they can access the appropriate skills to achieve their strategic goals. The focus is on building 'employability' in school leavers – ensuring that they are equipped with the skills to study further, start their own business or enter employment.

In addressing the skills challenge, the NBI facilitates job creation to reduce South Africa's high levels of unemployment, supports social upliftment and helps to ensure that business has access to the skills they require.

The NBI sees its role as implementing and anchoring the skills work in the process that is currently underway between business and government to work together to support inclusive growth. Skills is one of the five streams agreed by business and government that arose from meetings with President Zuma.

NBI's focus area of skills development is guided by an overarching Pathways to Employability framework. This aims to support meaningful partnerships between employers and TVET colleges to enhance college institutional capacity and improve their responsiveness to employer needs. Business is encouraged to create opportunities for work place learning and to provide practical support for structured workplace learning.

The NBI regularly engages with a wide range of stakeholders to ensure that its programmes remain relevant to business and align with the National Development Plan. These engagements include regular interaction with the National Planning Commission, the Department of Higher Education and Training, senior business leaders of companies, and with other business organisations such as BUSA, BLSA and the BBC.

Key Project: Skills for Employability

The NBI works with the British Council on a Skills for Employability Programme that focuses on youth employment. The partnership focuses on issues including 'green' curriculum development, the use of information technologies to improve teaching and learning and the development of learning company models.

Initiatives under this programme include:

- Partnering of five South African TVET colleges with five Further Education colleges in the UK.
- Developing a framework for lecturer work experience in the TVET colleges.
- Scaling up workplace learning for students coming out of TVET colleges.
- Supporting the Department of Higher Education and Training in establishing a South African Institute for Vocational and Continuing Education training.
- Supporting BUSA and the Human Resource Development Council of South Africa in establishing agreements and targets with regards to the National Skills accord.
- Ensuring TVET college curriculum relevance, with a pilot in the construction and electrical engineering curriculum that has seen positive results. Providing lecturers with workplace exposure is a critical part of this initiative.

Key Project: Johnson & Johnson Bridge to Employment

The Johnson & Johnson Bridge to Employment programme supports pupils from Grades 10 to 12 through academic support, help with subject choices, mentorship, workplace experience and leadership development in terms of health sector careers. The NBI manages and delivers the programme in Johannesburg and Cape Town in partnership with various tertiary and other educational institutions.

Work is being done to expand the programme to develop it into the Skilled Youth Programme. The proposed expansion includes the potential for a youth enterprise development and value chain element.

Key Project: Technical Skills Business Partnership (TSBP)

The TSBP is a collaborative initiative between Sasol, Eskom, Transnet and ArcelorMittal to address the country's shortage of engineers, technologists, artisans and technicians. The NBI facilitates the initiative to support capacity building at institutional level, including a work-based learning component.

Key Project: Developing Welding Skills

This programme focuses on improving the supply and quality of welders to address South Africa's critical shortage of welders and specialised welders. The project builds on the NBI's partnership with Afrox in supporting the turnaround strategy for Technical High Schools in Gauteng. The NBI is harnessing employer expertise in training welding educators to ensure that welding programmes are responsive to industry needs.

Key Project: Construction Industry Partnership (CIP)

The CIP is a partnership of five companies that focuses on fostering meaningful engagements between TVET colleges and industry with a view to developing a framework for college and curriculum improvement to better meet industry needs. The CIP works closely with the Construction Sector Education and Training Authority, which has allocated funds to placing students in construction companies for work-based experience.

The CIP is conducting a curriculum mapping exercise to identify gaps in theory and practical training so that the appropriate skills development programmes can be developed to address the identified gaps. A programme of action has been agreed and targets are being established.

Key Project: Building Green Skills

The IDC has contracted the NBI to support the design and implementation of an initiative aimed at strengthening institutional capacity of TVET colleges to respond to the demands of a 'Green Economy'. The 12-month project will support Urban and Rural TVET colleges in the Northern Cape. The initiative has been endorsed by the Department of Higher Education and Training (DHET) and is supported by the Northern Cape Office of the Premier, which coordinates renewable energy-related projects in the province.

Key Project: The Eastern Cape Education and Development Trust

The NBI has been contracted to manage the Eastern Cape Education and Development Trust. The Trust has five key areas of focus – teacher professional development, learner support, mathematics and science education, literacy and early childhood development. Support from the business community has resulted in projects currently being planned and/or implemented in all of these focus areas, with the Trust managing some and playing a support role with others.

These projects include:

- The installation of 10 telematics centres;
- Library provision and resourcing;
- Early childhood development practitioner training; and
- Feasibility study for a new science centre.

The Trust works closely with The Eastern Cape Department of Education to support basic education in the province.

Other initiatives held under this work stream include:

- Hosting a business dinner with the Minister of Higher Education and Training and employers in July 2013 focusing on issues of mutual interest in skills development.
- Serving on strategic platforms including the Business Unity South Africa (BUSA) Committee on Education and Training, Human Resource Development Council Technical Task Teams (TVET colleges and Entrepreneurship Education) and National Skills Accord Social Partners' Group.
- Chairing the Education and Skills Task Team of the Business Government Inclusive Growth Initiative on behalf of BUSA.
- Participating in roundtable discussions hosted by the European Union, United Kingdom Trade Envoy and the OECD which reviewed South Africa's education and training system.
- Developing a Skills Development Survey tool in conjunction with ICT services group EOH to enable capturing of private sector skills development data. This will provide valuable data on patterns and trends in Work Integrated Learning and absorption into jobs.

FOCUS AREA REVIEW

GOALS FOR 2014

Canvass the Skilled Youth Programme with NBI members in the 2013–2014 financial year.

PERFORMANCE IN 2014

Consultations with member companies in Cape Town, Durban and Johannesburg concluded.

GOALS FOR 2015

Additional companies contacted to participate in the rollout of the project.

GOALS FOR 2014

Finalise and secure seed funding for the Skilled Youth Programme.

PERFORMANCE IN 2014

Data gathering for the design of the pilot is underway to inform the development of a funding proposal.

