

THE NBI INTEGRATED ANNUAL REPORT JULY 2016 - JUNE 2018



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1 About this Report

Given that the National Business Initiative (NBI) aims to get business engaged (through working with our member companies) in economic and social transformation, we draw on a wide range of influences to give direction, content and purpose to our work. This also means that reporting back to NBI Members and our stakeholders on progress can be quite challenging.

Fundamentally the NBI is a member-driven organisation (although non-mandated) and we have therefore structured this report around how we deliver on our fiduciary responsibility to our members and other funders. The report is therefore divided into five sections:

1. Our membership and the NBI character;
2. Our governance and our responsibilities to members and stakeholders;
3. Our strategy and ways of working;
4. Our programme areas and value delivery; and
5. Our financials.

Our character and purpose is defined by our members and section 1 therefore deals with our membership, our core beliefs and introduces our business model. Information on how the NBI is governed, our management of risk, of key stakeholders and partners, and our internal transformation journey and staff complement can be found in section 2. Section 3 defines our theory of change and how we work with our member companies and other stakeholders to deliver value and build the society we want. Section 4 defines the details of that value delivery and describes our individual programmes across all of our focus areas. Section 5 provides the standard financial disclosures describing the NBI's healthy and growing financial position.

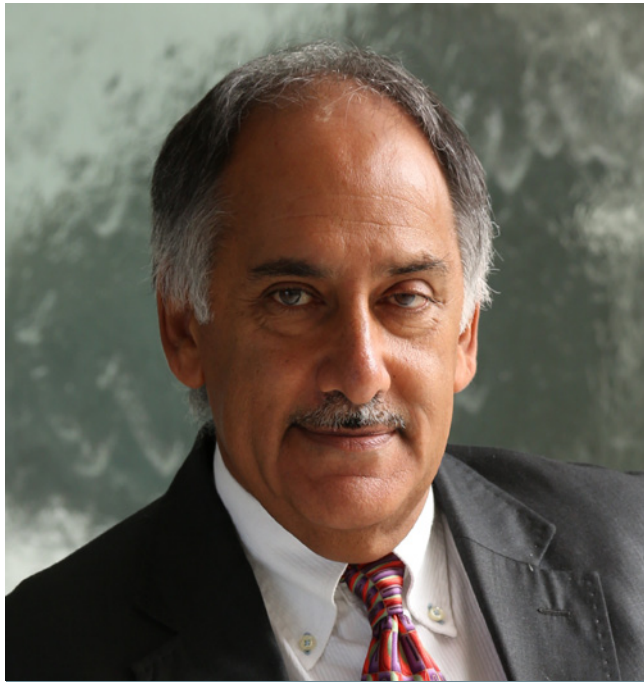
Given that our members are committed to good governance and implementing best practice so is the NBI. The report has been prepared to align with the governance principles of the King Report on Corporate Governance for South Africa 2016 (King IV), the statutory reporting requirements of the Companies Act, 2008 as amended, and takes guidance from the International Integrated Reporting Council's International <IR> Framework.

The NBI's level 1 B-BBEE status is externally verified. The information provided in the transformation section of this report aligns with the dates of the B-BBEE certificates for the period under review. These certificates are available for inspection upon request.

The financial information contained in this integrated report has been independently audited by BDO and their report can be found on page 64. While the NBI acknowledges the benefit of external assurance over other sustainability issues, it has to date not considered such assurance given the small size of the organisation and its relatively insignificant direct social and environmental impacts. For the financial year end 2018, the NBI will release an addendum to this report in November 2018.

While the NBI aspires to release an integrated report every year, this report covers a two-year period from 1 July 2016 to 30 June 2018. Although not ideal, this does afford us the opportunity to report on long-term strategic progress. The NBI will return to releasing annual integrated reports for the end of the financial year 2019 and going forward.

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 believes the information contained in the report is accurate.



Cas Coovadia
NBI Chairman

2 Chairman's Report

The political climate in South Africa over the past two years has highlighted the important role that business can and must play in building an equitable and ethical future for all South Africans.

The 2016 and 2017 allegations about the corruption and capture of important state-owned corporations, as well as the damaging corporate governance and risk management failures in high profile companies, resulted in poor economic performance, with South Africa suffering ratings downgrades with significant socio-economic costs.

It did, however, galvanise leaders and business associations into taking more vocal and visible roles to protect national economic wellbeing and jobs.

The NBI has long played a catalytic role in bringing business and Government leaders together to address socio-economic and environmental issues. So, coordination of a CEO Initiative was a natural step. The NBI enabled the CEO Initiative to focus on stakeholder relationships as well as building programmatic responses to key challenges, particularly in the areas of skills development and youth employability and support for small and medium size enterprises through the launch of the South African SME Fund.

Business can't become complacent. Confidence has risen but the road will be long, hard and winding if we want to achieve political certainty and economic growth. The momentum that ethical business has built must be maintained and it must continue to talk truth to power and its peers when needed. The political problems are still significant.

We must begin to talk about the potential of change in the political architecture of this country in 2019 and begin to relate in different ways to the possibility of more parties in power. We must also continue to demonstrate that business recognises the imperative of addressing poverty, unemployment and socio-economic transformation.

The NBI is a platform for business to work collectively on the pressing socio-economic and transformation challenges that require the private and public sectors to work together to create a more equitable and economically vibrant society that can meet the needs of our growing population.

The NBI is uniquely positioned in its focus on capacity building, thought leadership and project-level delivery. But, it also works closely with other business and sectoral associations that play advocacy and policy-making roles. At the end of 2017, the major business organisations relocated under one roof in Sandton. This enables them to coordinate and collaborate more closely and more effectively.

The NBI is able to leverage off its past achievements and build bridges between business and other stakeholders, such as through the CEO Initiative and its other programmes. In a country where there are so many urgent issues, the NBI Board's role is to ensure that it retains focus on its core strategic objectives. In 2018, funders have begun to see a clearer and more concrete manifestation of the different value propositions.

The NBI has enjoyed an increase in net membership, which tells us members are happy and that the NBI is doing the right things. Our most active members recognise the value add of their membership to their own businesses. Our challenge is to demonstrate that same value to newer businesses, which are starting to understand their role in society.

The NBI is achieving greater profile and recognition, which is enabling CEOs to better understand and recognise that role.

The NBI can only be successful if it interacts with Government on an ongoing basis. The past two years have been extremely difficult because of the political climate. There were times when we have had to draw a line in the sand because engagements that went nowhere became a drain on resources, and also because there are ethical and other lines we will not cross.

Business has seen a drain in capacity within Government. The good people who are left are more dependent on organisations like the NBI to bridge the gap between the vision and working with business on delivering a better future for South Africans.

As a country, we are currently faced with multiple crises not least that of sufficient water for our people, and for economic growth. The NBI now needs to be the sane and pragmatic voice in those crises. The role it is playing is to enable stakeholders to take a few steps back and look at the options for real and concrete delivery as well as to bring its expertise to bear so that we can rise above the panic and the political paralysis and work away at real implementable deliverables.

Although the past two or three years have woken business to the Country's socio-environmental crises and challenges, awareness is perhaps not yet at the level it should be. When we were fighting apartheid, business only started putting pressure on Government when it started hurting. In the sustainability sense we now have to do the same. This is about socio-economic transformation but also about recognising that environmental threats like climate change and water availability hit the poor hardest and threaten their livelihoods first.

The Board needs to bring in new and younger members and businesses onto the governance structures of the NBI. We want a more diversified membership of younger, dynamic people with strategic leadership capability and the ability to help us ensure that the NBI is strategically strong and financially sound, based on fee income and sponsorship of key projects.

We have established a good team here at the NBI, who deliver professionally and with competence and confidence as assessed from member surveys. Our staff morale is high, leadership is good – staff transformation and succession planning receive ongoing attention. We have a good active Board that has been able to give more strategic direction and the sub committees are working more effectively.

I am optimistic that the NBI and its members will continue to play a critical role in building a more sustainable future for all South Africans and contributing the collective capability of leading organisations in pragmatic and transformative ways.

Cas Coovadia



Joanne Yawitch
NBI CEO

3 CEO's Report

The past 24 months have been characterised by a deteriorating economic and political environment, causing the NBI as a membership-based organisation to question the relevance of our priorities and activities in delivering value to our members and South Africa as a whole.

The NBI has a strong focus on areas that during tough times sometimes slip from the business agenda, but which create the foundation on which future value is built. Climate change and water, for example, are priorities globally because their physical manifestations and social and economic consequences create significant country and business risk. As core economic issues, they have the potential to significantly disrupt the local economy and the livelihoods of millions of South Africans.

Currently the country has been focused on the Western Cape water crisis, but several other provinces are also facing dire water shortages. These are not short-term challenges. They are multi-year, multi-faceted systemic challenges that threaten both social well-being and our economy.

Given the above, our strategy agreed on towards the end of 2015 and implemented from 2016, focuses on socio-economic transformation, enabling us to concentrate our efforts on these priorities in alignment to and collaboration with others working in this space.

The interlinked elements of this approach are complementary and cumulative, with the NBI strategy's success in its ability to link member priorities and challenges to concrete activities that deliver tangible results.

By working with partners across sectors nationally and internationally, we are uniquely placed to assist our members in addressing key issues within the context of supply chains and customers, and the objectives articulated in the National Development Plan (NDP) and the international Sustainable Development Goals (SDGs). Conversely, we can better contextualise the developmental needs of companies and economies in Africa for international business organisations.

We work on issues that are of ongoing relevance to business and that enable our members to undertake practical activities that position them to successfully contribute to the greater good. The value of doing this collectively is recognised as adding both implementation capacity and impact.

During the period under review the NBI took on the important role of co-ordinating the CEO Initiative, a major focus for the NBI's leadership particularly during 2016. The Initiative has built the Team SA platform from which business, Government and labour can collectively engage ratings agencies and foreign investors and support activities to catalyse inclusive growth. While the political instability over the period made ratings downgrades inevitable, the CEO Initiative remains positively received internationally and has positioned Team SA to reassert this role in the future.

Through its secretariat function the NBI plays an important role in providing another avenue for CEOs to assert collective leadership.

Over the period we worked to maintain constructive relationships with Government. Notable successes have been achieved in particular in our water partnerships in the KwaZulu-Natal and Western Cape areas as well as in our long-term project on Waste Water issues.

Our partnership with the Department of Environmental Affairs to host a joint Government Business Pavilion at the Climate Change COP23 and our work with the Department of Energy to take forward our energy efficiency work have also yielded fruitful results.

We continue our critical work on skills and youth employability. We ran successful sector-specific demonstration projects, learned many lessons and are working to create the necessary scale required to make progress in reducing youth unemployment.

Looking forward, the NBI is excited to implement the new programme addressing transformation in the corporate sector which was developed in 2017. We have appointed additional capacity and will be addressing a wide range of the key transformation issues confronting our members, while further scaling up our skills and youth employability work. Through our continued work with international partners like We Mean Business and the World Business Council for Sustainable Development (WBCSD), we aim to continue to create and extract value for our members.

I am delighted by our achievements during this past period and believe we are well positioned for a focus on implementation and continued value delivery in the future. I must commend the NBI's staff for their dedication and focus and of course our members for their engagement and commitment to building a South Africa that works for all.

The NBI is a small and stable organisation. We settled into new office space in Sandton at the end of 2017, addressing safety concerns for commuting staff at our former office space and putting us within easy reach of most of our members as well as other key business associations. Facility-sharing agreements could also save the NBI significant time and cost related to our member events.

Our small highly-skilled and dedicated team has challenges in relation to meeting our equity goals. However, with the strategic and policy guidance of our active Board, we are addressing this, in particular through our hiring decisions. Institutional memory and knowledge retention are a key focus and we are building the tools and processes to support our membership activities and bring new employees up to speed quickly.

Issues of state capture and corruption in both the public and private sectors that have dominated headlines during the past 18 months have prompted us to revive our anti-corruption training and capacity building initiatives to build even stronger approaches to ethics and governance by having the right values, policies, procedures, systems and safe-guards in place. We recognise that in every organisation there are good people trying to do good, but at the same time, we must take a stance when behaviour is inconsistent with good practice and the well-being of our society.

The challenge going into 2019 is to continue supporting leading practice while facilitating ongoing thought leadership on critical issues, to build capacity and catalyse collective action. The NBI is committed to continue serving its members in this ever-dynamic environment.

Joanne Yawitch

4 The NBI Membership and our Responsibility to Members

4.1 The NBI History and Relationship with Members

4.1.1 Background to the NBI

The NBI was launched in March 1995 by former President Nelson Mandela as the **National Business Initiative for Growth, Development and Democracy** and is a registered public benefit organisation (1995/003141/08). It is fundamentally a membership organisation and we derive our direction and our character from our members. We are therefore a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action.

Over the years the NBI has made a distinct impact in the spheres of housing delivery, crime prevention, local economic development, public sector capacity building, further education and training, schooling and public-private partnerships. The Organisation also has an enviable track record in working collaboratively with companies and building successful partnerships. The NBI played a catalytic role in establishing organisations such as the Business Trust and Business Against Crime, as well as high level programmes such as The Joint Initiative on Priority Skills Acquisition (JIPSA).

And it is with this spirit that we continue to work with companies and other stakeholder to build trust and social cohesion as we and our membership engage in social and economic transformation.

Critically the NBI is non-mandated and this means we interpret international and local best practice, trends in business, governance and social and environmental management, and local and international politics to help provide strategic direction and sense making to our member companies. They depend on us to call them out when their practices does not match with our sense-making activities. We are therefore simultaneously led by and lead our member companies. This is not a public process and our philosophy is to work with all companies to ensure we move forward as a sector.

4.1.2 Our Membership

The NBI continues to work with NBI members around the role and contribution of business in and to society through our ways of working and brings companies together to make an impact in society through the issues we focus on.

The issues change but the role remains constant and aims to build a business community in South Africa that plays a meaningful and trusted role in the achievement of a sustainable and equitable society.

The NBI's identity is embedded in our membership. Our work is made possible through our membership community whose contributions allow substance to be given to the role of business in shaping a sustainable future. This is achieved through member companies' support for the NBI and active involvement in our work.

NBI Members as at end June 2018



4.1.3 Our Fundamental Beliefs

We distil the character of the NBI and our member companies into a set of fundamental beliefs that drive our behaviour, retain our current members and attract new members. These are:

- A sustainable society is possible;
- The social contract between business and society needs to be renegotiated;
- The past and present ill treatment of the environment will cause inflationary pressure on our businesses for some time;
- Business success is inextricably linked to a thriving society, building trust and relationships with Government and other key stakeholders;
- Collective action between business, Government, labour and civil society will support large-scale system change in a sustainable way; and
- There is a role for business as a key enabler shaping a sustainable future.

4.1.4 Our Funding Model

The NBI is equally dependent on two important sources of funding. Our membership funding covers our non-project related costs and is known as core funding. Core funding covers our office infrastructure and costs of core staff. The membership contributions are critical to the running of the NBI and supply the project teams with the essential support they need and provide for the main communications conduit between member companies and the NBI. Core funding also covers the costs of the unit heads within the NBI. This is an important subsidy that enables the NBI to be competitive when bidding for donor support.

The second important source of funding is project support. Project funding must cover the direct costs of the project and the time of the project staff allocated to the project. Specific projects are supported by additional funding, either from company support or donor support. Currently project funding is received from several companies, from international development funds and from sovereign donor agencies. The strategic alignment between the NBI and these donor agencies is critical and the NBI works hard to ensure that both entities are achieving their strategic goals.

Using this model the NBI is able to leverage member company support to raise further funding thus multiplying the impact of member support. The NBI's goal is to reach a ratio of 1:2 where each member Rand is leveraged to raise two additional project Rands. It is therefore a carefully balanced symbiosis between member support (core funding) and project support. Both are critical for the success of the NBI.

4.1.5 Our Vision and Value Proposition



Vision

Creating and supporting a sustainable, equitable and thriving society that makes South Africa one of the world's great places to live, work and do business.



Value Proposition

- Our ability to create membership value through leveraging donors and member company contributions and collective action;
- Our independence and willingness to form partnerships and work collaboratively;
- Our team and delivery capacity, including project management and delivery;
- Providing a commitment and disclosure-driven leadership platform for South African companies;
- Sense making role through Thought Leadership and capacity-building actions;
- Building relationships and safe channels of communication with Government leading to co-operation in policy development and implementation;
- Enhancing democracy by building the capacity and maturity of business to meaningfully engage;
- Networking and learning by sharing opportunities; and
- Access to a community of best practice.

The NBI is one of South Africa's preeminent voluntary business organisations, with a strong emphasis on sustainable development related issues. Our access to wider business, academia, civil society and government is considerable, with the result that we have a strong convening power. We maintain active working relationships with a number of Government departments, including the Departments of Higher Education and Training, Energy, Environmental Affairs, Trade and Industry, Science and Technology and Water and Sanitation, as well as the Presidency and National Treasury.

The NBI maintains excellent relationships with South African business as a whole, including outside of our membership base, supported through key programmes such as CDP, Energy Efficiency Leadership Network (EELN) and Pathways to Employability.

The NBI has strong ties and working relationships with a number of leading international organisations and business coalitions. The NBI is a global network partner of the World Business Council for Sustainable Development (WBCSD) in South Africa and an implementation partner of We Mean Business, the CEO Water Mandate and CDP.

The NBI plays an important bridging role between business, civil society and Government, including through supporting informal dialogue on key issues. This approach can assist in the development of partnerships across the public and private sector in South Africa, an approach that is key to solving many of the country's socio-economic challenges.

Given that the NBI is non-mandated, we have the freedom and agility, supported by our members, to decide on a forward-looking, innovative and responsible role for business in addressing priority issues.