GOALS FOR 2015

Funding secured and commencement of project rollout.

GOALS FOR 2014

Identify companies interested in participating in pilots to test the Skilled Youth Programme.

PERFORMANCE IN 2014

Consultations with companies are underway to solicit their participation in the pilot.

GOALS FOR 2015

To have at least three companies agree to take part in the pilot.

GOALS FOR 2014

Encourage increased participation of companies to provide access to structured workplace learning opportunities for TVET College lecturers and students.

PERFORMANCE IN 2014

Consultations with companies in the construction, tourism, hospitality and renewable technology to offer opportunities for work integrated learning and lecturer work exposure.

GOALS FOR 2015

To have at least five companies provide opportunities for lecturer work exposure for 42 lecturers in tourism and hospitality.

At least five companies provide workplace learning for 30 NCV students in the construction sector.

GOALS FOR 2014

To continue to support NBI members with research and knowledge through dialogues and tools.

PERFORMANCE IN 2014

Update on employment tax incentive and technical advice on curriculum mapping provided for the Construction Industry Partnership.

A dialogue between employers and colleges hosted through the Education and Skills Forum in partnership with the British High Commission and DHET.

Peer-to-peer dinner between South African and United Kingdom TVET college principals to assess the opportunities for TVET colleges in the National Development Plan.

GOALS FOR 2015

Host at least three dialogue sessions for NBI members with TVET colleges and Sector Education and Training Authorities.

GOALS FOR 2014

Consolidate existing partnerships such as DHET and initiate new ones with a specific focus on sector education and training authorities.

PERFORMANCE IN 2014

New strategic partnerships with the non-profit youth employment accelerator Harambee and the British High Commission.

GOALS FOR 2015

Through the Harambee partnership, secure 30 workplaces for TVET college students in the construction sector.

Facilitate linkages and partnerships between employers, UK and SA TVET colleges.

GOALS FOR 2014

To continue to scale up and align our projects to member needs and national policy.

PERFORMANCE IN 2014

Participated in membership meetings to explore possibilities for targeted support to member companies.

The NBI was appointed to chair the Education and Skills Task Team on behalf of BUSA under the Presidential Working Group for Inclusive Growth.

GOALS FOR 2015

Continue participation in member company meetings and look for opportunities to scale up and align NBI projects to member needs and national policy.

FOCUS AREA REVIEW

Work Stream: Ethical Leadership and Management

Key strategic objectives:

- To support business in integrating sustainability into their strategies, operations and measurement and reporting frameworks.
- To provide information and analysis that enables the investment community to integrate sustainability considerations into investment decisions.
- To drive and partner in collective action initiatives that build an ethical and transparent business culture.
- To actively support government in developing the capabilities and capacity necessary to operate a competent public sector.
- To play a key role in co-creating the vision and future strategy for the nation.
- To identify the root causes of corruption within business.
- To drive the creation of innovative, local solutions to address these root causes.

Companies in South Africa face a range of challenges arising from the unique socio-economic situation in the country. These include human rights issues, labour-related instability and weak governance that allows corruption and anti-competitive behaviour.

Through its programmes around ethical leadership and management in the public and private sectors the NBI promotes an ethical and transparent business culture and supports effective service delivery.

This work is framed around the ten principles of the United Nations Global Compact (UNGC). The NBI runs the local network of the UNGC in South Africa, facilitating a better understanding of the ten principles and supporting business in fulfilling their requirements. There was strong growth in local signatories to the UNGC during the year, many of which are NBI members.

We developed and delivered targeted training to more than 75 companies, based on the United Nations Guiding Principles on Human Rights. Training sessions were held in Johannesburg, Durban and Cape Town on embedding human rights in operations and in supply chains. We also delivered anti-corruption training to 54 representatives from companies, government and civil society in Durban and Cape Town in May 2014.

Our work around the UNGC is funded out of the NBI's core funding and we are continuing to investigate ways of securing dedicated funding to support further growth.

Key Project: Anti-Corruption and Integrity Pacts

The NBI continued its work on anti-corruption during 2014 by supporting the uptake of Integrity Pacts in South Africa. These are tools that aim to prevent corruption in public contracting by introducing transparency into big public sector procurements for government and for the private sector and have been successfully implemented in other countries.

We engaged with the CEOs of organised entities in the Construction Sector to enable a stronger sense of ownership and achieve buy-in on the establishment of Integrity Pacts. The Office of the Chief Procurement Officer at National Treasury has requested the NBI to secure recommendations from the Construction Sector regarding a way forward.

Dedicated funding for the NBI's anti-corruption work ends in the first quarter of the new financial year and activities with direct cost implications such as training workshops will be scaled back until funds are secured.

Key Project: Social and Ethics Committee support

The Companies Act requires companies to set up Social and Ethics Committees. Many companies have indicated the need for better understanding of these requirements, their mandate under the Act and how to report on the UNGC principles with substance. The NBI convened sessions on a learning-by-sharing basis to build capacity around what it means to run an effective Social and Ethics Committee (SEC) which proved very valuable and we will continue these in the next year.

Other initiatives under this work stream include:

- Holding UNGC CEO Roundtable events in September 2013 and May 2014.
- Hosting events with high-level business representative to engage with the Accenture project team that conducted research with global CEOs around the UNGC.
- Establishing appropriate ways to share the substantial information obtained through the SEC dialogues held in 2013.

GOALS FOR 2014

Build and support business leadership for the UNGC principles.

PERFORMANCE IN 2014

The Global Compact CEO Roundtable established in 2013 is active and business leaders met twice in the year to discuss and give strategic direction on key sustainability priorities such as human rights and labour relations. The CEOs also contributed to the global discussions on the business role in the Post 2015 Development Agenda.

GOALS FOR 2015

Increase participation of business leaders for impact on the UNGC Principles.

GOALS FOR 2014

Elevate business action on anti-corruption for tangible impact.

PERFORMANCE IN 2014

The Local Network trained a total of 110 managers from business and government on implementation of anti-corruption measures. Training took place in Johannesburg, Durban and Cape Town.

Discussions on Integrity Pacts in Procurement are advanced and we gained the support of CEOs of key construction sector associations. The next step is to finalise a 'Letter of Commitment' on Integrity Pacts and deliver to government. The sector is expected to lead implementation of an Integrity Pact model on a procurement project in South Africa.

GOALS FOR 2015

Implement Integrity Pacts in procurement in collaboration with the construction sector and a government agency.

GOALS FOR 2014

Develop tools and awareness of sustainability best practice continuing with the work on human rights and labour and the implementation of social and ethics committee requirements.

PERFORMANCE IN 2014

75 managers from government and business were trained on implementation of human rights and labour, framed within the UN Guiding Principles on Business and Human Rights. A series of learning dialogues also took place in Johannesburg, Cape Town and Durban.

Regarding the implementation of Social and Ethics Committee requirements, the Local Network continued engagement with companies to develop best practice and also sought and secured a partnership with an audit firm to produce tools and guidance materials for companies.

GOALS FOR 2015

Scale up the work and target specific sectors for impact.

Work Stream: Infrastructure demand and utilisation

Key strategic objectives:

- To inform government's infrastructure development plans with the future needs of business.
- To enable business to adapt their business models and operations to a more sustainable infrastructure base.
- To support government in addressing the key issues that are blocking infrastructure development in South Africa.

Infrastructure is a crucial enabler to increase economic growth and development. Companies require access to af-

FOCUS AREA REVIEW

fordable and high-quality infrastructure services for the delivery of goods and services and to support production. Business needs to engage with government and other key stakeholders regarding their infrastructure requirements, particularly water, waste, transport and health.

The NBI supports effective infrastructure development by providing thought leadership around key infrastructural issues and providing platforms for business, government and other key stakeholders to engage on relevant issues. Over time, the NBI will initiate and drive the collective action opportunities that arise from this upfront work.

During 2014, the NBI was involved in the Infrastructure Dialogues with the Development Bank of South Africa as well as engagements with the Department of Performance, Monitoring and Evaluation within the Presidency and the South African Cities Network.

GOALS FOR 2014

Focus involvement around the infrastructure dialogues to ensure these address Infrastructure related issues relevant to a collective agenda

PERFORMANCE IN 2014

Six dialogues were held in the year under review on issues relevant to a collective agenda.

GOALS FOR 2015

Continue to focus involvement around the Infrastructure Dialogues to ensure that these address infrastructure related issues relevant to a collective agenda.

GOALS FOR 2014

Increase corporate participation in the dialogues.

PERFORMANCE IN 2014

Focused attention has been given to increasing corporate participation in the dialogues and this is increasing.

GOALS FOR 2015

Continue to focus on increasing corporate participation in the dialogues. This is supported by relevant topics.

GOALS FOR 2014

Work with member companies to identify the issues that would be of greatest relevance for engagement.

PERFORMANCE IN 2014

Feedback and engagement through the membership visits, NBI board, NBI Membership Council and the Provincial Advisory Councils has been solicited and fed into the Infrastructure Dialogue structures.

GOALS FOR 2015

Continue to work with NBI member companies to identify the issues that would be of greatest relevance for engagement.

Future Work Stream: Enterprise Development

Enterprise Development is a critical area for the NBI, its members and the future prosperity of the country and its citizens. Since the South African Supplier Diversity Council was spun out of the NBI in 2012, the organisation has not run programmes in this area. Terms of Reference have been established for the enterprise development work stream and we are currently in a consultation phase to ascertain what contribution the NBI could make that is currently not being implemented by other bodies or companies.

GOALS FOR 2014

Create platforms to share best practice with NBI members.

PERFORMANCE IN 2014

Continued consultations with companies on needs in the market to better provide best practice value.

GOALS FOR 2015

An emerging focus on supply chain management, particularly with small and medium sized companies through the NBI work in energy efficiency and anti-corruption will continue with the assistance of the South African Supplier and Diversity Council.

GOALS FOR 2014

Finalise ED offering and take forward recommendations from NBI members.

PERFORMANCE IN 2014

This process is taking longer and the intention is to conclude this in 2015.

GOALS FOR 2015

More efforts will be put in place to ensure the NBI finalises its ED offering.

GOALS FOR 2014

Develop complete ED programme with implementation in the first quarter of 2014.

PERFORMANCE IN 2014

The complexity of the consultation and policy ambiguity due to the work required for more in-depth work has led to a delay in the development of a complete ED programme.

GOALS FOR 2015

More work will be dedicated to ensuring that a complete programme is finalised.

GOVERNANCE REPORT

The NBI is committed to the principles of good corporate governance and stewardship, as defined in the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (King III). We are also committed to ensuring ongoing compliance with the regulatory requirements in South Africa.

The NBI is a non-profit company under the new Companies Act and the structure of the organisation's governance architecture aligns with the requirements of the Act.

Compliance with King III

The organisation has reviewed the organisation's existing governance practices and the appropriate levels of implementation of the King III principles with the assistance of external consultants. There were no material instances of non-compliance with our current governance principles during 2014.

The table that follows summarises certain key governance matters along with their current status. We considered the applicability of these matters in relation to the size and public nature of the NBI.

<h3>GOALS FOR 2014</h3> <p>Ethical leadership and promoting an ethical climate.</p>	<h3>PERFORMANCE IN 2014</h3> <p>Management has considered the values promoted by the NBI to its stakeholders. This issue is integrated into all work streams of the NBI and is a core focus area in our strategy. The NBI is currently reviewing and refining the existing values.</p>
<h3>GOALS FOR 2015</h3> <p>The current values promoted by the NBI facilitate an ethical environment and ethical interactions with staff and our stakeholders.</p>	

<h3>GOALS FOR 2014</h3> <p>NBI board and its directors.</p>	<h3>PERFORMANCE IN 2014</h3> <p>The NBI board aligns with the requirements of the new Companies Act and King III. The NBI board provides oversight, guidance and advice to the CEO and management. The board is chaired by Mr Cas Coovadia.</p>
<h3>GOALS FOR 2015</h3> <p>The NBI's governance structure comprises a membership council and a board comprising fourteen members and two ex-officio members. The chairman and the CEO are both members of the board.</p>	

<h3>GOALS FOR 2014</h3> <p>NBI audit and risk committee.</p>	<h3>PERFORMANCE IN 2014</h3> <p>NBI's audit and risk committee comprises four non-executive directors. The committee is chaired by Mr Gideon Serfontein.</p>
<h3>GOALS FOR 2015</h3> <p>Due to the size of the organisation and the increased responsibilities and duties as recommended by King III, the core duties of the audit committee have been expanded to include those of oversight of the management of risk in the organisation.</p> <p>The terms of reference for the audit and risk committee have been updated accordingly and increased time will be devoted by the audit committee to incorporate these additional responsibilities.</p>	

GOALS FOR 2014

NBI remuneration committee.