The NBI has a dedicated team of experts focusing on a range of issues, including strategy and policy, skills development, sustainable development, energy, human rights, anti-corruption, economic development and stakeholder relations. The NBI also has extensive experience in hosting events, workshops, dialogues and executive dinners.

The NBI is a Level 1 Contributor to Broad-Based Black Economic Empowerment (B-BBEE) in South Africa and is certified 100% Black Beneficiaries in terms of Socio-Economic Development (SED). We are committed to supporting transformation across the business sector. Our B-BBEE certificates are available on request.

The Value Creation Process

Key Resources / Capitals available to NBI

Business Activities

- 

Membership fees
Donor funding for projects
- 

Dedicated and loyal staff
Effective Board structures
- Supportive, committed and engaged membership base
Strong relations with Government



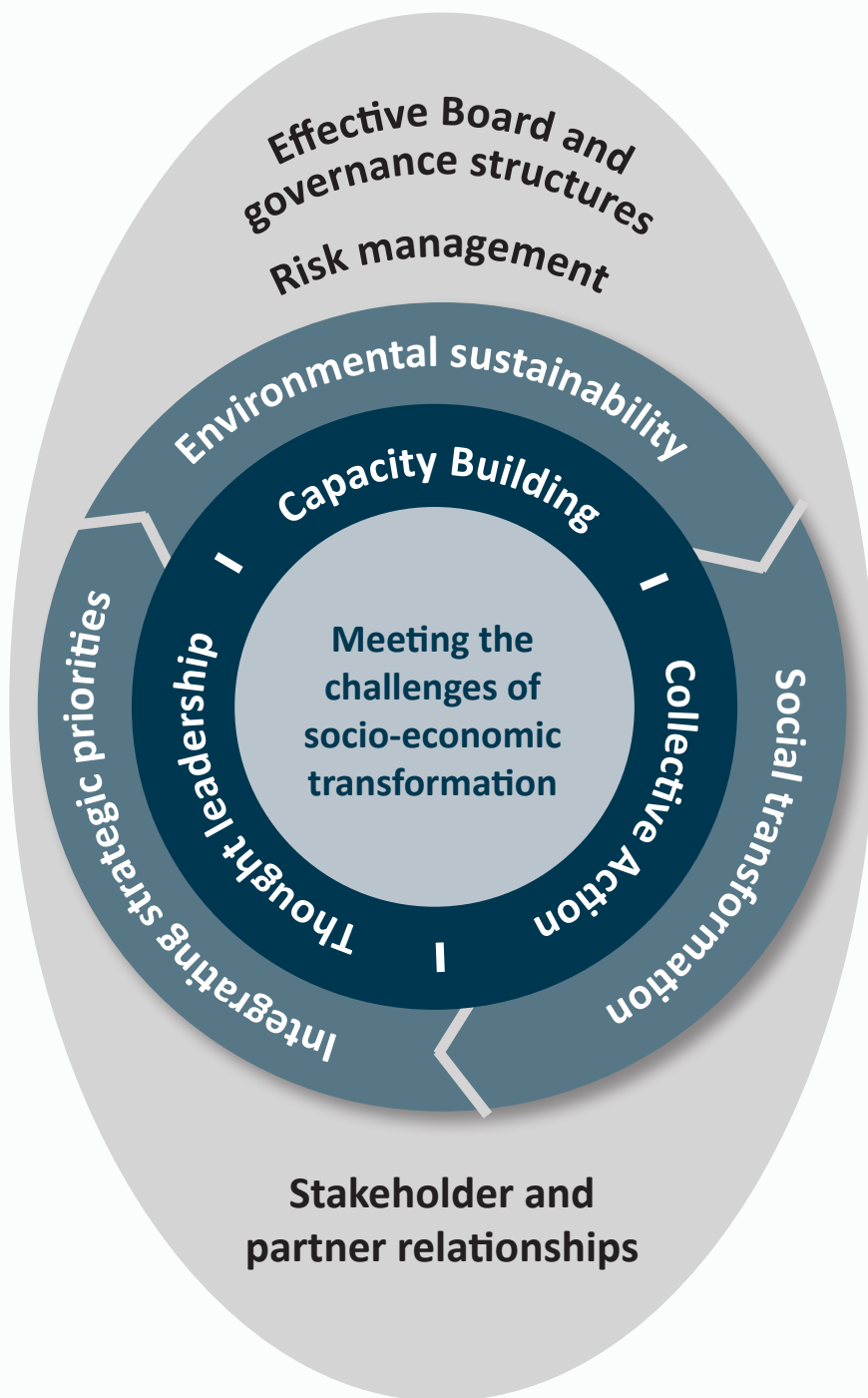
Other business associations / organisations / partners
Effective dialogue with and support from stakeholders and partners
- 

Low direct impacts
Environmental challenges of membership base and Government
- Knowledge and expertise of our staff



NBI brand and reputation
Developments around environmental sustainability and social transformation
- 

Facilities to support business operations, events and programme execution



- MISSION / PURPOSE
- WAYS OF WORKING
- FOCUS THEMES / WORKSTREAMS

Outputs Produced

- Stable membership and financial contributions
- Stable workforce
- Successful facilitation of CEO Initiative
- Progress in NDP Action points and integration of SDGs
- Successful Thought Leadership Series of events
- Consistent and committed project delivery, particularly in relation to climate, energy and water
- Concrete deliverables achieved in relation to workplace-based learning and youth employability
- Transformation identified as new focus area
- Continued work on legacy areas such as human rights and anti-corruption

Impacts / Outcomes

Membership fees invested to support activities
Donor funding applied for effective project delivery



Staff complement stabilised and skills expanded
Resourcing targeted at effective project delivery



Membership satisfaction is strong as a result of consistent and committed delivery
Strengthened relationships between Government and business
Need for greater support and capacity building of local Government identified
Business community growing in maturity in understanding the imperatives of transformation and sustainability
Members and targeted youth benefited from skills development and employability projects
Government benefited from capacity building



Continued transparency on issues of water, energy and climate enables greater accountability and information availability, facilitates engagement and action



Knowledge and expertise of staff, members and other stakeholders enhanced through project work, thought leadership and capacity building activities
Continued compelling track record of establishing partnerships and delivery enhances NBI brand and reputation



Better positioning means greater contact and interaction with stakeholders



4.2 The Governance of the NBI

Our fiduciary responsibility to our members plays out in two important ways:

- Compliance with the King Code (King IV) on corporate governance and governance best practice; and
- Our reporting to the Board on performance through our company scorecard.

This section details our governance processes and compliance mechanisms, and the portions of the scorecard that relate to managements responsibility in running the NBI. The section below provides the high-level score card that has driven NBI activity for the last 2 years and includes references to where supporting information can be found in the report. There is of course a large part of the scorecard that deals with our delivery of value to members and other stakeholders which is reported in sections 3, 4 and 5.

1 Delivery of our value proposition to members (sections 3, 4 and 5)

- Centres around activities of the NBI
- High level action areas are to:
 - provide clear direction to members on new and priority areas through thought leadership
 - enhance the capacity of members
 - expand collective action platforms
- The focus will be on funded projects and particularly on strengthening the social project pipeline
- The need to support Government is also pressing

2 Maintaining corporate governance, managing risk and implementing financial excellence (section 2)

- More meticulous management of the risk register and linking to mitigating actions
- Continuing to improve financial capacity through strong financial management
- Annual membership survey will continue as an important tool

3 Ensuring financial stability (sections 2 and 6)

- Focus on retention of member relationships, fundraising projects and securing donor funding
- Goals are to:
 - grow membership
 - ensure sufficient cash flow
 - enhance project recovery income
 - diversify the funding currency mix
 - increase savings

4

Providing effective leadership (sections 2 and 3)

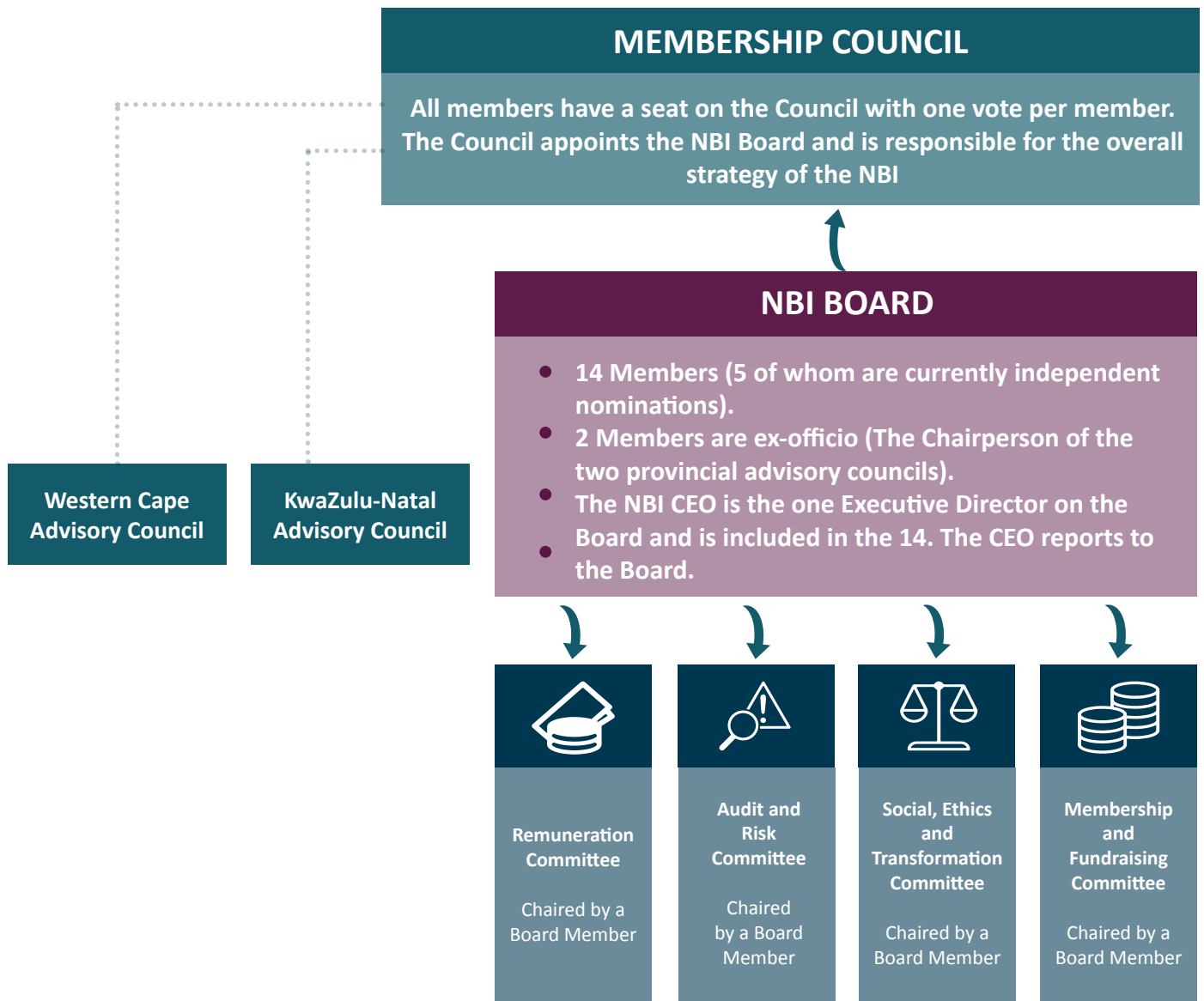
- Board and internal leadership to be aligned to the highest standards of governance excellence
- Communication and dissemination of NBI work to provide leadership to the broader community
- Aims are to:
 - actively support and retain key talent
 - acquire excellent, appropriate people to diversify the employee base
 - enhance Board involvement in membership acquisition and the Membership Council
 - clearly communicate the impact of the NBI
 - communicate NBI positioning to stakeholders

4.2.1 The NBI Governance Structure

Good governance is essential for the effective functioning and sustainability of any organisation. As a prominent thought leader with significant advocacy roles, the NBI strives to both demonstrate this commitment in its own operations and support members and the broader business community to entrench good corporate governance in theirs.



NBI's Governance Structure



Demonstrating its informed oversight approach, the following discussions featured at Board level during the reporting period:

- Encouraging management to ensure that in a time of uncertainty and changing dynamics, day-to-day matters and implementation of the strategy of the NBI are tightly managed and do not become a distraction from the bigger picture;
- Monitoring and being involved in coordination work for the CEO Initiative and related ratings downgrade engagements;
- Discussing the UNGC re-strategising and consultations and advising on how the NBI can engage with the process on behalf of its members and other UNGC signatories;
- Evolution of the new transformation programme;
- Considering how to champion the social programme to raise its profile and ensure a compelling proposition;
- Operational matters such as the project and funding pipeline, capacity constraints and cost management; and
- Reviewing the following top five risks and ensuring mitigating actions are in place:
 - Inadequate funding
 - Erratic cash flow
 - Market relevance and links to the NBI value proposition
 - Staff capacity and performance
 - Member awareness and participation.

The NBI's governance architecture aligns the organisation with the requirements of the Companies Act and King IV.

BOARD OF DIRECTORS Meeting Attendance: Nine meetings were held in the period under review, i.e. July 2016 to end of June 2018

Brigitte Burnett	8/9	White Female		David North	0/2	Resignation accepted by the Board on 15 March 2017
Candy Tohill*	3/6	White Female	Appointed to the Board at the Membership Council meeting on 16 May 2017. First Board meeting on 5 July 2017	Muzi Chonco	1/2	+Three-year term came to an end and at the beginning of March 2017. Did not make himself available for a second term
Cas Coovadia (Chair)	7/9	Indian Male		Deidre Lingenfelder	1/3	*Resignation accepted by the Board on 15 March 2017
Colin Coleman	6/9	White Male		Vuyo Kona	6/6	Resignation accepted by the Board in February 2017
David Brink	9/9	White Male				
Francois Adriaan	4/9	Coloured Male	Ex-officio on the Board as the Chairman of the Western Cape Advisory Council			
Gideon Serfontein	9/9	White Male				
Joanne Yawitch	4/9	White Female	CEO/Executive Director			
Kgomotso Tshaka	6/9	Black Female				
Khumo Shongwe	7/9	Black Female				
Mandy Rambharos	6/9	Indian Female				
Shireen Naidoo	6/6	Indian Female	Appointed to the Board at the Membership Council meeting on 16 May 2017. First Board meeting on 5 July 2017			
Stan Pillay	5/6	Indian Male	Appointed to the Board at the Membership Council meeting on 16 May 2017. First Board meeting on 5 July 2017			
Wrenelle Stander	8/9	Coloured Female				
Xolani Magojo	4/9	Black Male	Ex-officio on the Board as the Chairman of the KwaZulu Natal Advisory Council			

Audit and Risk Committee

This Committee is tasked with:

- ensuring that the NBI operates as a going concern and that sound financial management processes and controls are in place;
- overseeing cashflow against budget, progress against audits and statutory requirements;
- reviewing the risk register.

Focus areas and discussion points during the report period included:

- resourcing and capacity of the finance function;
- VAT matters; and
- financial planning against current and future projects.

See the **Audit and Risk Committee report** for more detail.

Comprises three independent Directors and one member representative, with a further member representative joining the Committee from May 2018:

Gideon Serfontein (Chair) (9/9)
David Brink (9/9)
Theresa Moila (6/9)
Shillyboy Mothiba (7/9)
Prabashni Moodley (1/1)

Social, Ethics and Transformation Committee

This Committee oversees statutory requirements, issues relating to human resources, the overall health of the NBI, stakeholder engagement and compliance with and promotion of the Principles of the UNGC, given that the NBI is currently a signatory.

Focus areas and discussion points during the report period included:

- review of employment policies and the Employee Handbook;
- succession planning and identification of critical skills;
- employee satisfaction;
- Stakeholder Engagement Plan;
- internal skills development and training to build a broad talent pool; and
- Human Rights, Environmental and Anti-Corruption clusters of UNGC and dealing with issues of ethics in relation to members through quiet conversations.

Comprises two independent Directors and three member company representatives:

Khumo Shongwe (Chair) (6/6)
Kgomotso Tshaka (4/6)
Mandy Rambharos (3/6)
Masechaba Tekana (5/6)
Xolani Magojo (3/6)
Deidre Lingenfelder* (1/2)
Muzi Chonco+ (1/2)

Membership and Fundraising Committee

This Committee is responsible for overall funding and membership issues, including the NBI Foundation USA Inc. Impact of this Committee is predominantly with regard to membership retention and growth, and financial sustainability.

Focus areas and discussion points during the report period included:

- Setting a Terms of Reference for the Committee;
- Oversight of implementation of fundraising strategy approved by the Board;
- Review of the membership pipeline; and
- Articulating a clear value proposition that is clear and inspirational in order to promote and position the NBI and bring in more funding.

Comprises four independent Directors and two member company representatives:

Cas Coovadia (Chair) (4/4)
Francois Adriaan (3/4)
Gideon Serfontein (2/3)
Kgomotso Tshaka (4/4)
Shillyboy Mothiba (3/4)
Robyn de Villiers (3/4)

Remuneration Committee

This Committee governs and oversees the NBI policies for recognition and reward. The Committee is also responsible for the evaluation of the performance of the CEO.

Focus areas and discussion points during the report period included consideration of increases and awards based on performance, the financial position of the organisation and the development of a succession plan and policy.