PERFORMANCE IN 2014

The NBI currently has a remuneration committee that governs and oversees the policy for recognition and reward. The committee is also responsible for the evaluation of the performance of the NBI CEO. The committee is chaired by Mr Cas Coovadia.

GOALS FOR 2015

The committee provides the NBI with the appropriate level of governance required by King III in matters relating to remuneration.

GOALS FOR 2014

IT governance.

PERFORMANCE IN 2014

The roles and responsibilities of IT governance as recommended by King III are to be overseen by the audit and risk committee.

GOALS FOR 2015

The IT charter is to be reviewed and approved by the board. The IT governance process is overseen by the audit and risk committee.

GOALS FOR 2014

Compliance with laws, rules, code sand standards

PERFORMANCE IN 2014

The NBI promotes adherence to laws, rules, codes and standards.

GOALS FOR 2015

This matter is of ongoing importance.

GOALS FOR 2014

Stakeholder relationships.

PERFORMANCE IN 2014

The NBI engages proactively with its stakeholders. Engagements are detailed in the table on page 20 of this report.

GOALS FOR 2015

The NBI has developed a sustainability maturity model to further facilitate a deeper engagement with its member companies.

Ongoing engagement with stakeholders remains a strength of the NBI. Due to the nature of the operating context, ongoing review of both internal and external stakeholders will continue.

The membership council plays a valuable role in providing strategic guidance and oversight to stakeholder (including membership) activities.

GOVERNANCE REPORT...

GOVERNANCE STRUCTURE...

Membership council

The membership council drives and oversees the NBI strategy and is responsible for the appointment of the board. The council has no fiduciary responsibility and was established in March 2013 to involve the members of the NBI and to enable them to give their oversight to the organisation. The council enables members to directly shape, influence and drive the strategy of the NBI while not seeking to replace the vital one-on-one engagements with members and other member meetings.

The board and the CEO report to the council on critical issues and the strategic direction of the organisation. Members deliberate and comment on the reports and ensure that the NBI is following the correct strategy and focusing on the issues most relevant to members. The membership council meets twice annually.

Regional membership councils continue to operate in the Western Cape and KwaZulu-Natal. The regional councils meet three times per annum.

The board

The board is responsible for implementing the organisation's strategy and is accountable to the membership council. The NBI's board comprises 14 members who were initially appointed at the membership council meeting in March 2013 as well as the NBI CEO. The two chairs of the regional membership councils serve in an ex officio capacity on the main board in addition to the 14 directors. Twelve of the directors are representatives of member companies. The board meets four times a year and more frequently when required.

The NBI's memorandum of incorporation (MOI) was registered with the CIPC during the year. A board charter has been developed and is being reviewed for approval.

BOARD	17/09/13	25/11/13	11/02/14	25/06/14
Cas Coovadia (Chairman)	P	A	P	P
David Brink	P	P‡	P	P
Vuyo Kona	P	P	P	P
Khumo Shongwe	P	P	P	P
Masechaba Tekana	P	P	P	P
Joanne Yawitch (CEO)	P	P	P	P
Steve Lennon	P	P	P	P
Thabani Jali	P	A	P	P
Laura Nel	P	A	A	A
Xolani Magojo	P	A	A	P
Muzi Chonco*	-	-	-	P
Gideon Serfontein	P	A	A	A
Colin Coleman	P	A	A	A
Deirdré Lingenfelder	P	A	A	A
Bonang Mohale	A	A	A	A
Karin Ireton	P	P	P	A
Andile Sangqu†	P	A	A	-

P - Present A - Apologies recieved * Appointed 16/4/2014 ‡ Acting chairman † Resigned 27/02/2014

Board sub-committees

The board delegates certain of its responsibilities to board sub-committees while retaining ultimate responsibility for these functions. Where necessary, sub-committees may include members who are not on the board if they bring additional expertise that may be needed for the role. The sub-committees are chaired by board members.

Audit and risk committee

The audit and risk committee was established in April 2013 and comprises two non-executive directors and a member representative. The committee's financial resources were supplemented by the appointment of Mr Tak Hiemstra, a Chartered Accountant, on the 25th of November 2013. The audit and risk committee meets four times a year, or more frequently as required.

The roles, duties and responsibilities of the audit and risk committee are set out in the audit and risk committee charter which has been drafted and will be approved in 2015. The charter aims to ensure that the committee is compliant with the recommendations of King III.

The audit and risk committee developed terms of reference that were approved by the board.

AUDIT AND RISK COMMITTEE	14/06/13	26/09/13	04/11/13	29/05/14	17/08/14
Gideon Serfontein (Chairman)	P	P	P	P	P
David Brink	P	P	P	P	P
Theresa Moila	P	P	P	P	A
Tak Hiemstra*	-	-	-	P	A

P - Present A - Apologies received * Appointed 25/11/2013

Remuneration committee

The remuneration committee governs and oversees the organisation's policies for recognition and reward. The committee is also responsible for the evaluation of the performance of the NBI CEO.

The committee comprises three non-executive directors and the chairman. The committee meets once a year, and if required, more frequently.

REMUNERATION COMMITTEE	27/05/14
Cas Coovadia (Chairman)	P
Karin Ireton	P
Khumo Shongwe	P
Steve Lennon	P

P - Present

Social, ethics and transformation committee

The social, ethics and transformation committee is responsible for determining the course of action the NBI should adopt for unethical member behaviour, look at stakeholder issues and at the broader social issues within the context of the NBI. The committee was established in May 2013 and comprises three non-executive directors. During the year Mr Andile Sangqu resigned from the social, ethics and transformation committee and was replaced by Ms Kgomo Tshaka, an NBI member representative.

The committee's terms of reference were finalised and approved by the board during the year. The committee is in the process of reviewing and updating the NBI's policies.

The committee met twice during the year under review.

GOVERNANCE REPORT...

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE...

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	14/11/13	24/06/13
Thabani Jali (Chairman)	P	P
Masechaba Tekana	P	P
Andile Sangqu [†]	P	-
Kgomotso Tshaka*	-	-

P - Present A - Apologies recieved * Appointed 25/06/2014 † Resigned 27/02/2014

Company secretary

The directors have unrestricted access to the advice and services of the company secretary. The company secretary is responsible for assisting the chairman in coordinating and administering the functioning of the board, facilitating the induction of new non-executive directors and ensuring statutory compliance. The appointment and removal of the company secretary is a matter for the board and not executive management.

Delegation of authority

The NBI exercises a hierarchy of approvals within the organisation. These are formalised in the Delegation of Authority documents that were drafted during the year and approved by the board. Due to the relatively small size of the organisation, these approvals take place at a senior level.

Risk assessment

The audit and risk committee reviews and assesses the risks facing the organisation. The major risks facing the organisation relate to securing funding in a challenging economic environment and effectively managing the liquidity of the organisation, which is largely dependent on membership fees and donor funding. These risks are of an ongoing nature and the NBI will continue to work towards ensuring the active management of stakeholder (including membership) relationships and operational efficiencies in order to manage these risks.

The NBI continues to develop and refine the levels of risks and its risk appetite. As a membership and donor-funded organisation, reputation is of great importance. Policies, which are currently in the process of being revised and formalised, will provide guidance on risk tolerance and the consistency of accepting such risk across the organisation.

During the year a risk management workshop was held with BDO and the outcome presented to the audit and risk committee. This included the setting up of a risk matrix that includes generic organisational risks and specific programme risks, the status of these risks and the mitigating controls in place.

Sustainability

Sustainability affects the NBI in two ways. Sustainability is a key consideration within the NBI's operations, as well as being the primary objective for projects the NBI undertakes. We believe that through monitoring and mitigating the risks indicated above, differentiating ourselves even further and ensuring we continue to connect with our stakeholders (including the NBI membership), the organisation will continue to sustain itself towards achieving its company objectives.

The NBI's objective to shape a sustainable future through responsible business leadership and action is inextricably linked to the success of the projects it undertakes. Through the NBI's project management, which includes both performance and financial monitoring, the NBI continues to work with our members and partners to ensure that the projects continue to progress and produce the desired results. The success of these projects will reinforce the NBI's credibility with its members, who will in turn contribute to the longevity of the organisation.

The board is responsible for meeting all fiduciary requirements as defined by the Companies Act and King III. The CEO is accountable to the board and membership council and is responsible for implementing the organisation's work.

Ethics

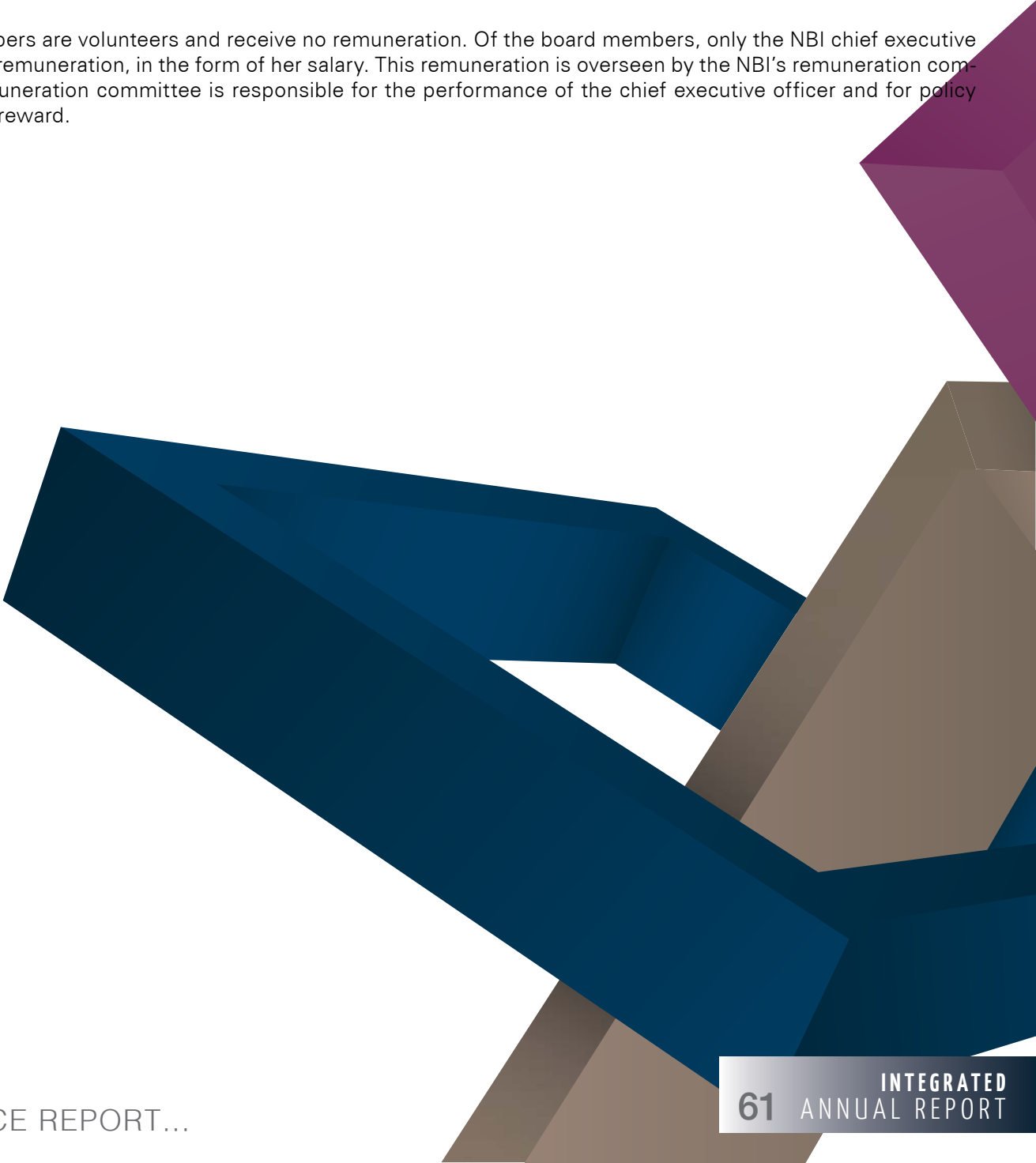
The NBI is built on a highly ethical foundation and there is a high implicit value placed on ethical behaviour in the organisation. A formalised Code of Conduct is being developed and an anti-corruption policy was drafted, approved by the board and publicised to staff during the year.