Comprises two independent Directors and one company member representative:

Cas Coovadia (Chair) (4/4)
Khumo Shongwe (4/4)
Mandy Rambharos (1/2)
Shireen Naidoo (2/2)

4.2.2. Most Material Matters

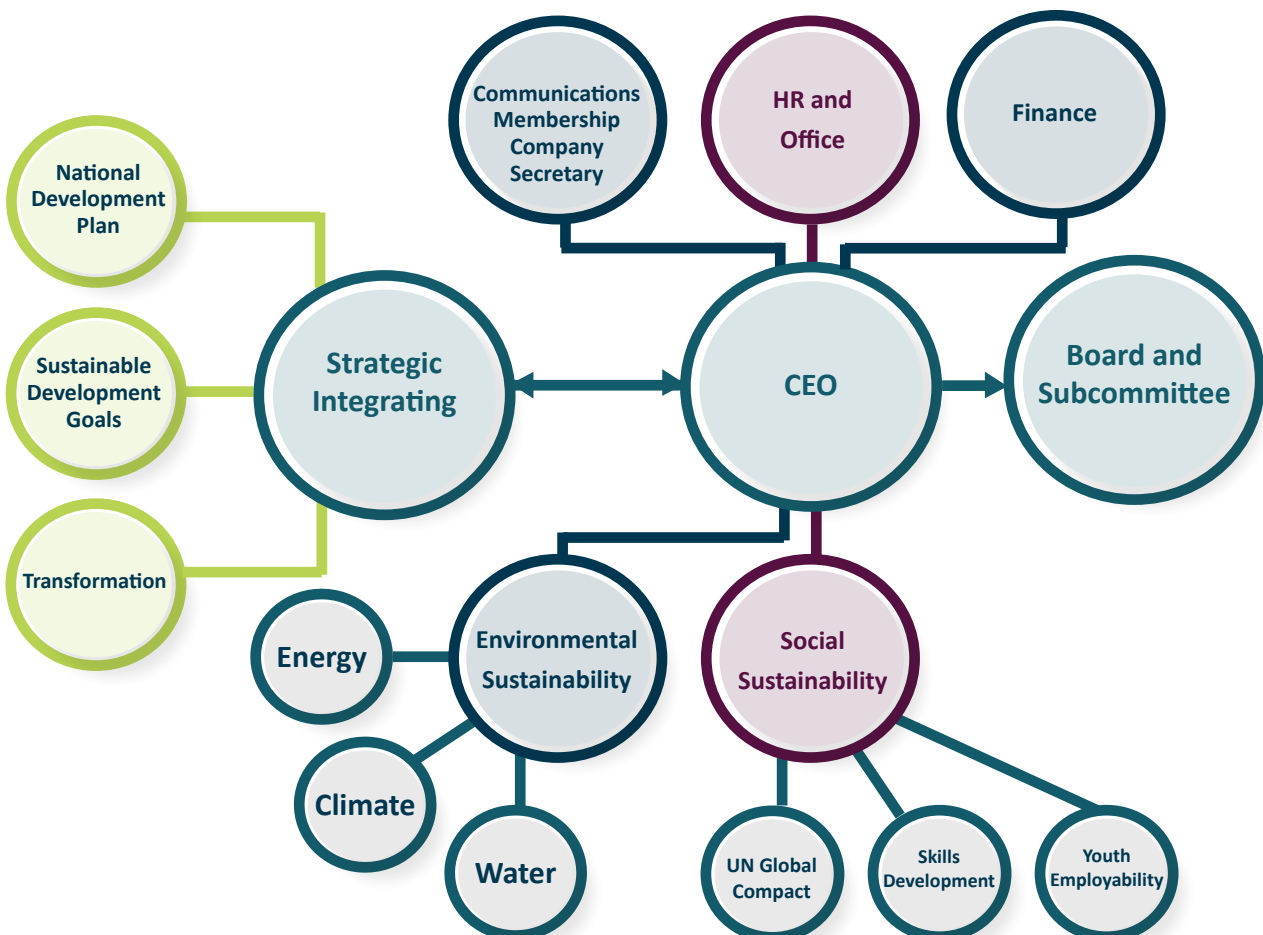
The material matters are those overarching matters that the NBI believes have the most significant impact on the organisation’s long-term sustainability. They are interrelated and interdependent touching financial and non-financial issues to reflect the fact that environmental, social and governance risks and opportunities have financial and non-financial risks and opportunities which equally affect the ability to create sustainable value for the organisation and its stakeholders over the long term.



4.3 Organisational Structure and B-BBEE

The NBI has a small staff complement and a relatively flat structure with its key focus areas supported by Programme and Project Managers, as well as analysts and partnership managers.

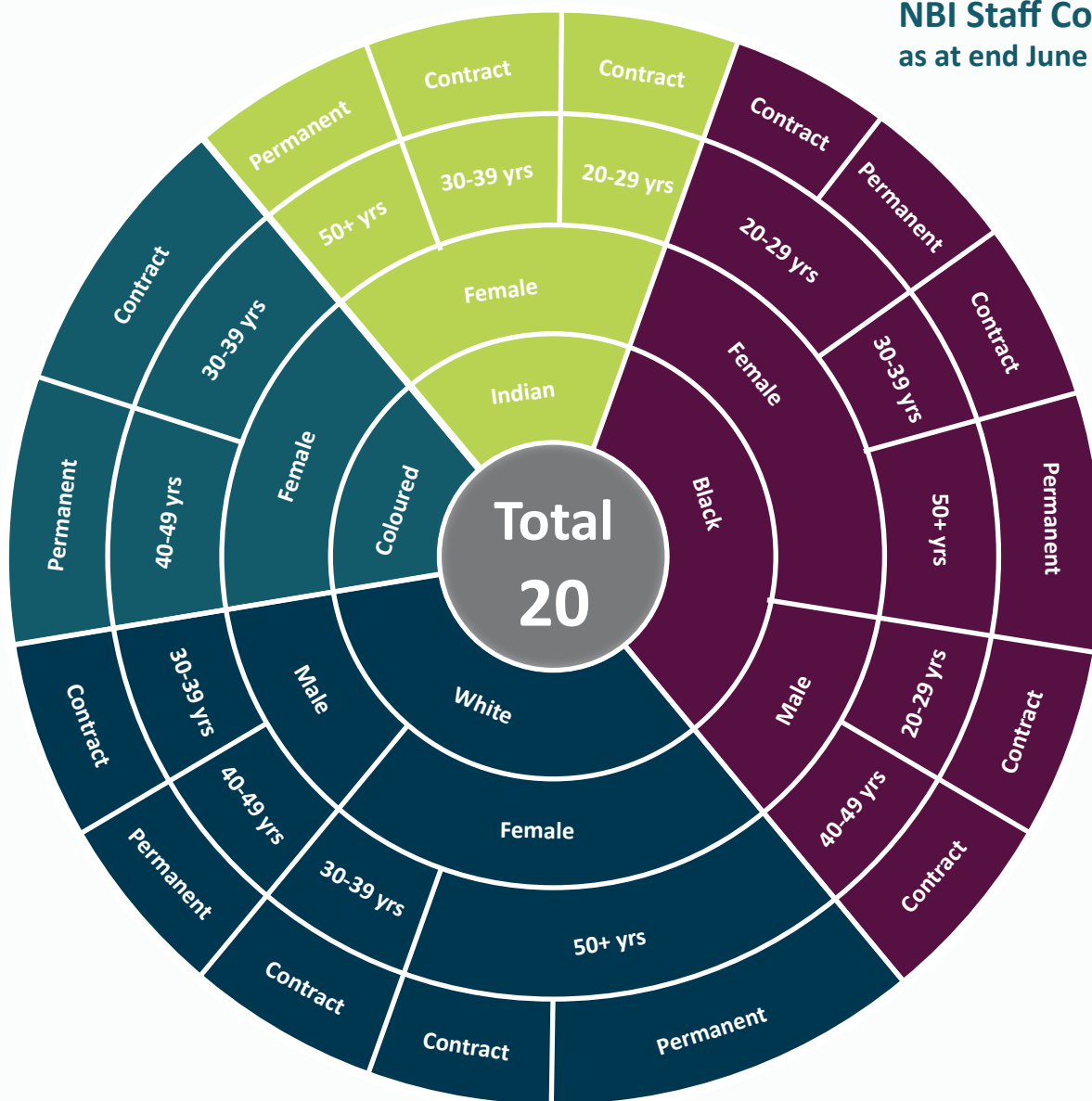
Over the reporting period, the NBI maintained a Level One Broad-Based Black Economic Empowerment status (as verified externally by EVS by means of sworn affidavit).



4.4 Internal Resources and Capability: the NBI 'Fit'

Successful implementation of the NBI strategy is reliant on strong leadership, efficient performance and continuous support. This requires human resources that are committed, competent and capable of execution. The NBI workforce represents these traits and they form the backbone of the organisation's strong reputation and member satisfaction levels. The NBI is comprised of a small team with a fair amount of multi-tasking amongst staff. The internal cohesion of the NBI is strong.

**NBI Staff Complement
 as at end June 2018**



- NBI staff are diverse, skilled, very loyal and committed across all levels of the organisation.
- The current staff complement has on average eight years of service, with five employees having ten or more years of service and two over twenty years.
- Staff retention is supported by the leading and cutting-edge nature of the NBI work. Despite challenges in salary competitiveness, they have a passion for the NBI's mission and values, which is considered during recruitment.



HIGHLIGHTS

- Staff complement has remained stable.
- No major restructuring activities or recruitment drives undertaken.
- Focus on retention of key staff, with project recovery and budgeting in place.
- Job evaluation and job sizing done by end of 2017, review and implementation during 2018.
- Policies reviewed and updated with Board oversight, to achieve legal alignment and improved user-friendliness.
- Staff handbook developed with key elements.
- Workplace skills plan and employment equity report completed annually.



LOOKING FORWARD

- Performance management process will focus on internal skills training and setting development goals for staff.
- Ongoing work to ensure development gaps / opportunities are identified, mentoring and coaching done.
- Training mostly inhouse but arrangements with Regenesys Business School are in place to offer training modules where appropriate for staff needs.
- Recruitment is informed by strategic needs, project requirements and available funding.
- Internal transformation process remains underway, discussion around succession plan and policy in progress.



4.5 Key Stakeholders

One of the NBI’s core value drivers is its facilitation role and ability to build deep and lasting relationships across and between business, Government and other key stakeholders. It believes that strong stakeholder relationships generate mutual value. Efficient, timeous and constructive stakeholder engagement therefore remains one of its priority activities, central to its purpose and strategic intent. The NBI is committed to developing and maintaining strong relationships with key stakeholders across its business, to ensure it understands and responds to their unique interests and concerns.

Beyond the structured engagements, the NBI’s publications, On a Clear Day and Quick Briefs, thematic and project reports, news releases and active LinkedIn, Twitter and web pages are extensive and actively followed. These provide exposure to and contact with key stakeholders as well as the broader public who may have an interest in the NBI’s work.

The stakeholder landscape is mapped across 5 key segments:



The overarching aims of engagement across this landscape is to:

- Achieve sustainable funding, membership acquisition and retention
- Ensure relevance and positioning of the NBI
- Enable conversations to build consensus and capacity
- Mobilise collective action, form partnerships and obtain implementation support
- Protect and build Government goodwill
- Exercise ethical and effective leadership
- Achieve strategic alignment and employee commitment

MEMBERS AND GOVERNMENT	Their interest and role	Mutual access to and interaction between business thought leaders and Government representatives; opportunities for capacity building and collective action. Project delivery. Association with NBI and other leading companies on priority sustainability issues and value for their support and membership fees.
	NBI interest	The NBI regularly seeks the support of its members and Government in designing programmes that meet their needs. Government can be an enabler or a stumbling block.
	How the NBI engages	There is continual interaction with members through one-on-one meetings, Board representation, Membership Councils, programme advisory structures, various publications, dialogues and events. Engagement with Government takes place on issues of thought leadership and capacity building, through project interaction, structured engagements, participation in working groups.
	Key engagement propositions	Ensuring business’s relevance in advancing sustainable development and solutions in alignment with the national agenda; collective engagement to find solutions to key challenges; action and capacity building in support of sustainable development.

GOVERNING STRUCTURE AND EMPLOYEES	Their interest and role	Continuity of work, fair wages, effective control and ethical leadership. Accountability and delivery of the NBI's strategic priorities.
	NBI interest	The NBI's small, skilled team is critical to its ability to deliver to its members. Good governance, effective control and ethical leadership through its diverse and skilled Board and Committees enhances the NBI reputation and supports the organisation's sustainability.
	How the NBI engages	Employee engagement takes place through: daily interaction, learning and development, performance management. Incentives are offered through work opportunities on impactful and stimulating projects. Board and Committee meetings take place at set intervals, with interim interaction as necessary with management.
	Key engagement propositions	Access to impactful opportunities, setting an example for governance and leadership.

FUNDERS AND IMPLEMENTATION PARTNERS	Their interest and role	Access to high level interaction with business. Efficient project management and consistent delivery are priorities at project level. Opportunities for shared thought leadership and economies of scale in collective action are of interest to strategic partners such as We Mean Business, CDP etc.
	NBI interest	It is essential that these partners share and support the NBI's proposals. They also provide opportunities for expanded scale and reach of the NBI's work.
	How the NBI engages	At the point of conceptualising projects, during setup and delivery, progress discussions, closure / exit.
	Key engagement propositions	Action in support of sustainable development. Mutual benefit through positioning and project execution.

BENEFICIARIES, ORGANISED BUSINESS AND INDUSTRY, AND THE MEDIA	Their interest and role	Opportunities for collaboration in support of sustainable development through business in South Africa. Delivery of projects. Opportunities for strategic alignment; connecting with the NBI's unique platform for project delivery.
	NBI interest	Collaborative opportunities and economies of scale.
	How the NBI engages	Partnerships, events and structured interaction.
	Key engagement propositions	Collaborative opportunities towards a shared agenda.



4.6 Key Partners

The NBI has strong partnerships in place with some of the most influential corporate responsibility organisations, which help ensure that its strategic direction and work content are world class and provide unique access for South African companies to international thinking and intellectual capital.



In addition, the NBI values its relationships with local organisations to maximise impact in terms of project reach and delivery.



5 The NBI Strategy and Ways of Working

5.1 Our Vision

The NBI's vision is that of a sustainable, equitable and thriving society that makes South Africa one of the world's greatest places to live, work and to do business.

To achieve this vision, the NBI has adopted an overriding thematic approach over at least three years that is focused on supporting economic and social transformation in South Africa, to ensure that our future economy meets our social, economic and environmental needs.

5.2 Our Strategic Approach

The NBI aims to drive business participation in economic and social transformation in South Africa, including through the implementation of collective action projects that build stakeholder trust and deliver development outcomes.

Our approach is to drive conversations that lead to action, by undertaking three key ways of working: thought leadership, capacity building and collective action. These areas are outlined in more detail in the figure below:



We are of the view that the above three ways of working are mutually reinforcing – as we learn from collective projects and critical thought leadership so we develop our understanding of what the further opportunities are and what capacity building is needed in future.

5.3 Strategy

The NBI strategy is to harness its voluntary coalition of South African and multinational companies to drive economic and social transformation.

The NBI was founded on a belief that collaborative action was needed to build a more sustainable and inclusive South Africa and this thinking is core to its success. Our strategy is built on the fundamental beliefs shown on page 9. These provide both the long-term vision and the cohesion around which members link to build a better future.

Members are the Key

The NBI has honed its strategy over many years and regularly seeks member views on its focus and priorities through various mechanisms.

The business role in economic and social transformation and the exposure to international trends have risen to the top of members' interest areas since 2015 and reinforce the strategic direction taken. Members largely endorse existing working areas while identifying food security, the future of work, infrastructure and enterprise development and job creation as priorities to build on.

The new work areas focusing on the SDGs and NDP (which were introduced since 2015) have become the areas of significant member interest, confirming their relevance.

Until the end of 2017, the NBI housed the local network of the UN Global Compact (UNGC) in South Africa. A UNGC policy decision has since determined that all regional offices should be independent of business associations and the office is therefore now located outside of the NBI.

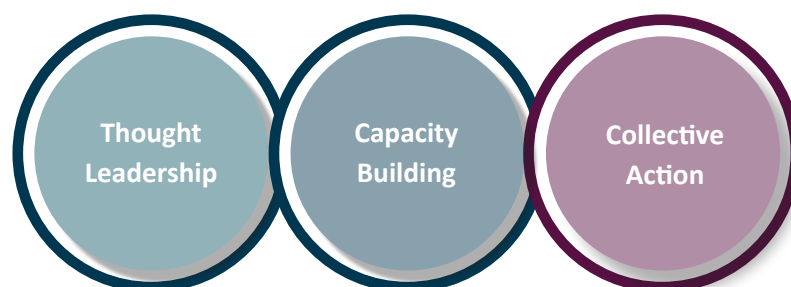
Leveraging Strategic Relationships

The NBI has a unique ability to create membership value through leveraging donors and strategic partnerships with experience in working with multiple partners to drive collective action based on sound research.

The organisation does not take political or mandated positions but works instead to strengthen positive links between its members and the public sector through dialogue, skills sharing, capacity building and collective action.

Furthermore, given that the NBI is not a sectoral or industry association, it uses its position as a catalyst to create multiplier effects for positive impact.

The team and its delivery capacity are unique and core strengths that are valued by NBI's Members and which enables us to focus on our three ways of working which cut across all of our programmes: thought leadership, capacity building and collective action.



The NBI's approach is to provide a disclosure-driven leadership platform for South African companies, believing that disclosure enables trust to be built between stakeholders and members and improves accountability.

The members and their ongoing satisfaction with the projects and programmes give the NBI a strong support base.