The objective of this policy is to reinforce the NBI's commitment to good governance and a zero tolerance approach to any form of fraud or corruption, to set out the NBI's standards for the prevention of fraud and corruption, to provide the foundation for the NBI's management of corruption and fraud risk and to provide for the effective communication, implementation and review of the policy and its associated procedures.

The organisation's procurement framework was also updated, a gifts register was established and the organisational values are currently being reviewed.

Remuneration

NBI board members are volunteers and receive no remuneration. Of the board members, only the NBI chief executive officer receives remuneration, in the form of her salary. This remuneration is overseen by the NBI's remuneration committee. The remuneration committee is responsible for the performance of the chief executive officer and for policy recognition and reward.



AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is constituted as a statutory committee of NBI in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (as amended) (the Act) and a committee of the board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2014 financial year.

Names and qualifications of committee members

Gideon Serfontein (Chairman)	Hons.B.Comm(Management Sciences), Master Development Finance(Mdev)
David Brink	MSc Eng (Mining), DComm (hc), Graduate Diploma in Company Direction
Theresa Moila	BA degree and postgraduate Honours in Social Work
Tak Hiemstra	BCompt (Hons), CA(SA)

Terms of reference

The committee's formal terms of reference are set out in the audit and risk committee charter which has been approved by the board. These terms of reference are reviewed on an annual basis and updated as necessary. During the past year, the committee has executed its duties in accordance with these terms of reference.

Composition

The committee comprises of two independent non-executive directors, one of which is the chairman, and two member representatives. All members of the committee are suitably skilled and experienced. The chairman of the board is not eligible to be the chairman or a member of the audit and risk committee.

Meetings

Five meetings were held during the year. Meeting attendance is shown on page 58 of the governance report.

Statutory duties

The following statutory duties were executed by the committee in terms of the Act:

- nominated and re-appointed BDO South Africa as external auditors and Ms Diane McCallum, Partner, as the individual auditor, after confirmation of their independence;
- the external auditor fees and their terms of engagement were approved;
- all non-audit services provided by BDO South Africa were reviewed and approved;
- meetings were held with BDO after the audit and risk committee meetings, without the executive management present, and no matters of concern were raised;
- no reportable irregularities were noted by BDO;
- the role of the committee is set out in the audit and risk committee charter summary on page 64 of this report; and
- the committee reviewed the annual financial statements, integrated annual report as well as the interim report during the year with the external auditors present before recommending them to the board for approval.

Risk management

The board has assigned oversight of the risk management function to the audit and risk committee.

The committee satisfied itself that the process and procedures followed in terms of identifying, managing and reporting on risk are adequate and that the following areas have been appropriately addressed:

- financial reporting risks;
- internal financial controls;
- fraud risk relating to financial reporting; and
- IT risk as it relates to financial reporting.

The committee mandate and risk management policy and plan are in place.

Internal financial controls

The committee reviewed the internal and external audit scope, plans and the resultant findings to determine the effectiveness of management systems and internal controls during the year. Assurance was received from management, internal and external audit and, based on this combined assurance, the committee is satisfied that the internal controls of the group are adequate and that there was no material breakdown in internal controls.

Regulatory compliance

The organisation complied with all relevant laws and regulations and considers adherence to non-binding rules, codes and standards. Compliance forms an integral part of the company's risk management process.

Internal audit

The organisation is in the process of establishing an internal audit function to monitor the internal control environment. This function will be reported on in next year's integrated report.

External audit

The committee has no concerns regarding the external auditor's independence and BDO South Africa has been recommended to the board and shareholders to be re-appointed.

Financial manager review

The committee has reviewed the performance, experience, resources and expertise of the financial function, headed by Mr Wouter van der Merwe and confirms the suitability of the financial function to fulfil its role.

Integrated annual report

The committee has evaluated the annual financial statements of the NBI and the group for the year ended 30 June 2014 and based on the information provided to the committee, consider that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards. The committee has reviewed the integrated annual report and the committee recommends the report to the board for approval.

On behalf of the board audit and risk committee:



Gideon Serfontein
Audit and risk committee chairman

AUDIT AND RISK COMMITTEE CHARTER SUMMARY

The Audit and Risk Committee Charter sets out the roles, duties and responsibilities of the Audit and Risk Committee and its relationship to the internal and external audit functions and the Board of NBI.

The Committee is constituted as a statutory committee of NBI in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 (as amended) and a committee of the Board in respect of all other duties assigned to it by the Board.

The Charter aims to ensure that the Committee is compliant with the recommendations of the Report on Governance for South Africa 2009 (King III). It was confirmed by the Board on June 25, 2014 and will be reviewed annually by the Committee and the Board.