Risk Management

The NBI's Board oversees risk assessment and mitigation. As is typical of all member organisations, the erratic nature of our cash flow and reliance on annual member funds are persistent risks. However, the Audit and Risk Committee believe the Organisation to be currently in a stable situation. They remain vigilant to these risks and the ongoing need to attract external funding to deliver the socio-economic transformation that the NBI stands for.

Further risks addressed through regular strategic and performance reviews include those resulting from inadequate transformation of business and the erosion of trust that results from this. A new cross-cutting programme to address this risk has recently been resourced with the addition of a full-time employee and is currently being built.

The NBI's own staff transformation programme is a regular Board feature to ensure that within the small team there is no underperformance or over-dependence on key individuals that might place Organisational delivery at risk.




The push to remain relevant in a rapidly changing world is one which receives ongoing attention from the Board and the Management team. The Organisation conducts regular member surveys and meetings with executives from member companies to ensure that they recognise membership value and participate adequately within the NBI activities as Members that participate most actively, experience the greatest value.



5.3 How does the NBI Work?

The NBI's strengths lie in its ability to connect and partner with stakeholders in an independent manner to uncover areas of shared risk and opportunity. These opportunities and risks form the basis for designing and implementing collective action programmes. The NBI aims to impact socio-economic transformation in a positive and constructive manner, by taking a structured approach to its programmes, engagements and collaborative efforts. This approach is complementary and cumulative to maximise impact.

The organisation works to model its core work streams around the three ways of working to ensure maximum benefit and impact.

THOUGHT LEADERSHIP	CAPACITY BUILDING	COLLECTIVE ACTION
 <p>ENHANCING RELATIONSHIPS AND UNDERSTANDING</p>	 <p>ENABLING ACCESS TO KNOWLEDGE</p>	 <p>ACHIEVING IMPACT THROUGH COLLABORATION</p>
<ul style="list-style-type: none"> ● The NBI is well known for providing strategic thought leadership showcasing local and international experience and thinking to the business and Government community. ● Thought leadership is about developing communities of practice that local professionals can call on to support their work and their thinking. 	<ul style="list-style-type: none"> ● The capacity-building efforts aim to support all stakeholders, with a focus on business, to enable participation in collective action programmes. ● This is done through building parity in knowledge, understanding and capacity across partners to enhance the potential of collective projects. ● The need to support Government is once again emerging and pressing, with capacity building in local Government considered a focus area going forward. 	<ul style="list-style-type: none"> ● The ultimate strategic objective is to design and implement collective action projects which “crowd-in” resources to solve the problems that currently hinder economic growth, job creation and social well-being. ● Such business-led solutions can unlock developmental outcomes that drive sustainable growth, underpinned by the ability to engage in courageous conversations with multiple stakeholders.

6 Our Programme Areas

Work areas traditionally described as sustainability are increasingly intertwined and multidisciplinary. For example solving the climate change problem is going to require work to be done across traditional environmental areas as well as across economic areas and through skills development. There is therefore an increasing degree of overlap between the NBI social and environmental work areas. Having said that, there are still work areas that require a deep level of specific expertise.

As a consequence the NBI describes those projects that are suitably multidisciplinary and where they frame specific detailed work as integrated strategic projects. As described in the table below, the NBI has a number of integrated strategic projects that combine to provide direction for specific work and to help our member companies make sense of the broader strategic context in which they operate. Member companies are then supported by specific project work in the environmental or social sphere.

The following sections highlight progress in work over the reporting period:

Integrating Strategic Projects	Transformation	NDP Business Action Plan
	CEO Initiative	Socio-Economic Development Scenarios
	SDG Implementation Plan	
Social Development	Skills Development / Youth Employability	Anti-Corruption
	UN Global Compact (independent from the NBI since January 2018)	Human Rights
Environmental Sustainability	Water	Energy
	Climate Change	

6.1. Integrating Strategic Projects

The integrated strategic projects are designed to support the NBI strategy by providing depth to our conversation and action on economic and social transformation. These projects span all three ways of working, help us and our membership define what the future should look like and link that to existing implementation frameworks, like the National Development Plan and Sustainable Development Goals. Also included in these integrated strategic projects are the NBI's efforts to deploy our experience and learning to broader Government and business processes. Over the reporting period this effort included the focus on our support for the CEO Initiative. In the South African context we cannot achieve social and economic transformation without dealing with specific issues related to race, gender and power in the working world.

THE CHALLENGE

The progress South Africa has made since 1994 is remarkable. However, the challenges of disparity and inequity remain immense and require a collective commitment to realise marked change in our society. Addressing inequality, stimulating economic growth and development, accelerating youth employability and halting environmental degradation are essential to enable a thriving society.

While companies continue to contribute to addressing social transformation in numerous and varied ways, NBI engagements with members show that the conversation around internal transformation has tended to be overwhelmingly compliance-based. This suggests that it may be time for a collective re-commitment to meaningful change, building on the successes, and finding innovative ways to transform organisations. Thus, the NBI's 2018 and 2019 strategies increase the focus on transformation in its widest sense.

THE NBI RESPONSE

The NBI has aimed to play a transformative role throughout its existence by placing the interlinked success of society and business at the forefront of its programmes, recognising that business can only prosper in a society that succeeds.

Having a view of what transformation means for business and facilitating policy discussions about furthering transformation is an important area in which the NBI can make a meaningful contribution.

The NBI's Transformation Programme, launched in late 2017, is underpinned by our National Development Plan (NDP) Action Programme and our Sustainable Development Goals (SDGs) programme, including the work focusing on the business opportunity in contributing to the delivery of the SDGs.

The aim of the programme is to explore the bigger picture and internal issues around transformation, and to support the business community to contribute actively to social and economic transformation while addressing internal and external transformation challenges.

Our vision is a South African business community that contributes actively to social and economic transformation by creating jobs and economic opportunities, identifies and addresses internal and external transformation challenges to ensure equity within the workplace and an organisational culture appropriate to this, and addresses the relationship between business and the rest of society to achieve increased equity.

The programme engages with the role of business in addressing the core socio-economic challenges of inequality, poverty and unemployment, also addressing key internal transformation issues in corporates, including *inter alia* issues of equity in relation to race, gender, age and leadership.

6.1.1 Transformation

The programme's objectives are to:



- Collectively craft a vision of a transformed South Africa and jointly identify priority areas for action within corporates and between corporates and society broadly;
- Collate and share company best practices and key learnings;
- Provide the means to assess progress in contributing to transformation; and
- Support companies in implementation of strategic, innovative programmes to drive transformation.

Focus areas of the programme to date include:



GENDER

Our work in gender forms an integral part of our social transformation programme, as gender equity underpins key aspects in driving social transformation and economic inclusion. Additionally, gender equity remains a major challenge for companies, with significant under-representation of women, and in particular black women, in senior and top management, as well as on boards. Companies are faced with the urgent need to create inclusive environments and organisational cultures that support women in the workplace and throughout their value chain.



SUPPLY CHAINS

The alignment between meeting business requirements, building a transformed and resilient supplier base, and preparing for the impact of future innovations, is a crucial and strategic issue.

HIGHLIGHTS

- Following the launch of the programme, a dedicated resource has been appointed and a thought leadership series of events commenced.
- The key role of business in addressing inequality in South Africa has been identified.
- Approaches to Economic and Social Transformation have been recognised.
- The NBI again supported the annual International Women's Day event.
- A collective action visionary process is nearing conclusion.
- Engaged various business associations to understand their positions and approaches to creating an equal and just South African society, with the goal of understanding these approaches and where they converge at the same goal.

PRIORITIES MOVING FORWARD

- Finalise transformation visioning process, creating a transformation vision and public business commitment.
- Working with members and other stakeholders to identify and finalise collective action pathways to find solutions to issues of inequality and inequity within corporates, including addressing issues such as race, gender, age, class and power.
- Explore the viability of a Young Future Leaders pathway within the programme.
- Collate transformation best practice and innovative approaches for pilot project implementation.
- Develop tools and methodologies for company implementation.
- Put in place measurements to track progress.
- Continue with the Thought Leadership Dialogues to enhance engagement, understanding, cohesion, learnings, insights and best practice.

6.1.2 CEO Initiative

As noted in the **CEO Report**, the NBI took over coordination of this initiative in 2016.



- Strategic, business-led initiative underscored by CEO Pledge.
 - Designed to present a united front and collective activities to catalyse inclusive growth, and demonstrate the business commitment to address country challenges.
 - Created a Team SA platform to enable joint action by business leaders, Government and labour.
 - Avenue for CEOs to demonstrate leadership.
-
- Through this initiative, a fund was created that will invest in small and medium-sized businesses with significant growth potential. R1.5 billion has been pledged to date.
 - A Youth Employment Service Programme (YES) has been established, making use of Government and private sector partnerships. It aims to equip young people with work exposure to enhance their employability options over three years.
 - The **CEO Pledge website** provides more information about CEOs who are part of this landmark initiative: www.CEOPledge.co.za

6.1.3 Sustainable Development Goals (SDGs) Implementation

During the development of the NBI NDP Business Action Plan the NBI research team took the time to map the NDP objectives and the SDG targets and concluded that they were almost entirely overlapping, mutually reinforcing frameworks that help describe the kind of future we want and that provide an implementation roadmap. It is clear that South Africa has the highest level of social and economic inequality in the world. In the face of this and other governance, social, environmental and finance related challenges, stakeholders in both the public and private sectors recognise the need for a socio-economic transition. Using the 17 SDGs is one way in which both sectors can guide and measure progress towards such a transition.

The NBI hosted a series of workshops in Johannesburg, Cape Town and Durban in an attempt to raise awareness of the SDGs and assess company level maturity and their readiness to implement SDGs at a company level. The NBI sought, as a first step, to make companies aware of the opportunity to use the SDGs as a uniting framework and the business opportunities inherent in implementing the SDGs. A key moment was an event hosted with the Business and Sustainable Development Commission (BSDC) who presented their study concluding that 12 SDG linked systems changes would generate US\$12 trillion of value generation and unlock 380 million jobs globally. This correlated well with an NBI and Accenture study titled "Reimagining Africa" (2015) concluding that the opportunity for sustainable business across Africa is US\$350 billion a year.

Once a company is made aware and reaches a minimum level of maturity many companies explore their role in SDG implementation. This is a challenging process because:

- The SDGs are broad and all encompassing. To make a meaningful impact companies need to prioritise specific SDGs most relevant to their business and operating context (potentially across multiple operating countries).
- Prioritisation is difficult because different individuals (of varying internal power) and even business units may have different priorities and this may create conflict.

- In any prioritisation process the temptation is to choose only those SDGs that have an enormous benefit to the company and exclude those that are much desired by other sectors in society but that are challenging to implement.
- Furthermore companies differ in maturity across SDGs and even when a company might recognise the future value in implementing a specific SDG, the journey may feel too opaque for immediate impact and the SDG is thus excluded.
- Part of the challenge of SDGs being designed to be universally applicable means that developing ways to quantify and measure progress towards their achievement is challenging, especially at smaller scales and in more localised contexts. Challenges from a practical perspective primarily lie in the limited availability of useful, context-specific indicators and data.
- Only once a priority framework is developed, with meaningful actions, targets and indicators can companies consider investing materially in SDG action.

The NBI has therefore developed a methodology to assist sectors and companies to identify a selection of priority SDGs that are investable for stakeholders in their corporate sector and that are also beneficial to the broader society. The methodology also assists in the identification of KPIs, setting of targets and developing implementation plans to track progress towards the achievement of their selected SDGs. The process is interactive to ensure stakeholder buy-in and can be pitched at various levels (from sector to company to business unit level). Outputs could also include the development of a communications strategy and action plan to communicate and emphasise progress made towards the goals to other relevant stakeholders.

A critical component of the NBI methodology is that it is maturity based. The process of prioritising SDGs (which is based on maturity, investability and importance to a range of stakeholders) explicitly considers where a company can get early wins and company-wide buy-in. It also considers other SDGs that are critical for future implementation and may need a separate implementation process.

The NBI has piloted the methodology with the banking sector in South Africa and over the next year will roll this out to several other sectors. The NBI plans to cover all the sectors represented by NBI member companies. It would also like to replicate the BSDC work for South Africa through identifying which SDGs and which system changes will unlock significant value for South Africa and for business, and the impact these changes can have on employment.

6.1.4 National Development Plan (NDP) Business Action Plan



- Launched in April 2016.
- Focuses on six key areas of action where business can play a meaningful role in supporting the NDP and socio-economic development in South Africa.

Conscious of the need to reduce the complexity for South African companies confronted by a number of different codes, plans and a growing regulatory framework, the NBI undertook an analysis of the NDP and the SDGs. This aims to assist members to find the locally specific common ground which enables them to target actions that address key development needs in the country and meet their requirements as global citizens, reduce operational risk and potentially unlock opportunities.

This resulted in the NBI developing the NDP action plan. The action plan provides for NBI strategic direction, member companies the opportunity to collaborate and provides implementation support to National Government in their development journey and plan. Six interlinked priority areas were identified by this action plan all of which showed reasonable progress during the years under review.

The NDP action plan and the desire from our member companies to support the implementation of the NDP is a significant driver of NBI activity. Instead of creating separate projects within each activity area the NBI has integrated the intent of each action area into our programme as a whole illustrated by the following image:



Strengthen Partnerships with Local Government

- Established the Western Cape Drought Response Task Force
- Established the Government/Business energy partnership
- Established the uMhlathuze Partnership



Partnership with Municipalities to address Wastewater Treatment

- The Kopano ya metsi project has a focus on wastewater treatment, working on an MOU with SALGA
- Established the uMhlathuze Water Stewardship Partnership (UWASP)



Enhance Relationships between TVET Colleges and Industry

- Released the Work Integrated Learning (WIL) Guideline Report
- Presented findings of a pilot project on workplace-based learning which provide a basis for scale and college reform
- Concluded a Youth Employment Audit for Business Unity South Africa (BUSA) and presented the findings thereof
- Concluded research for the Manufacturing Sector on the skills pipeline and presented the findings



Support Nation Building and Social Cohesion

- Established a social transformation programme
- Held a number of transformation dialogues, which will work to identify and socialise relevant best practices



Incorporate a Greater Share of Gas in the Energy Mix

- Hosted executive dinners on energy pathways
- Agreed in principle to host gas roundtables



Cross-cutting Role of NBI in Supporting Collaboration

- Established a database of core member interests, informal pairing of members and all participatory NBI work programmes

Socio Economic Scenarios

Economic and social transformation in South Africa is critical and urgent. We need to be actively moving towards an economy that provides the social outcomes that we need. The transformation cannot be left to chance and needs to be carefully managed and coordinated. Furthermore the transformation is vulnerable to poor decisions that cause large and unwise impacts on our economy. Currently our future economy and social equity is most vulnerable to decisions we might make, for example in the realm of energy, although the pattern can be seen in a range of physical, environmental and social infrastructure areas.

The decisions we (Government, civil society, labour and business) make about development are not rooted in objective calculations based on best available information. They are impacted by the socio-economic and political context of our nation and influenced by the vision of the various parties involved. The NBI thus felt it important that we develop a set of scenarios that help describe this socio-economic and political context, and also help NBI members develop a common vision for our economic development. Considering these two together will help unite business efforts at collective action and sustainable development and make us more effective at stakeholder engagement, particularly with Government. The business community needs to avoid the critique of Government without the backing of a clearly thought through plan of action supporting a well-structured and articulated vision of our future.

The NBI has therefore developed a set of socio-economic scenarios that offer our members the opportunity to begin that conversation. The NBI socio-economic scenarios were developed through over twelve months of consultation with senior economists and strategy professionals from over twenty five of our member companies, three Government departments - the Department of Energy (DOE), Department of Trade and Industry (DTI) and Department of Environmental Affairs (DEA) - and with support of civil society groups, most notably the WWF.

It is therefore a critical interpretation of our member communities' thinking on economic and social transformation. Effectively the scenarios serve as a conversation tool that we believe has the potential to allow multiple stakeholders to express their views on economic and social transformation in South Africa in a manner that is not divisive or ideological. We look forward to introducing these tools to all our members for use in their company and in their engagements, and to receiving their advice and guidance on how we as the NBI member community can make the biggest impact.

The scenarios were widely distributed over the reporting period and were the focus point of several presentations and a set of executive dinners. During the dinners the NBI convened executives and senior staff from our member companies to discuss the future of our economy and the kinds of areas where business could focus. We also presented the scenarios at a special event at COP23 in Germany. Of particular interest is how the scenarios can be used to discuss the energy future of South Africa.

6.2 Social Sustainability

While the NBI's Social Sustainability Work stream unit has a wide-reaching scope, activity during the period under review focused on skills development as a critical element of the transformation agenda, particularly as it relates to youth employability.

Following the NBI's three strategic ways of working, NBI activity focused on the following during the reporting period:

	THOUGHT LEADERSHIP	CAPACITY BUILDING	COLLECTIVE ACTION
Focal Points and Intended Outcomes	<ul style="list-style-type: none"> ● Research and knowledge generation to: <ul style="list-style-type: none"> - Inform design of fit for purpose programmes - Influence policy - Change perceptions ● Understanding risks and opportunities 	<ul style="list-style-type: none"> ● Training ● Guidelines ● Dialogues 	<ul style="list-style-type: none"> ● Workplace-based Learning and Exposure programmes to: <ul style="list-style-type: none"> - Enable graduates' work-readiness for entry jobs - Facilitate employer-college partnerships - Enable lecturer exposure to latest industry best practice - Influence policy ● Business contribution to youth employability <ul style="list-style-type: none"> - Changing perceptions - Demonstrating and quantifying business contribution to youth employment ● Creating opportunities for business to collaborate for impact on priorities

	THOUGHT LEADERSHIP	CAPACITY BUILDING	COLLECTIVE ACTION
Skills Development Programmes	Technical and Vocational Educational Training (TVET) Colleges and Green Skills (Nedbank Solar Water Heaters)		Technical and Vocational Educational Training (TVET) Colleges and Green Skills (Nedbank Solar Water Heaters)
	Construction Industry Partnership		Construction Industry Partnership
	Lecturer Placements		Lecturer Placements
		Work Integrated Learning Study	
	Enhancing education, training and skills outcomes in the manufacturing sector		
			NSF Graduate Placement
	Audit of business-led Youth Employment Initiatives		Audit of business-led Youth Employment Initiatives

	THOUGHT LEADERSHIP	CAPACITY BUILDING	COLLECTIVE ACTION
Other Activities	Sustainable Development Goals		
		Human Rights and Labour in Business	
		Social and Ethics Committees	
			Anti-Corruption and Procurement

6.2.1 Skills Development

THE CHALLENGE

The National Development Plan broadly defines the impediments to social sustainability in South Africa as the triple challenges of poverty, unemployment and inequality. The high levels of unemployment and sluggish economic growth find practical expression in widespread poverty, a spike in social unrest and crime, and a resultant unequal and non-inclusive society. The situation is exacerbated by high levels of youth unemployment, which Statistics South Africa's Quarterly Labour Force Survey put at 38.2% in the first quarter of 2018.

Addressing these challenges requires a quick but sustained and sustainable response. Speed and scale are critical to ensure impact can be achieved. One of the ways in which this can be achieved is through empowering young people with skills that are demanded by the economy and that will transform their lives and the economy of the country.

The South African Government has identified the Technical and Vocational Education and Training (TVET) college sector as one of the building blocks for achieving inclusive economic growth through developing mid-level skills and increasing access for graduates into the labour market. Although the sector has the potential to offer quality programmes to prepare youth for the world of work, it is yet to demonstrate a systematic response to preparing work-ready youth in areas of demand and those where growth is anticipated such as information communication technologies, renewable energy technologies and entrepreneurship education.

Two key challenges stand in the way of the sector realising its mandate. Low levels of public funding, which continues to plague the sector, and poor quality of teaching and learning, which result in low throughput rates with few graduates entering the labour market.

THE NBI RESPONSE

Given the magnitude of youth unemployment in South Africa, a multiplicity of approaches is required. It calls for a combination of innovative approaches and initiatives that address the immediate problem of school leavers who are ill-prepared for further study and unemployed graduates who are largely under-prepared for the world of work, whilst at the same time laying the ground for a long-term and sustained systemic response to youth unemployment.

The answers to these complex challenges are sometimes found in small-scale projects and thus the NBI set out to find solutions in the short term and in the process lay the basis for medium to long-term interventions that are anchored on the principles below:

- The NBI envisages a skills pipeline that is responsive to labour market needs and that offers youth multiple pathways such as further study, employment and self-employment.
- The NBI's approach is to create shared platforms to facilitate and foster meaningful partnerships for the delivery of quality programmes that meet labour market demands.
- The intent is to design and implement demonstration projects to test innovative interventions in critical areas such as structured workplace-based learning for students and workplace exposure for college lecturers.
- Providing platforms for companies to demonstrate cutting-edge solutions which can be scaled up for larger impact through collective business action.

- Through its involvement in a number of projects involving the TVET Colleges, the NBI has identified a continuum of issues that can bring reform to the TVET sector:
 - Improved learner recruitment, selection and work readiness;
 - Lecturer development including workplace exposure;
 - Curriculum development in partnership with industry;
 - Workplace-based learning; and
 - Fostering college/industry partnerships.

The NBI's value-add is in the brokering of relationships between various key stakeholders (companies, strategic partners, Government, education sector) across sectors, with the aim to build a shared understanding of opportunities, challenges and efficient usage of available resources.

Highlights of programmes that the NBI has implemented in the period under review follow, demonstrating a methodology for industry-college partnerships designed to enable innovation and collective business action.

6.2.1.1 The “Pathways to Employability” Programme

This programme has been designed by the NBI's Social Sustainability Workstream to facilitate meaningful industry-college partnerships, and aims to:

- Enhance the responsiveness of the TVET college curriculum to industry needs.
- Forge sustainable TVET college-industry partnerships to strengthen the recruitment, selection and work-readiness of young people for entry into the world of work.
- Facilitate increased access to employment opportunities for college graduated youth through structured Workplace-Based Learning (WBL) in identified sectors.
- Stimulate a process of change within the TVET college system which will result in a culture of demand-driven, responsive teaching and learning and ensure that college/industry partnerships can be sustained for larger impact through collective business action.

- The NBI provides project management support and co-ordination to ensure all parties work to a common purpose. This facilitation role of the NBI is critical given that most of these projects have certain complexities that require full-time management whereas companies often lack time and human resources to manage these processes.
- For project implementation, the NBI's partnership approach has continued with Harambee Youth Employment Accelerator, which brings specialist expertise in recruiting, selecting and matching young people to available opportunities to prepare them for the world of work.



6.2.1.2 Building TVET Colleges' Capacity to Develop Green Skills

Recognising the global need to delink economic growth from pollution and emissions, the NBI partnered with the Nedbank Foundation and Harambee to develop an approach aimed at supporting public TVET Colleges to develop green skills and entrepreneurs for the green economy. The Institute of Plumbing South Africa (IOPSA) is the technical partner of the programme with Central Johannesburg College being the focal point for delivering the training. Although the goal is to support colleges to deliver the whole range of renewable energy technologies, the focus for this phase was the installation and maintenance of solar water heaters.

Phase 1 of the project was completed in February 2018 with the following highlights:

- Learners were placed with small and medium-sized private businesses for six months, adding valuable work experience to their learning. The industry partners provided technical advice.
- Training was conducted by a private provider who also assisted the college to get ready for accreditation by the Energy and Water SETA in the Skills Programme on the installation and maintenance of solar water heaters.
- Started with 28 graduates of which:
 - 13 were absorbed into jobs;
 - 10 are still in the project (which has been extended for six months to the end of September 2018);
 - 3 are in further education and training; and
 - 2 asked to be released from the project.
- 16 of the learners were female.

The project had a dedicated entrepreneurship development aspect and demonstrated the role that small to medium-sized companies can play in the placement of young people. The formal economy and large corporates will not generate enough growth to be able to provide placement opportunities and jobs for the millions of unemployed youth and thus other ways of exposing young people to the world of work and entrepreneurship need to be explored.

Phase 2 will be aimed at assisting the current cohort to prepare for a trade test and through more focused entrepreneurship capacity building.

6.2.1.3 Construction Industry Partnership (CIP)

The CIP, facilitated by the NBI, entered into a partnership with Harambee to implement a structured placement project in the construction sector. The initiative sought to address the challenges that young people face in accessing employment into entry jobs when they graduate from TVET colleges.

CIP highlights:

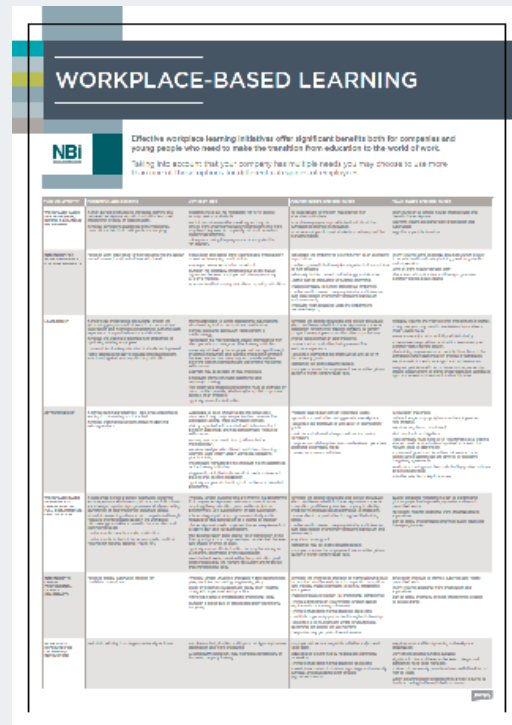
- Placed 28 National Certificate Vocational (NCV) graduates with construction companies for nine months after an initial three-month integrated work readiness training by Harambee and top-up technical training by construction companies.
- Focused on carpenters and bricklayers.
- 17 of the participants were female.
- 11 learners placed into permanent jobs after the placement (nine with participating companies and two with companies outside the project).

Some of the lessons learnt from this project are unique to the construction sector, while others are more generally applicable to other economic sectors. Key amongst these relate to employer participation in and commitment to workplace-based learning. Success requires access to business-led approaches and innovative solutions, a collaborative and coordinated approach and structured work-readiness training. It is essential to achieve policy certainty and flexibility of public funding regimes as well as recognition of the real cost to employers of offering workplace-based learning.

The project closed towards late 2017.

6.2.1.4 Work Integrated Learning (WIL) Guidelines

In parallel with the placements, the NBI also conducted a study of what it takes for a company to place learners and how to manage the workplace-based learning process. This resulted in the development and publication of a guideline and a poster summarising the process of learner placements, covering topics such as preparing learners for work and exploring seven different types of work-integrated learning.



6.2.1.5 The NSF Graduate Placement Project

The NBI obtained funding from the National Skills Fund (NSF) to place 110 learners - 60 in the construction sector and 50 in hospitality. This project will run until August 2019.

Considerable challenges were experienced in the early stages of this project, given the lack of available graduates with NCV qualifications, and, as a result, the number of learners placed was reduced to 81.

- 33 engineering and construction learners, 47 hospitality and 1 business studies learner were placed in 23 sites around Gauteng in hospitality and catering companies.
- Hotels asked for an expansion in the scope of the placement to include placements in maintenance services where skills are not encapsulated in a single qualification. Consequently, the construction and engineering learners were placed in maintenance departments of hotels under the supervision of their maintenance managers.

Unfortunately, while this leaves learners with good practical skills and makes them employable, they will not be able to get their college diplomas after undergoing the skills training. The NBI is facilitating a process where they will be able to get an accredited maintenance qualification.

- At the time of writing the report, three of the learners had already been absorbed into permanent jobs even before completing their placements.
- Early feedback from employers was positive, noting that while technical skills are important, attitude and a good work ethic are just as vital.



HIGHLIGHTS

- Despite limited numbers in placements, projects were successful in equipping graduates with practical skills and preparing them for the workplace. Mutual learnings from companies and TVET colleges.
- Significant learnings in terms of what is needed to upscale workplace-based learning.
- Developed and published a guideline and poster for employers on workplace-based learning:
 - Based on an analysis of best practice in workplace-based learning.
 - Provides good exemplars that employers can draw from and a good basis to mine further for future analysis.
- Obtained funding from the NSF to upscale placements.
- Engaged the Statistician General on issues and profiles of vulnerable groups, with particular focus on youth:
 - Also highlighted contingent issues – e.g. the importance of quality education in ages up to 14 years and then building on that.
 - This is a ground-breaking relationship which is crucial to sustain in framing NBI's efforts.



LOOKING FORWARD

- The interrelated issue of resourcing, partners and scale remain a core challenge to delivery, particularly appropriate levels of capacity and appropriate availability of funding:
 - Scaling and upping the pace requires internal capacity which is very limited as it is reliant on skills and funding. This is a critical challenge that needs to be resolved as a matter of urgency, to enable more expertise internally and access to external expertise.
- Difficulty of working with Government funding is that it is inflexible and prescriptive, leaving little room for innovation or adapting to the needs of the project.
- Limitations of TVET colleges:
 - Lack of capacity and funding.
 - Selection processes: Some recruit from the gate, some recruit where funding is available. The question of whether students are suited or will succeed in a course is not considered. Potential challenges are not picked up at college because they don't have capacity to test and identify these at enrolment phase.
- Availability of learners and graduates:
 - Perceptions exist that a lot of people are looking for jobs, however, when recruiting for particular skills, there is no pool of skills in existence, even in populated areas such as Gauteng.

Outlook and Priorities Moving Forward

- **Bold integration:**

This is critical given the interrelated nature of projects, e.g. harnessing solar water heating projects to the water workstream and expertise.
- **Scaling-up the Pathways to Employability Programme:**
 - Drawing on the work done thus far, the NBI is looking at ways in which to scale up its Pathways to Employability programme.
 - In partnership with the Confederation of Danish Industries the NBI has concluded the first planning phase aimed at building a model for industry-TVET college partnerships that allows for scalability and sustainability. The implementation of the work will extend over a three-year period starting in early 2019
- **Lecturer Placements:**
 - This is an ongoing project to expose TVET lecturers to the workplace and to assist them to stay abreast of workplace trends and innovations. The focus was on the hospitality and tourism sector.
 - Planning for phase 2 is currently underway through a scoping exercise to determine the structure and focus of the next phase .
- **Audit of business-led Youth Employment Initiatives:**
 - We conducted an audit of business-led Youth Employment Initiatives on behalf of BUSA at the end of May 2018.
 - The audit intended to identify the initiatives offered by business; highlight innovation and best practice; identify the number of people benefitting from these initiatives and the cost per job; and identify patterns and trends with a view to scaling-up initiatives that bring about greater impact.
 - Overall, the audit will inform the development of a framework and database for tracking skills development and youth employment initiatives by business.
- **Enhancing education, training and skills outcomes in the manufacturing sector:**
 - The NBI conducted a study on behalf of the Department of Planning Monitoring and Evaluation and in partnership with the Manufacturing Circle, to address systemic challenges in the skills pipeline for the manufacturing sector focusing on both the supply of skills and the effective alignment of skills supply with the demand for skills in the industry.
 - The study was completed in June 2018 and its findings are being used as input into the upcoming Jobs Summit which will take place later in 2018.

6.2.2 UN Global Compact

The United Nations Global Compact (UNGC) is one of the world's largest corporate sustainability initiatives, calling companies to align strategy, operations and culture with universal principles of human rights, labour, environment and anti-corruption. It is a multi-stakeholder platform.

For the past 10 years, the UNGC has worked with the NBI as a valuable partner where it has served as the host for the Global Compact Local Network in South Africa. In this time, the NBI has played a meaningful role in the evolution of the Global Compact in the country through its strong commitment to the Ten Principles of the UNGC and the embedding of responsible business practices around human rights, labour, the environment and anti-corruption.

As part of the mission of the UNGC to mobilise a global movement of responsible businesses and to scale its value and impact across the world, the UNGC recognised the need to ensure that Global Compact Local Networks are appropriately structured and positioned to carry out their mandate, one seen as increasingly important in the UN system, to advance the 2030 Agenda for Sustainable Development. Part of this reform has been to refocus the role of the Local Networks within the countries where they operate to ensure uniformity across the 70+ Networks with regards to governance, management and integrity; and clarity amongst their stakeholders in terms of the nature of the Local Networks and their roles within the UNGC.

Therefore, from the 1st of January 2018, the Global Compact Network South Africa has been established as an independent organisation with its own governance, management, accountability structures and processes. While no longer housed within NBI and operating independently, the Global Compact Network South Africa has indicated that it will work in partnership and in collaboration with other key stakeholders, including the NBI. The UNGC expressed its gratitude to the NBI for its invaluable support and commitment in South Africa over the years.

During the reporting period under review, activities around the UNGC focused on Social and Ethics Committees, anti-corruption and human rights. Progress is discussed in the sections below:

6.2.2.1 Social & Ethics Committee

- The NBI provided thought leadership and capacity building through a guidance report that was developed on implementing the statutory requirements for Social and Ethics Committees.
- The NBI created a powerful on-going platform for committee members to build a community for sharing knowledge and experiences on implementation, offering a leadership lens on sustainability.
- Fully utilised and developed the role and mandate of the Social and Ethics Committees envisaged in the Companies Act and the King Code on Corporate Governance which has been recognised by many NBI members and other corporates as a challenge.
- The NBI with the UNGC secretariat, which at the time was housed in the NBI, produced a report which it continues to leverage.
- A series of roundtable sessions were conducted during 2017 which yielded very useful discussions on views to enhance best practice on the requirements of the Companies Act and driving best practice in sustainability performance through Social and Ethics Committees.
- Participants agreed on the need to create board leadership for sustainability and capacitate the committee through learning by sharing.
- The NBI intends to broaden the platform, also to leverage it as an opportunity to meet critical needs for capacity building, which will be required in order to spur collective action.



6.2.2.2 Anti-Corruption



- During 2017 the NBI identified the need for a renewed focus on anti-corruption training and capacity building within business.
- The NBI will be working in partnerships to strengthen good governance to support change management in companies, fight corruption and explore areas for collective action on anti-corruption for broader impact on society.

6.2.2.3 Human Rights



- This is legacy work of the NBI, particularly in collaboration with the UNGC.
- The broad scope of the work makes it difficult to limit to a particular workstream - many of the NBI programmes support human rights and good governance.
- During the reporting period, work focused mainly on training and capacity building, with a focus on the UN Guiding Principles on Business and Human Rights.
- NBI employees received training on human rights to develop an understanding of human rights and business across all programme areas.
- Going forward the NBI will start integrating human rights work into other workstreams with the aim of understanding the human rights elements of each programme e.g. water, climate etc.





HIGHLIGHTS

- Supported integration of SDGs into NBI strategy and project focus:
 - Enabling integration by companies and identifying opportunities for collective action.
 - A process was developed to help the NBI to initiate a gender programme.
- Thought leadership discussions demonstrated the need from companies for assistance with reporting into Government:
 - Created a think tank with a number of NBI Member companies, labour and the UNDP.
 - Identified gender as a focal point for numerous SDGs and aligned with various NBI projects.
 - The UNGC Women Empowerment Principles' gender analysis tool was tested.
 - Work will be continued through the NBI, particularly the focused transformation workstream.
- The Global Compact Network South Africa has been established as an independent organisation with its own governance, management and accountability structures and processes.