PURPOSE OF THE AUDIT AND RISK COMMITTEE

The Committee was established by the Board on April 9, 2013. The purpose of the Committee is to assist the Board in discharging its duties relating to:

- the safeguarding of assets;
- risk evaluation and risk management;
- the operation of adequate financial and administration systems including internal control;
- accurate reporting to members and other stakeholders and provision of financial statements in compliance with all applicable legal requirements and accounting standards; and
- compliance with relevant laws, regulations and procedures.

The Committee provides a forum for discussing business risk and control issues, for developing relevant recommendations for consideration by the Board and acts as a channel of communication between the Board and management and the internal and external auditors.

The Committee has oversight of the activities of the NBI internal and external audit function currently provided by BDO South Africa.

The Committee is an advisory committee and not an executive committee except in relation to:

- The nomination of the external independent auditor for each financial year appointed in terms of the requirements of the Companies Act (as amended) in South Africa and any other regulatory and legislative requirements which the Company needs to comply with;
- The approval of non-audit services performed by the external auditor;
- The approval of the terms of engagement of, and fees to be paid to the external auditor; and
- The approval of the appointment of internal auditors if the function is outsourced, and of the Head of internal audit if an in-house internal audit function is established.

With the exception of the items enumerated above, the Committee shall not perform any management functions or assume any management or Board responsibilities, shall have an objective independent role, and shall submit recommendations as appropriate to the Board for approval or final discussion.

MEMBERSHIP AND MEETINGS

The Audit and Risk Committee is appointed for the duration of the term of the Board (i.e. a three year period). The Committee consists of at least three members, all of whom are independent non-executive directors with the requisite experience, knowledge and skills set to serve on the Committee. Members of the Committee are appointed from amongst the Directors of the Board and NBI members.

The Chairman of the Committee is appointed by the Board, is a member of the Board and has the requisite business, financial and leadership skills and be a good communicator.

The quorum for decisions by the Committee is any two members of the Committee present throughout the meeting of the Committee. The company secretary is the secretary of the Committee.

The composition of the Committee and its chairmanship is subject to annual review by the Board. The Committee

undertakes annual self-assessments which include assessments by the external auditors and internal audit function and the Financial Head/Manager.

The Committee meets at least three times a year, or more frequently as required.

The Chairman of the Board, Chief Executive Officer and Financial Head/Manager of the NBI, any other representatives of the NBI's financial management and representatives of the external and internal auditors attend meetings as invitees and other NBI Board members shall also have a right of attendance. Invitees do not have a vote at meetings of the Committee.

The minutes of all meetings are submitted to the Board at the Board meeting immediately following the Committee meeting and the Chairman of the Committee has an opportunity to report on any matters of importance as well as the Committee's findings and recommended actions.

The Chairman of the Committee attends Membership Council Meetings of the NBI to answer questions concerning matters falling within the ambit of the Committee.

RESPONSIBILITIES AND FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The Committee's duties include:

- reviewing the internal control structures including financial control, accounting systems and reporting;
- reviewing the Group's statement on internal control systems prior to endorsement by the Board and in particular reviewing:
 - o procedures for identifying business risks and controlling their impact on the NBI;
 - o policies for preventing and detecting fraud;
 - o policies for ensuring that the NBI complies with relevant regulatory and legal requirements; and
 - o the operational effectiveness of the policies and procedures;
- liaising with external and internal auditors;
- monitoring and ensuring compliance of the NBI with the laws and regulations of applicable statutes and of controlling bodies and all legal requirements;
- liaising and coordinating with the work of the Social, Ethics & Transformation Committee;
- reviewing the expertise, resources and experience of the NBI's finance function, and disclosing the results of the review in the integrated report. The Committee also considers and satisfies itself of the suitability of the expertise and experience of the Financial Head/Manager every year; and
- reporting in the integrated report how the Committee carried out its functions during the financial year and stating whether it is satisfied that the external auditor was independent of the Company.

External Audit

The Committee nominates for appointment as auditor of the Company a registered independent auditor for approval by the Board. The Committee's duties in relation to the external auditors include:

- discussing and reviewing the auditors' engagement letter, the terms, nature and scope of the audit function, procedure and engagement;
- evaluating the independence, cost effectiveness and objectivity of the external auditors;
- reporting on the independence of the external auditor in the annual financial statements;
- negotiating procedures, subject to agreement, beyond minimum statutory and professional duties and pre-approving the proposed contract with the auditor in respect of all non-audit services to be rendered;
- evaluating the performance, quality and effectiveness of the external auditors and the external audit process;
- giving directive to external auditors to address areas of concern, in addition to the auditors' minimum statutory and professional duties and consider any problems identified in regard to the Company's going concern status or matters of internal control;
- identifying key matters arising in the external auditors' management letter and satisfying itself that these are being properly followed up;
- reviewing the adequacy of corrective action in response to significant external audit findings;
- reviewing management's letter of representation to the external auditors before finalisation of the integrated report;
- determining the fees to be paid to the external auditor and ensuring the external audit fee will sustain a proper audit and provide value for money; and
- considering any questions on the resignation or dismissal of the auditors.

AUDIT AND RISK COMMITTEE CHARTER SUMMARY

• **Internal audit**

The Committee monitors and supervises the effective function of internal audit to provide an objective overview of the operational effectiveness of the NBI's systems of internal control and reporting. This includes:

- reviewing the objectives and operations of the internal audit function;
- evaluating the performance of internal audit, its effectiveness and independence;
- reviewing the internal audit function's compliance with its mandate as approved by the Committee and considering whether the mandate, organisation, resources, internal audit skills and standing of the internal audit function are appropriate to enable the Committee to meet its objectives;
- reviewing and approving the internal audit plan and budgets and satisfying itself that the coverage plan makes provision for effectively addressing the critical risk areas of the business;
- considering internal audit reports on the effectiveness of the process for identifying, assessing, and reporting on all significant business and operational risks and the management and mitigation of those risks by the Committee and making appropriate recommendations to the Board;
- reviewing and considering the conclusions and significant matters reported by the internal audit function in relation to financial reporting, corporate governance and internal control;
- reviewing the adequacy of corrective action taken in response to significant internal audit findings; and
- reviewing the co-operation and co-ordination between the internal and external audit functions and co-ordinating the formal internal audit work plan with external auditors to prevent duplication of work.