6.3 Environment: Overview of Projects

Environmental stewardship is a strategic priority for business and requires linking the economy, environment and society, and underpins a much-needed large scale economic transformation. The NBI believes that economic and social transformation cannot be achieved without addressing the environmental challenges we face as a country. Water, for example, is not simply an environmental issue. It affects the ability of all South Africans to live healthy and productive lives. Similarly, energy and climate change become major economic issues that impact the lives and health of communities, impacting directly on water and other natural resources and the ability to create and sustain jobs, ultimately impacting the prosperity of all South Africans.

The NBI is highly regarded for its emerging topics of environmental sustainability and has created important links between the South African business community and their international counterparts on issues such as climate change. It has created important opportunities for collective action between companies and with local Government as well as working with international donors to build capacity for energy efficiency.

The key forum for member interaction on environmental sustainability is the Advisory Council on Environment and Society (ACES). This is an advisory body made up of NBI member companies who provide advice and support to the NBI environment team in developing and executing our strategy. It also is a great forum for members to keep up to date on NBI project activity and strategic thinking, allowing them to mature their thinking as well. ACES is hosted quarterly in Johannesburg and twice a year in Cape Town.

Over the reporting period, NBI environment activity focused on the following:

	THOUGHT LEADERSHIP	CAPACITY BUILDING	COLLECTIVE ACTION
Climate Change	COP Support		
		CDP Climate	
		We Mean Business and Science Based Targets	
		Adaptation	
Water	Kopano ya metsi		
		CDP Water	
		CEO Water Mandate	
			UWASP (uMhlatuze Water Stewardship Programme)
			The Western Cape Drought Task Force
Energy	Energy Scenarios		
		Energy Efficiency Leadership Network (EELN)	
			Energy Efficiency Support and Funding

The NBI has during the reporting period also hosted a number of events around topics relating to environmental sustainability, such as the circular economy, science-based targets, water and energy efficiency. Feedback in the form of Reports, News Releases and Quick Briefs about these events are available from the NBI website.

6.3.1 Water

THE CHALLENGE

Water is viewed as both a source and sustainer of life. Even though it is a finite resource, it is potentially infinitely renewable unless it becomes contaminated or polluted. If the rate of usage exceeds the water cycle recovery rate, fresh water may become a non-renewable resource.

Water is not equally distributed across the country. Rain doesn't fall evenly in all places and at all times and rivers do not flow across all parts of the country. South Africa is becoming progressively more exposed to the impacts of climate change on anticipated weather and rain patterns, with the prediction that the country will experience more extreme and more frequent cycles of drought, and ironically flood in the decades ahead.

Water is a key strategic and operational risk issue for business, the country and all of the citizens. A number of systemic issues need to be addressed to ensure long-term sustainability of supply in South Africa such as:

- Availability of water.
- Access to clean water and sanitation as a basic human right.
- Water transfer and treatment infrastructure, especially in rural areas.
- Lack of Government funding relative to what is required to maintain and upgrade the infrastructure.
- Water pricing.
- Impacts of climate change.

THE NBI RESPONSE

Over the reporting period, the NBI has positioned itself to play a constructive role in relation to the issue, through:

- Building capacity and understanding.
- Providing cost cutting leadership.
- Stimulating collective action.

The NBI focus on water has grown significantly, leading to an increase in capacity within the NBI and noteworthy successes have been achieved over the reporting period. The main focus has been on creating greater awareness of water as a risk element and becoming a catalyst for collective action.

NBI members have made a considerable shift in prioritising the importance of water, as demonstrated through their support of and involvement in water programmes. Mobilisation was particularly seen in the drought-stricken Western Cape where the water shortage had reached disaster levels in the province and in the Cape Town area.

Constructive partnerships with various organisations at global and at local level as well as across Government and non-Governmental bodies has been core to supporting this work. In addition, the organisation is focusing particularly on building relationships at all levels of Government and with mandated Government agencies such as the South African Local Government Association (SALGA) and Municipal Infrastructure Support Agent (MISA) as well as the various Water Boards.

NBI Partners in Implementing our Water Response



The CEO Water Mandate



wbcsd



IWaSP
INTERNATIONAL WATER STEWARDSHIP PROGRAMME



UK aid
from the British people



german
cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by:

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

6.3.1.1 Water Stewardship

Much of South Africa is water stressed. This is likely to get worse, and with the impact of climate change, it will also be interspersed with flooding. The impact of climate change, seen in higher evaporation rates, coupled with systemic failures in treatment and supply, have necessitated discussions about moving towards a more diversified water mix, reducing losses in the system and driving the imperative for conservation. It is widely believed that a water revolution is needed in South Africa with compelling action from Government, the private sector and individuals alike. The NBI is making a clear impact in building capacity and facilitating collective action in this critical space.

The NBI water stewardship programme, working with our key partner the CEO Water Mandate, is focussed on skills sharing amongst member companies (through capacity-building events) and bringing global best practice to the attention of our member companies.



6.3.1.2 CEO Water Mandate



- Prominent global thought leadership body on water – a UN Global Compact initiative.
- Strong relationship with the NBI since 2016.
- Offers useful international exposure, perspectives and tools to the South African market.
- Convening power and collaboration opportunities.

The major development in the review period included the NBI's involvement in the refinement and customisation of the Water Action Hub which catalogues and facilitates water stewardship projects in river basins and regions around the world. The NBI and its members provided assistance to the project to expand the mapping of South Africa's water basin catchment areas.



The CEO Water Mandate

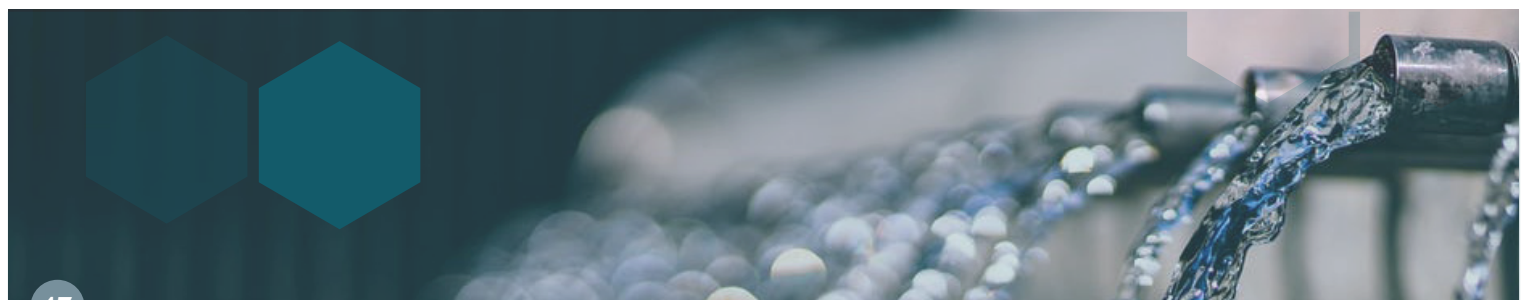
6.3.1.3 Western Cape Drought Task Force



- Formed in November 2017 following a meeting between key role players in June 2017.
- Linking together business representatives and Government officials based on an urgent need and a common vision.
- Aims to share private sector expertise with city and provincial Government in support of drought relief efforts across the Western Cape.
- Can assist business and Government to go beyond the surface and deepen the power of collective action.

The task force has a very practical focus and has been very effective despite the magnitude of the challenge. It has contributed to the disaster response, lending business continuity, risk management, communication and logistics skills to the Government in their crisis response. In addition, it worked with the private sector through a communications campaign encouraging action to support water conservation and reduce consumption, with the aim of enhancing water security.

The NBI acknowledges that ongoing planning, investment and support will be needed to avoid similar challenges in the future. As a consequence the NBI intends to replicate this model, together with the learning from our UWASP Programme, in other areas of the country.



6.3.1.4 UWASP (uMhlatuze Water Stewardship Partnership)



- Co-convened by the NBI and International Water Stewardship Programme (IWaSP)
- Partnership between business, Government and civil society
- Aims to find collaborative solutions to the water challenges facing the uMhlatuze area

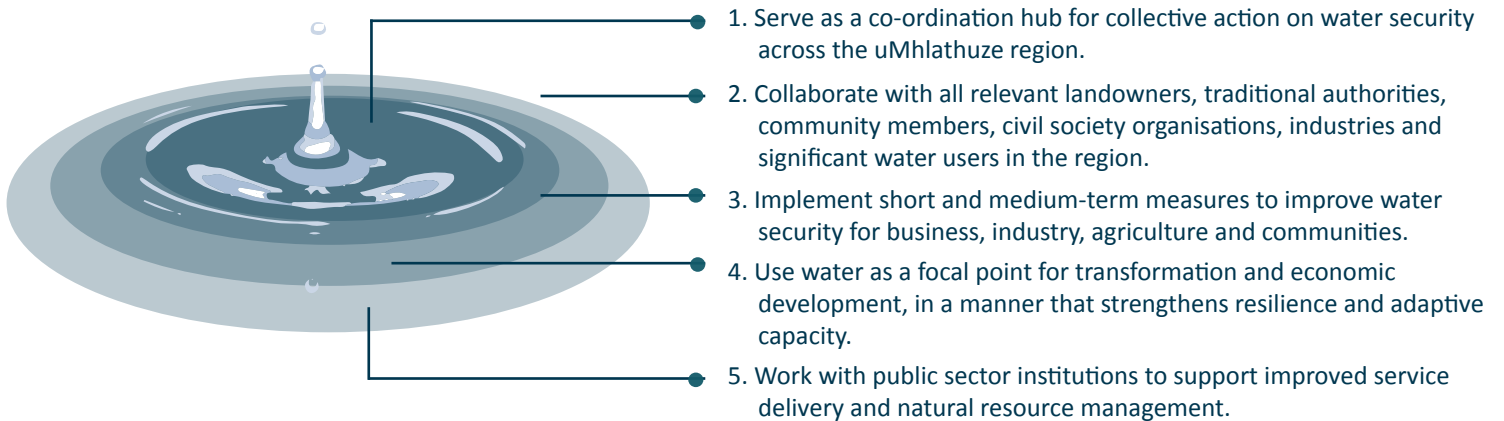
● Despite perceptions to the contrary, the drought in northern KwaZulu-Natal persists and is a significant challenge in ensuring long-term water supply to this highly water-stressed catchment area, which includes the important industrial area and export port of Richard’s Bay. A scoping study completed by NBI and IWaSP in February 2016 confirmed this, and was a key precursor to the development of UWASP.

● The partnership has been collaborating to reduce water loss and manage available water more efficiently through policy, behavioural, hard and soft infrastructure solutions. Its approach and structure can provide an excellent model for expanding collective action to other areas.



● Existing and committed partners include GIZ, the International Water Stewardship Programme (IWaSP), WWF South Africa, Mondi, Tongaat Hulett, the Pongola to Umzimkulu Proto CMA, uMhlatuze Water, Richards Bay Minerals, Transnet, Grindrod and the Strategic Water Partners Network (SWPN). NBI and IWaSP serve as the overall partnership convenors. NBI, WWF and IWaSP comprise the UWASP Management Committee, with Mondi and Tongaat Hulett (funders) represented in an advisory capacity. The project has received formal endorsement from the Department of Water and Sanitation.

The objectives of the partnership are as follows:



Current status of the project:

- Detailed project plans have been developed for three of the five work areas
- UWASP is in the process of signing an MoU with the City of uMhlatuze and sits as part of the Richards Bay Drought Crisis Committee and Catchment Management Forum
- Extensive stakeholder engagement has been undertaken, both amongst the existing project partners and a wide range of additional role-players
- Project implementation has commenced in specific work areas

Two people are employed full time (one each within the NBI and WWF respectively), with further support provided by GIZ-IWaSP. Project implementation commenced in January 2018.

uMhlatuze Water Stewardship Partnership



Progress on some priority projects:

- In February 2018 a study tour to the Inkomati Usuthu Catchment Management Agency (IUCMA) in Mpumalanga brought together the Department of Water and Sanitation and sugar industry representatives to explore the lessons learned in the IUCMA's water monitoring and metering systems. The implementation of a catchment management system and institutional support in the uMhlathuze catchment will benefit Department of Water and Sanitation's (DWS') long-term management of the catchment and of Goedertrouw Dam, including more effective water use management by the agricultural sector and downstream industry.
- Scoping work to understand the interrelated waste and water challenges, interests and job-creation opportunities for communities in informal areas around the coastal lakes of Mzingazi and Cubhu has commenced. These lakes supply water for domestic and industry users in the Richards Bay area. UWaSP is in the process of formalising cooperation with the City of uMhlathuze Municipality in order to work together on this community-based project and other interventions.

Wastewater

The NBI's thought leadership work and business action on the NDP have consistently highlighted strong concerns about the quality of wastewater treatment in South Africa.

The NBI believes it must support the creation of a circular economy, in which resources are used and recycled more effectively in the water sector and that this requires strong leadership and collaboration across the private sector, all spheres of Government and key civil society organisations.

The NBI's short and medium term activities focus on:

- 'Partnering with municipalities to address wastewater treatment' as a priority action in the NBI's NDP Business Action Plan.
- The 'Kopano ya metsi' project, a key component of which will investigate methods to raise finance and pilot a solution that is replicable.

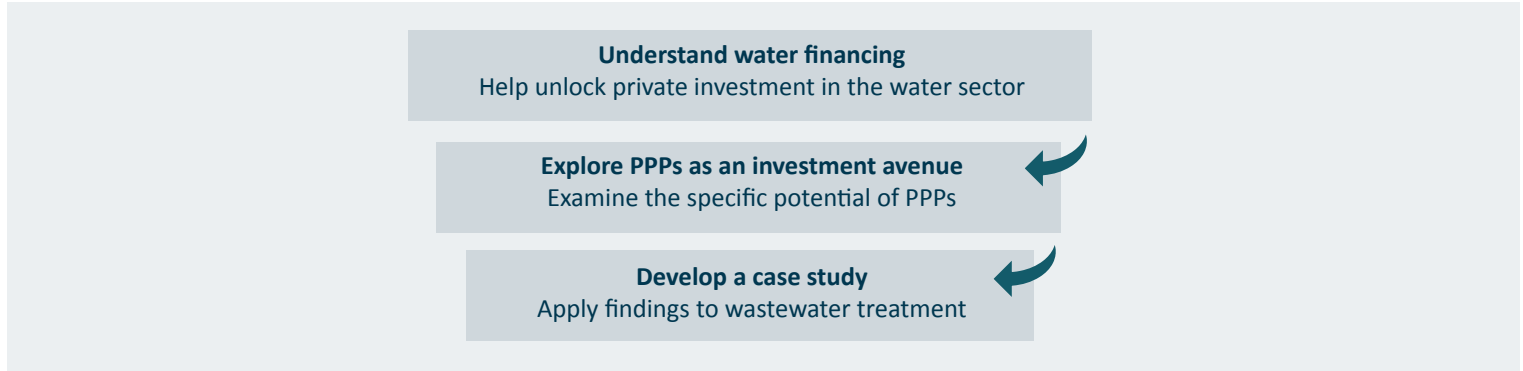
6.3.1.5 Kopano ya metsi



- Kopano ya metsi means "Meeting for water".
- Launched in 2017 in partnership with the Confederation of Danish Industry and Voluntas Advisory.
- Focused on helping unlock private investment in the water sector to bridge the water infrastructure finance gap.

The water infrastructure finance backlog is estimated at R890 billion over the next ten years. The need to involve the private sector will be vital in reducing this gap. The project runs until December 2018 and will consist of stakeholder engagement in the form of expert interviews and round tables, as well as wider public workshops. The findings will be disseminated through various channels including briefing papers and a final report at the end of 2018. The NBI has appointed a dedicated resource who will work with its analysts to enable delivery.

The project focuses on three key areas:

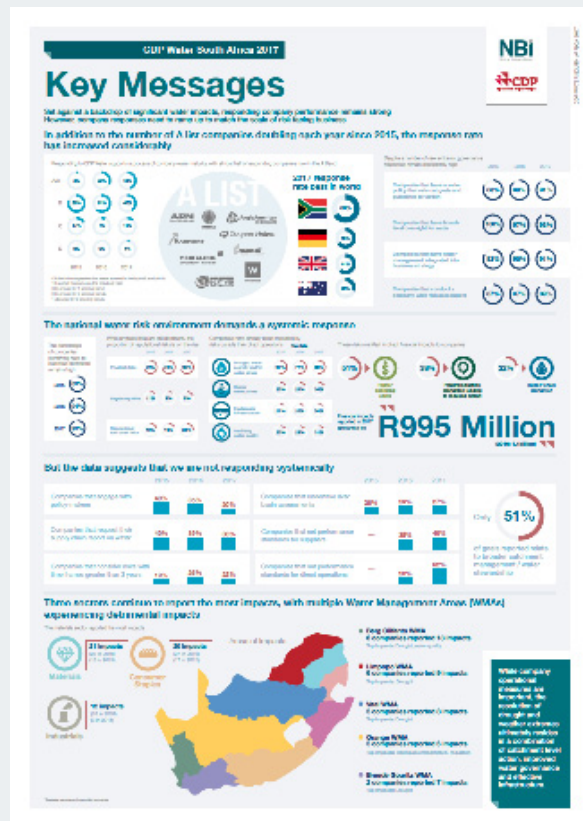
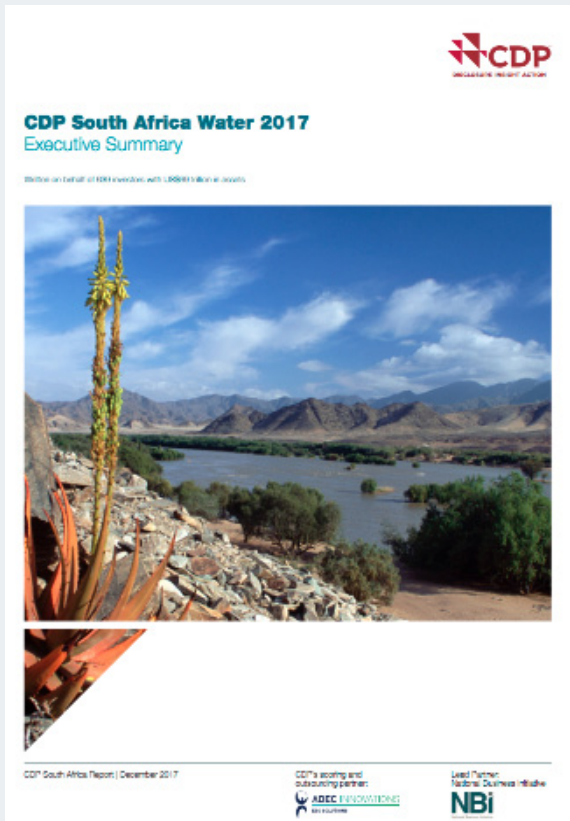


Measures of success for the project would include municipalities to pilot the process with support of private sector funding and firm arrangements of cooperation with SALGA and MISA.

6.3.1.6 CDP Water

CDP is a non-profit organisation based in the United Kingdom which supports companies and cities to disclose their environmental impact to investors. This promotes taking urgent action to build a truly sustainable economy by measuring and understanding environmental impact and linking that impact to the ability to raise capital. It is the most comprehensive collection of self-reported environmental data in the world, and the NBI has been the South African partner to CDP for over a decade, running the water program since 2010.

As a result there have been great strides made by the corporate sector in improving understanding and performance in relation to water-related risk and performance. The growing understanding that the risks and immediate impacts in water are far greater and represent the frontline of climate change adaptation will hopefully precipitate a stronger response in the water sphere.



Key highlights from recent analysis of CDP Water data are:

- 2016 was a significant year for CDP Water in South Africa, with four companies being included on the global water A list of reporters, more than a number of developed countries. This increased to nine companies in 2017.
- The response rate to the request for information has stabilised and while this gives a sense of progress, participation remains too low. During 2017, 66 South African companies (from sectors that have the greatest impact on, or that are significantly impacted by, water resources) received the CDP Water information request and 41 of these companies responded.
- Maturity on governance is quite strong and risk assessments are expanding, but not yet as comprehensively as with climate change, demonstrating a consistent discrepancy between the level of risk and level of response. Target setting for water saving and recycling also needs to be expanded.

Water Outlook: Challenges and measures of success



OUTLOOK

- The NBI is confident that through its role as facilitator and catalyst, coupled with direct impact through strong partnerships in collaborative action projects, success and positive impact will be possible.
- Although it will vary by project and relevant measurable activities, overall impact is anticipated in relation to:
 - A greater understanding of the issues relating to water.
 - Successfully implemented projects.
 - Meaningful risk mitigation.
 - Increased investment into the water sector.
 - Reduced risk and better service delivery.



CHALLENGES

- Despite growth in the NBI team and dedicated resources for key projects, capacity remains a challenge given the opportunity and significant demand for support in relation to water issues.
- The NBI will continue to assess where it should focus its attention to maximise impact on sustainability and transformation.



PRIORITIES MOVING FORWARD

- Continue and scale up current work.
- Leverage thought leadership opportunities.
- Sustain existing partnerships.
- Implement action plans around the various collaborative action projects, with particular focus on UWASP and the Drought Task Force.

6.3.2 Climate Change

THE CHALLENGE

There is increasing alarm about global climate change, as the world experiences the rapidly emerging effects and impacts of the phenomenon. As science advances towards greater understanding of the complex systems that govern the earth's climate, it is evident that the business community must take a lead by changing business models and going beyond carbon accounting and emissions mitigation. They must contribute actively to building a more resilient economic model. In South Africa that responsibility is even greater, given both the nation's urgent development needs and South Africa's geographic vulnerability.

The second edition of the South African Risk and Vulnerability Atlas (SARVA) has again highlighted that Africa remains the most vulnerable continent, with multiple aggravating factors such as low adaptive capacity and dependency on climate-sensitive resources. This means that climate change will affect livelihoods beyond living conditions and infrastructure with rural communities, small towns and secondary cities most exposed.

South Africa is likely to experience significant increases in mean temperatures, above the global average, as well as increased variability in rainfall and an increased vulnerability to extreme weather events. These changes will have diverse impacts on business and society – presenting both risk and opportunity. In addition to mitigating their emissions, business must understand the degree to which they will be required to adapt and must determine the time available for developing response measures. It is therefore critical that decision makers move from reactive approaches to proactive management.

THE NBI RESPONSE

The NBI has been active on climate change issues for an extended period, offering a package of projects and partnerships designed to help its member companies understand and respond to the challenges. It builds members' capacity to respond and, ultimately, to work collectively with Government to develop scientifically credible solutions to climate change and emissions reduction in South Africa. Partnerships, events and regular in-depth research reports and infographics have ensured that the members remain at the cutting edge of developments and are able to cascade their learning.

The core objectives are to:

- Provide companies with access to strong science in accessible formats to allow them to adequately and reasonably assess the risk of climate change to them and their value chain.
- Build the capacity of business to adequately manage climate change, supporting the reduction of greenhouse gas emissions and improving the resilience of business, society and the economy.
- Provide platforms for transparency and technical assistance to Government bodies.
- Work with domestic and international stakeholders to promote the effective transformation to a green economy by understanding and addressing the barriers.
- Helping companies understand funding opportunities in implementing climate mitigation and adaptation projects.

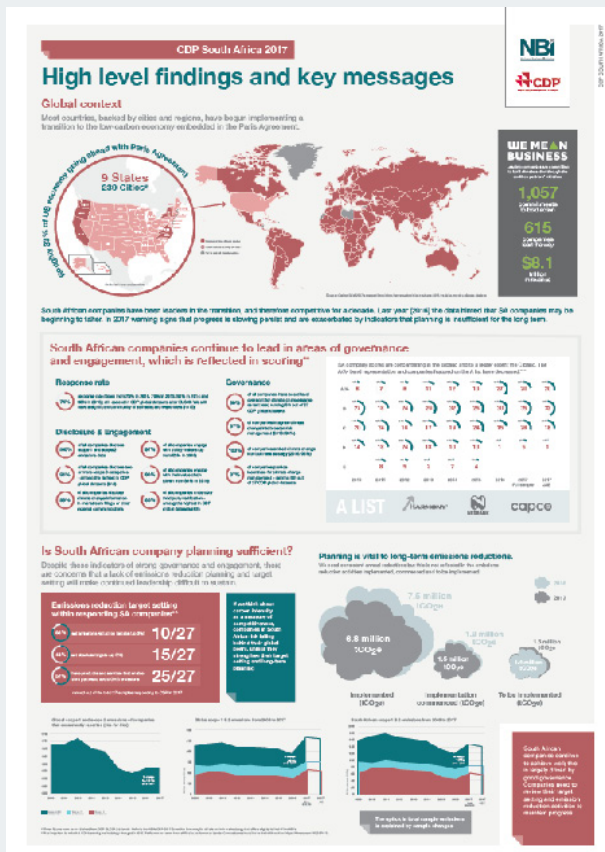


6.3.2.1 CDP Climate



- The NBI has partnered with CDP Climate since 2007.
- CDP remains the global standard for measurement and reporting of climate change information by companies.
- It contains the biggest repository of greenhouse gas emission information from the business sector.
- CDP helps companies to understand and manage their carbon emissions and climate risks while helping investors to understand the climate risks associated with their portfolios.

- The CDP Climate Change database is the largest repository of climate data in the world and through linking company response maturity to capital finance encourages company activity maturity. It has been a critical component in driving an increasingly sophisticated South African corporate response to climate change. Below are highlights from the past few years of data analysis.
- In South Africa a decade of CDP data has shown South African companies responding to CDP to be consistently ahead of their responding global peers across many metrics.
- However, in 2016 the conclusion was made that despite historical company performance and yet another excellent performance year, there were worrying signs that this momentum is slowing and that South African companies (along with the private sector broadly) may need to consider how to both maintain and intensify efforts to reduce emissions and address the impacts of climate change.





A key global development following the SDGs and conclusion of the Paris Agreement, was the creation of the industry-led Task Force on Climate-Related Financial Disclosures (TCFD) by the Financial Stability Board (FSB) following the FSB's recommendations around the inclusion of reporting on climate risk in mainstream financial disclosures. Through the NBI capacity building programme, the CDP-aligned questionnaire, the technical support provided by the NBI and CDP and through our partnership with the We Mean Business programme, the NBI is helping our member companies understand and implement the requirements of the TCFD.

- Draft voluntary disclosure recommendations were published at the end of 2016 and final recommendations were published in June 2017.
- For use by companies in providing information to investors, lenders and insurance underwriters about climate-related financial risks.
- Embedding climate information in all corporate financial filings will engage boards around the world enabling better understanding of climate exposures, better planning and preparedness for a well-below 2°C world.

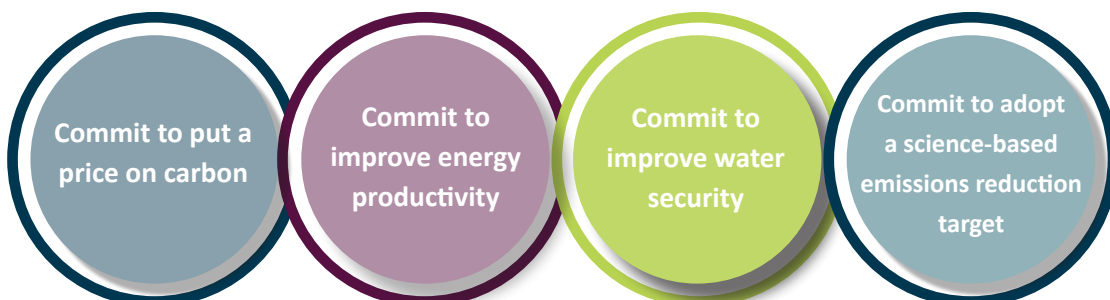
6.3.2.2 We Mean Business and Science Based Targets

- We Mean Business is a mega-coalition of organisations working with influential businesses and investors, forming a common platform to amplify the business voice and catalyse action.
- Recognise that the transition to a low carbon economy is critical for sustainable economic growth.
- NBI is a regional partner, linking South African business and policy makers through years of experience in climate work.

As the local partner of the We Mean Business network, the NBI represents many of South Africa's most prominent companies that have signed up to a range of commitments, pledging their strong support for a low-carbon future.

We Mean Business has established an action framework collating the most effective corporate action campaigns around the world, to enhance corporate ambition and implementation. This in turn provides political cover for politicians engaged in climate negotiations. If companies are showing ambition and implementing progressive measures then politicians can feel safer in committing their economies to greater ambition.

Of all of the We Mean Business commitment areas the NBI has selected four focus areas for the local We Mean Business campaign where we think impact will be maximised:



In order to give effect to these commitment areas the NBI conducts thought leadership and capacity building across all four areas, with a special emphasis on Science Based Targets (SBTs). SBTs provide a scientific basis for understanding the required changes in order for companies to support a below two degree world. Once a company has set an SBT they will intuitively understand the importance of carbon pricing and of energy efficiency and engaging with Government on the energy mix. Given our context, every South African company needs to engage on water and the impact of climate on water.

- The response to the energy commitment is largely managed through the NBI's Energy Efficiency Leadership Network (EELN). In addition to promoting energy efficiency best practice, the EELN and We Mean Business work together to encourage corporate commitment to the energy efficiency action area and work with Government to create an enabling environment for energy efficiency.
- In support of the EELN work, the NBI has been working with multiple stakeholders to create an energy efficiency center of expertise and supporting financial instruments. More detail is provided in the energy section on page 58.
- The NBI has been supporting carbon pricing by hosting a number of capacity-building events on the proposed South African carbon tax as well as how companies might implement an internal carbon price, taking into account international trends on carbon pricing.
- Steve Nicholls, Head of Environment at the NBI, and NBI Board member Mandy Rambharos were invited to sit on an advisory group on competitiveness hosted by the World Bank's Carbon Pricing Leadership Coalition.
- The commitment on water security is largely supported through the NBI's work on water but especially the capacity building in partnership with the CEO Water Mandate.



- SBTs is a joint initiative by CDP, the UNGC, the World Resources Institute (WRI) and the WWF.
- SBTs are intended to increase corporate ambition on climate action, and provide scientific context to the scale of the challenge for individual companies and measure their performance and achievements within that context.
- An important focus area for NBI's work with We Mean Business.

- In order to assist the private sector with understanding what a SBT is and why it is important, the NBI organised a series of workshops in Johannesburg and Cape Town in partnership with the SBTi and the WWF.
- An important aspect of this work is the dialogue with Promethium, a South African-based consultancy which is developing an "equity" based methodology for determining SBTs that may be more achievable for companies operating in developing economies. The methodology will be put to the SBTs panel for approval during 2018 and aims to encourage more companies to take on SBTs over time.

In 2017 the NBI produced a series of business climate action videos featuring some of South Africa's leading CEOs and Sustainability Executives aimed at building awareness and persuading other companies – large and small – to commit to significant action on climate change.

6.3.2.3 Support at the COPs

The NBI has remained active at the annual UN Conference of the Parties (COP) events viewing these as opportunities to source thought leadership from international companies and also to ensure that the limitations faced by developing economies are understood.

- Following each COP organisation, the NBI ensures that members have access to the outcomes and resources of the implementation-focused outputs and best practice demonstrated at the annual events.
- During 2017, the NBI supported the Government, through the Department of Environmental Affairs, in hosting a South African Pavilion at COP23, aiming to share the positive story about South African activity in climate change, to reflect that a sophisticated policy environment is in development and that South African companies have been making steady mitigation and adaptation progress. A number of infographics and a video were released in support of climate leadership in South Africa.
- In support of the pavilion the NBI developed four infographics on South Africa's context, mitigation, adaptation and the policy response. Co-branding these with Government sent a strong signal that Government and business are working together to solve climate change in South Africa. This was reinforced by a number of videos developed for the pavilion, but with applicability outside of the COP context, that feature the Minister of Environment and South African corporate leaders calling for collaboration in climate change responses. These videos also highlighted corporate best practice in South Africa.
- During 2017 the NBI hosted a number of side events at COP23 where we gathered international and South African stakeholders to discuss Energy Efficiency, Socio-Economic Scenarios and Energy Pathways, Climate Finance and Adaptation.

6.3.2.4 Adaptation

Although progress has been made in international action on mitigation, unless there is a significant enhancement in ambition our current climate trajectory is towards an above two-degree world. Given that South Africa warms at roughly 2 degrees faster than the global average, South Africa needs to plan for significant adaptation needs. Over the reporting period, the NBI has therefore had an active adaptation programme aimed at three broad areas:

- Providing data to companies to allow them to meaningfully plan their adaptation measures;
- Supporting Government on adaptation planning; and
- Highlighting corporate best practice.

Working with our member institution, the Global Change Institute at the University of Witwatersrand, the NBI hosted a day long workshop on where to find climate data and models, how to use them and how to interpret data. We also worked with the CSIR and the Department of Science and Technology to launch the South African Risk and Vulnerability Atlas, the nation's key portal for climate change and related development data.

The NBI supports Government on a number of working groups related to adaptation, including the National Adaptation Strategy working group, the Ecosystems Services Based Adaptation Strategy working group and an advisory group on Climate Finance. The NBI has also provided support to Government in their work on assessing the Long Term Adaptation Scenarios and provided input at several events, including the Adaptation Futures Conference hosted in Cape Town in June 2018, on desired research outcomes in relation to adaptation.

In late 2017, the NBI released its latest adaptation research report entitled *A New Climate of Risk: How South African Businesses are Adapting to Climate Change*, which discusses how South African companies are being impacted by climate change, the barriers they experience in implementing adaptation planning and the positive progress they are making. Drawing on CDP data and additional interview-based research, this report intends to both highlight excellent South African practice in adaptation and raise awareness of the critical need for further adaptation practice and research.

6.3.3 Energy

THE CHALLENGE

The relationship between energy and growth is well established. Given traditional models of energy generation, there has therefore been a direct relationship between growth and greenhouse gas emissions. Global energy systems face the challenge of decoupling energy generation, and therefore growth, from emissions while providing sufficient energy in the short term to lift people out of poverty and meet national development agendas. With the rise of increasingly cost-effective renewable energy options we are seeing a global battle between the incumbent energy generation methods of coal and nuclear giving way to transition fuels like gas and ultimately to now cheaper renewable energy.

In South Africa this transition is complicated by entrenched views and interests, and sometimes corruption, embedded in our politics and our economy. In addition our energy system is seen as a key employment engine by the state and energy prices at local Government level subsidise other social services. Talking about change is therefore politically sensitive, especially in the face of a struggling state provider that threatens price increases beyond sustainable levels.

Our energy system remains constrained (after 2010 load shedding) and the apparent energy surplus is more a result of an economic slowdown connected to poor governance and suppressed international commodity prices than a genuine excess in energy. Energy availability at reasonable prices is still a critical enabler of much-needed economic growth. Yet Government energy planning lacks transparency and corporate involvement.