Integrated reporting

The Committee oversees integrated reporting and recommends the integrated report for approval by the Board. This includes reviewing the integrity of the report, the quality of financial reporting and the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The Committee also reviews the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information and any other similar documents.

Risk management

The Committee is an integral component of the risk management process and its duties include:

- overseeing the development, implementation and annual review of an effective risk management policy and plan for a system and process of risk management to recommend for approval to the Board;
- making recommendations to the Board concerning the levels of risk tolerance and appetite and monitoring that risks are managed within the levels of risk tolerance and appetite as approved by the Board;
- reviewing significant financial and other risk exposures and the steps management has taken to monitor, control and report such exposures;
- ensuring that compliance forms an integral part of the NBI's risk management process;
- ensuring that management considers and implements appropriate risk responses;
- ensuring that continuous risk monitoring by management takes place;
- reviewing reports and significant findings by the internal audit function with respect to risk management and compliance activities of the NBI, together with management's responses and follow-up to these reports;
- reviewing the NBI's information technology risk management programs;
- expressing the Committee's opinion to the Board on the effectiveness of the system and process of risk management and annually presenting to the Board a report summarising the Committee's review of the NBI's methods for identifying and managing risks; and
- reviewing reporting concerning risk management that is to be included in the integrated report, ensuring it is timely, comprehensive and relevant.

GRI INDEX

The NBI reports its sustainability progress against the Global Reporting Initiative (GRI) guidelines. The table below reports according to the GRI G3 guidelines. Next year, we will report against the GRI G4 guidelines. The information disclosed in this report meets the requirement of GRI Application Level C.

The sustainability information in this report has not been externally assured.

Profile Disclosure	Description	Section	Page
1.1	Statement from the most senior decision-maker of the organisation.	Chairman's report	16
2.1	Name of the organisation.	Who we are	7
2.2	Primary brands, products, and/or services.	Who we are, Our strategy	7, 11
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Who we are	7
2.4	Location of organisation's headquarters.	Contact details	69
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	About this report	4
2.6	Nature of ownership and legal form.	Who we are	7
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Who we are	7
2.8	Scale of the reporting organisation.	Highlights, Financial sustainability, Value added statement, Human capital.	10, 23, 25, 32
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	There were no significant changes during the reporting period regarding size, structure or ownership.	
2.10	Awards received in the reporting period.	There were no awards received during the reporting period.	
3.1	Reporting period (e.g. fiscal/ calendar year) for information provided.	About this report	4
3.2	Date of most recent previous report.	12 months to 30 June 2013.	
3.3	Reporting cycle (annual, biennial, etc.)	Annual	
3.4	Contact point for questions regarding the report or its contents.	Contact details	69
3.5	Process for defining report content.	Building sustainability	12
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	About this report	4
3.7	State any specific limitations on the scope or boundary of the report.	About this report	4
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	There were no changes in basis for reporting that affect comparability.	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement.	There were no restatements of information provided in earlier reports.	

GRI INDEX...

Profile Disclosure	Description	Section	Page
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	There were no significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	
3.12	Table identifying the location of the Standard Disclosures in the report.	This table	
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Governance report	56
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	The chairman of the board is an executive officer.	
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Governance report	56
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Stakeholder engagement	20
4.14	List of stakeholder groups engaged by the organisation.	Stakeholder engagement	20
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder engagement	20

Economic performance indicators

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Value added statement	25
EC4	Significant financial assistance received from government.	There was no significant financial assistance received from government during the year under review.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Focus area review	39

Environmental performance indicators

EN4	Indirect energy consumption by primary source. Environment EN7 Initiatives to reduce indirect energy consumption and reductions achieved.	Environment	37
EN8	Total water withdrawal by source.	Environment	37
EN9	Water sources significantly affected by withdrawal of water.	Water is withdrawn from municipal sources.	

Profile Disclosure	Description	Section	Page
Social performance indicators – Labour			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Human capital	32
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	Human capital	32
Social performance indicators – Human rights			
HR4	Total number of incidents of discrimination and actions taken.	There were no incidents of discrimination reported in the year under review.	
Social performance indicators – Society			
SO4	Actions taken in response to incidents of corruption.	There were no incidents of corruption reported in the year under review.	
SO8	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with laws and regulations.	There were no significant fines or non-monetary sanctions for noncompliance with laws and regulations reported in the year under review.	

GLOSSARY

ASSAF Academy of science for South Africa	B-BBEE Broad-Based Black Economic Empowerment	BBL Black Business Leaders	BEE Black Economic Empowerment
BLSA Business Leadership South Africa	BUSA Business Unity South Africa	CDP Carbon Disclosure Project	CIP Construction Industry Partnership
CoGP Codes of Good Practice	CSI Corporate Social Investment	DBSA Development Bank of South Africa	DERO Designed Emission Reduction Out Zones
DFID Department for International Development	DHET Department of Higher Education and Training	Dti Department of Trade and Industry	ED Enterprise Development
EELN Energy Efficiency Leadership Network	EHG Greenhouse Gas	FET Further Education and Training	GRI Global Reporting Index
ICT Information and Communications Technology	IDC Industrial Development Corporation	JIPSA Joint Initiative on Priority Skills Acquisition	MoI Memorandum of Incorporation
NBI National Business Initiative for Growth, Development and Democracy	NCV National Certificate Vocational	OELD Organisation for Economic Co-operation and Development	PSEE Private Sector Energy Efficiency Project
SANB South African Biodiversity Institute	SASDC South African Supplier Diversity Council	SETA Sector Education and Training Authority	SfE Skills for Employability
SME Small and Medium Enterprise	TSBP Technical Skills Business Partnership	TVET Technical and Vocational Education and Training	UK United Kingdom
UN United Nations	UNFCCC United Nations Framework Convention on Climate Change	UNGO United Nations Global Compact	WBCSD World Business Council for Sustainable Development
WRC Water Research Commission	WRI World Resources Institute		

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