As a consequence energy efficiency remains the first port of call and least-cost implementation option. However interest in energy efficiency, given perception are that the energy supply crisis is over, has declined despite electrical price increases. Furthermore, the money wasted on energy, where energy efficiency would create significant savings, could be invested in growing the economy and would create important stability in small businesses, which are critical for employment.

THE NBI RESPONSE

Given the South African context, the NBI response has focussed on electrical energy, although recently we have started to explore transport fuels and the emergence of the electric vehicle as a mobility option. Most recently we hosted an NBI Thought Leadership Event on electric vehicles and considered the inevitability of the roll out of this technology and its impact on South Africa.

Our support of electrical energy has focussed on two main activities:

- Raising the strategic awareness of the need to engage on energy and providing frameworks to consider energy futures and options, in the context of socio-economic development.
- Providing systemic support for energy efficiency in South Africa, by working with Government and through the co-hosted (with Government) EELN. This also includes the work we do with our international partners who are involved in the We Mean Business movement on energy efficiency and energy productivity.

In this way we believe we can create an enabling environment for growth and reduce business operating costs in a time of economic stagnation.

The objectives of our energy programme are to:

- Raise the importance of energy as a strategic environmental challenge driving much of our economic transition;
- Help companies understand the constraints of water and climate change on energy options;
- Provide a platform for companies to engage with Government on energy efficiency;
- Provide a platform for companies to learn from each other in driving energy efficiency;
- Provide a platform for companies to learn from international best practice;
- Work on strong enabling partnerships with Government in energy efficiency; and
- Work with companies on an engagement strategy around national energy policy (including building the capacity of companies to understand energy policy trends).

The NBI would like to acknowledge and thank our member company the Carbon Trust which has been a constant pillar of support and partner in our energy work. In particular their support in establishing the Private Sector Energy Efficiency Programme (which ended in 2015) and our mutual efforts to develop what was a successful pilot programme into something larger have been invaluable.

6.3.3.1 Energy Scenarios

In order to drive the understanding of energy futures the NBI created a set of energy pathways on top of our socio-economic scenarios (which are discussed under strategic integrating projects). These pathways provide a method for objectively considering potential energy futures and considering the role of different technologies in the energy mix. For example, they can be used to consider the social impact of businesses accelerating their use of renewable energy and exiting the national grid. This opens the possibility that business could erode the stability of the grid and local Government subsidy systems by effectively removing their revenue streams. While this might lead to individual company stability and security of electrical energy supply it increases the instability in the grid provision to increasingly isolated impoverished communities. It is therefore in businesses best interest to work with Government to resolve issues related to the grid and Government social spending subsidies in parallel to thinking about energy independence.

The energy pathways were socialised by presenting at public forums, to NBI members and at COP23, and hosting a series of NBI executive dinners. The executive dinners were hosted in Durban, Cape Town and Johannesburg where the NBI was represented by its senior executives. These dinners provided the chance to carefully consider future energy development and discuss the social implications thereof. The general consensus was that coal would decline in all energy futures and a renewables-driven future is critical. There was some uncertainty around the role of gas and the timing of a predominantly renewables energy mix. Should gas, with its associated employment and industrialisation benefits, be a base load fuel or as a fast start support of renewables in the nearer term?

There is therefore a need for the NBI to work more on energy transitions and the role of gas.

6.3.3.2 The Energy Efficiency Leadership Network (EELN)

The EELN is a partnership which consists of more than 40 businesses, Government departments/agencies and business associations who make up the signatory network. The EELN fora let Government and business speak openly about energy efficiency, energy strategy and policy implementation. The activities of the EELN are geared to upskill its members on shared energy efficiency experiences and keep members/signatories abreast of energy efficiency technology best practice. Needless to say that the sharing of experience and challenges in the EELN has had a significant impact on South African businesses to date.

During the reporting period the NBI, together with our global partner We Mean Business, hosted a number of capacity-building events and discussions with Government on the National Energy Efficiency Strategy. These highlighted the We Mean Business commitment framework and the role of the Energy Productivity action commitment (EP100).

6.3.3.3 Energy Efficiency Support and Funding

Launched in December 2013 with funding from the UK Department of International Development (DFID) and support from the national Department of Energy and the Carbon Trust, the Private Sector Energy Efficiency (PSEE) Programme concluded its activities on 30 November 2015. Over the two years of its existence it identified close to 6 000 energy-saving opportunities with the potential to make a significant difference to energy demand in South Africa through its work with more than 3 500 small, 900+ medium and 37 large companies. It was an unmitigated success but sadly did not attract further rounds of funding. As a consequence the NBI worked during the reporting period to find ways of replicating the learning accumulated during the PSEE period.

On a small scale the NBI has mined the PSEE opportunities database to support several local funds and the Department of Energy in their National Energy Efficiency Strategy planning. The NBI also supported the development of an energy efficiency guide produced by Nedbank.

Our main focus has however been working with the Department of Energy, Department of Public Works and Department of Environment, alongside the GIZ and the Carbon Trust, to develop PSEE-type services with supporting financial services in the public and the private sector. Securing this level of funding has been an enormous challenge and we have had some significant success. The joint partnership vision is to create an energy efficiency hub that provides a central point for extending capacity building on energy to Government and the private sector by providing methodologies and guidelines for developing the business case for action, providing energy audits and providing concessional debt for capex and energy savings contracts for work undertaken.

Working with those partners, the NBI has contributed to a national proposal for EURO20 million support of the energy efficiency hub and supporting finance to public sector institutions wanting to implement energy efficiency. This proposal was successfully awarded in June 2017. This combined with the Energy Efficiency Demand Side Management (EEDSM) grant provided by the Department of Energy will provide over R700 million of capital into the public sector energy efficiency market in South Africa.

The NBI and the Carbon Trust have also been awarded a Green Climate Fund Project Preparation Facility Grant to develop a proposal to include the private sector in the energy efficiency hub and expand the financial support to the private sector.

Setting up the hub and finalising the private sector proposal will be our core activity for 2018.

HIGHLIGHTS

- As a further stepping stone to improving energy efficiency in South Africa, the NBI has worked with GIZ and the Carbon Trust to create an energy efficiency hub which will focus in its early stages on local Government and public works needs.
- Significant work undertaken with the Government on the development of a Nationally Appropriate Mitigation Actions (NAMA) proposal to further emissions reduction in the country. The proposal is currently undergoing due diligence assessments by the Green Climate Fund.
- NAMA are policies and actions approved under the climate agreements through which a country undertakes commitments to reduce greenhouse gas emissions. This enables countries to choose the most nationally-appropriate actions and reemphasises that financial assistance from developed countries to developing countries to reduce emissions may be needed.
- The NBI has developed a set of energy pathways off the back of the socio-economic scenarios developed in 2016. The work was socialised by presenting at public forums, to NBI members and at COP23, and hosting a series of NBI executive dinners.
- The NBI has provided significant input on behalf of its members to Government on the developing of a carbon tax and a carbon pricing mechanism, viewed internationally as an important element in businesses assessing and improving their carbon reduction performance.



OUTLOOK

- Following the conclusion of the PSEE Programme, the NBI remains in discussions around pursuing further work in relation to promotion of collaborative energy efficiency initiatives.
- The energy pathways developed conclude that stakeholders believe that there are two potential energy pathway options.
 - Both scenarios are in the context of declining coal over time.
 - Scenario one has most of the energy provision from renewables with support from fast start gas.
 - The other scenario has more baseload gas with support from renewables.
- Most stakeholders agree that the renewables option is the most sustainable and least-cost option but there is not a lot of certainty in the market about the role of gas as a transition and job-creating industrialisation tool.



PRIORITIES MOVING FORWARD

- During 2018 we intend to host a Thought Leadership Series and possibly a Government round table on the role of gas to try to collate all the differing views and understand where differences are ideological, or where they are operating off a different fact base. We believe this will help us progress the conversation on gas.
- The NBI is currently working on a DOE-led partnership that could see R1 billion injected into Energy Efficiency in South Africa. The preparatory work has been completed and decisions should be communicated within the second half of 2018.
- The proposed Energy Efficiency Hub will be a central point for extending capacity building on energy to Government and the private sector by providing methodologies and guidelines for developing the business case for action, providing free energy audits and providing concessional debt for capex and energy savings contracts for work undertaken through an Energy Services Company (ESCO), underwritten by the Industrial Development Corporation (IDC).



7 Financials

7.1 Audit and Risk Committee Report

The Audit and Risk Committee is constituted as a statutory committee of the 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 2017 and 2018 financial year.

Names and qualifications of committee members

Gideon Serfontein (Chairman)

Chartered Director (SA); 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

Ngwanamago Shillyboy Mothiba

Chartered Accountant (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 three independent non-executive Directors, one of which is the Chairman, and one member representative. 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

Four meetings were held during the year. Meeting attendance is shown on page 16.

Statutory duties

The following statutory duties were executed by the committee in terms of the Act for 2017:

- BDO South Africa were nominated and re-appointed as external auditors and Bonita de Wet, 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;
- the Committee reviewed the integrated annual report before recommending it to the Board for approval;
- and the Committee reviewed the annual financial statements as well as the interim report during the year with the external auditors present before recommending them to the Board for approval.

The audit of the 2017/18 financial statements was not yet completed at the time of publishing this report, however an addendum to this report will be disclosed after the Board meeting in November 2018.

Risk management

The Board has assigned oversight of the risk management function to the Audit and Risk Committee, whilst management is responsible for managing the applicable risks.

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's 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 view of the Committee is that the size of the NBI does not, at this point, warrant a separate Internal Audit function. Given this, the internal controls should be monitored by management and the External Auditors can express an opinion on whether these controls are adequate and effective as part of the financial audit.

External audit

The Committee has no concerns regarding the external auditor's independence and BDO South Africa had been recommended to the Board and shareholders to be re-appointed for 2017.

The Committee agreed to put out a tender for the NBI's June 2018 audit to be in line with good practice, given that BDO has been the NBI's Auditors over the last five years. Five Audit Firms were approached to submit proposals to the NBI and at the meeting on the 26th of April 2018, it was agreed to appoint SizweNtsalubaGobodo as the NBI's external auditor.

Financial manager review

The Committee has reviewed the performance, experience, resources and expertise of the financial function, headed by Mr Neil Kohler, 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 for the year ended 30 June 2017 and based on the information provided to it considers that the Organisation 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 it recommends the report to the Board for approval. The audit of the **2017/18 financial statements** was not yet completed at the time of publishing this report, however an addendum to this report will be disclosed after the Board meeting in November 2018.

Gideon Serfontein

Chairman : On behalf of the Board Audit and Risk Committee

7.2 Independent Auditor's Report



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Menlyn, Pretoria, 0081
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South Africa

Independent Auditor's Report

To the members of National Business Initiative for Growth Development and Democracy (NPC) Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Business Initiative for Growth Development and Democracy (Non Profit Company) set out on pages 10 to 26, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects the financial position of National Business Initiative for Growth Development and Democracy as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

However, we have not audited the Annual Report and accordingly do not express an opinion on this report.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report and Directors' Report as required by the Companies Act of South Africa and the supplementary information set out on pages 27 to 28. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

BDO South Africa Incorporated
Registration number: 1995/002310/21
Practice number: 905526
VAT number: 4910148685
National Executive: S Dansie • HN Bhaga-Muljee • BJ de Wet (Joint Office Managing Partner) | Hashim • HCS Lopes • SM Somaroo

• Dr FD Schneider • ME Stewart (Chief Executive) • IM Scott • R Teixeira • MS Willimott

Office Managing Partners: BJ de Wet • MP McGarrigle

The company's principal place of business is at 22 Wellington Road, Parktown, Johannesburg, where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO South Africa Incorporated

Director: Bonita de Wet

Registered Auditor

Summit Place
221 Garsfontein Road
Building 5, 2nd floor
Menlyn, Pretoria

7.3 Summarised Financials

For the year ended 30 June		
FIGURES IN RANDS		
	2017	2016
ASSETS		
Non-Current Assets		
Property, plant and equipment	110 138	280 779
Intangible Assets	11 227	13 516
	121 365	294 295
Current Assets		
Trade and other receivables	4 114 006	4 761 419
Cash and cash equivalents	14 045 049	13 708 157
	18 159 055	18 469 576
Total Assets	18 280 420	18 763 871
EQUITY AND LIABILITIES		
Equity		
General Development Fund	10 356 340	9 186 891
Liabilities		
Non-current Liabilities		
Project funds administered	0	4 226 831
Current Liabilities		
Operating Lease Liability	0	63 885
Trade and other payables	1 450 908	2 144 550
Project funds administered	6 473 172	2 868 413
Bank overdraft	0	273 301
	7 924 080	5 350 149
Total Liabilities	7 924 080	9 576 980
Total Equities and Liabilities	18 280 420	18 763 871

STATEMENT OF SURPLUS AND DEFICIT

For the year ended 30 June

FIGURES IN RANDS

	2017	2016
ASSETS		
Revenue	17 140 543	24 234 737
Other income	1 011 328	765 179
Operating costs	(17 292 005)	(19 883 758)
Operating Surplus (Deficit)	859 866	5 116 158
Investment revenue	329 904	218 757
Finance costs	(20 321)	(21 298)
Operating Surplus (Deficit)	1 169 449	5 313 617
Other comprehensive income	0	0
Total comprehensive income (loss) for the year	1 169 449	5 313 617

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June

FIGURES IN RANDS

	General Development Fund	Total Equity
Balance at 01 July 2015	3 873 274	3 873 274
Surplus for the year	5 313 617	5 313 617
Balance at 01 July 2016	9 186 891	9 186 891
Surplus for the year	1 169 449	1 169 449
Balance at 01 July 2017	10 356 340	10 356 340

STATEMENT OF CASHFLOWS

For the year ended 30 June

FIGURES IN RANDS

	2017	2016
Cash generated from operating activities		
Cash generated from operations	1 054 897	6 987 745
Interest income	329 904	218 757
Finance Costs	(20 321)	(21 298)
Net cash from operating activities	1 364 480	7 185 204
Cash flow from investing activities		
Purchase of property, plant and equipment	(35 934)	(61 692)
Sale of property, plant and equipment	4 628	22 866
Purchase of other intangible assets	(100 912)	(80 640)
Sale of other intangible assets	3	0
Net cash from investing activities	(132 215)	(119 466)
Cash flow from financing activities		
Movement in project funds administered	(622 072)	(11 473 838)
Total cash movement for the year	610 193	(4 408 100)
Cash at the beginning of the year	13 434 856	17 842 956
Total cash at end of the year	14 045 049	13 434 856

Value Added Statement

For the year ended 30 June					
		COMPANY			
		2017	2016	2015	2014
		R'000	R'000	R'000	R'000
WEALTH CREATED					
Revenue		18 152	25 000	22 906	25 879
Value Added		18 152	25 000	22 906	25 879
Add: Income from Investments		330	219	81	119
Wealth Created		18 482	25 219	22 987	25 998
WEALTH DISTRIBUTION		%			
Employees					
Salaries, Wages and other Benefits	66%	12 289	14 138	15 452	14 846
Member-related Activities	11%	2 111	2 215	4 340	2 640
Infrastructure Costs	16%	2 890	3 531	3 447	5 095
Interest on Borrowings	0%	20	21	20	8
Government Taxation and Levies		0	0	0	0
Retained in the Company	6%	1 172	5 314	(272)	3 409
To Provide for the Maintenance of Capital		656	2 976	(272)	1 909
To Provide for Expansion		516	2 338		1 500
Total		18 482	25 219	22 987	25 998

8 Glossary

ACES	Advisory Council on Environment and Society
BA	Bachelor of Arts
B-BBEE	Broad-Based Black Economic Empowerment
BSDC	Business and Sustainable Development Commission
BUSA	Business Unity South Africa
CEO	Chief Executive Officer
CIP	Construction Industry Partnership
COP	Conference of the Parties
CSIR	Council for Scientific and Industrial Research
DEA	Department of Environmental Affairs
DFID	Department for International Development
DOE	Department of Energy
DTI	Department of Trade and Industry
DWS	Department of Water and Sanitation
EEDSM	Energy Efficiency Demand Side Management
EELN	Energy Efficiency Leadership Network
ESCO	Energy Services Company
FSB	Financial Stability Board
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HR	Human Resources
IDC	Industrial Development Corporation
IOPSA	The Institute of Plumbing South Africa
IT	Information Technology
IUCMA	Inkomati Usuthu Catchment Management Agency
IWaSP	International Water Stewardship Programme
JIPSA	Joint Initiative on Priority Skills Acquisition
MISA	Municipal Infrastructure Support Agent
MOU	Memorandum of Understanding
NAMA	Nationally Appropriate Mitigation Actions
NBI	National Business Initiative for Growth, Development and Democracy
NCV	National Certificate Vocational
NDP	National Development Plan
NPO	Non-profit Organisation

NSF	National Skills Fund
PSEE	Private Sector Energy Efficiency Project
SALGA	South African Local Government Association
SARVA	South African Risk and Vulnerability Atlas
SBT	Science-based Target
SBTI	Science-based Target Initiative
SDG	Sustainable Development Goals
SED	Socio-economic Development
SETA	Sector Education and Training Authority
SME	Small and Medium Enterprises
SWPN	Strategic Water Partners Network
TCFD	Task Force on Climate-Related Financial Disclosures
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNGC	United Nations Global Compact
UWASP	uMhlathuze Water Stewardship Partnership
VAT	Value-added Tax
WBCSD	World Business Council for Sustainable Development
WBL	Workplace-based Learning
WIL	Work-Integrated Learning
WRI	World Resources Institute
WWF	World Wide Fund for Nature
YES	Youth Employment Service Programme

9 Contact Details

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The National Business Initiative is a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action. Since our inception in 1995, the NBI has made a distinct impact in the spheres of housing delivery, crime prevention, local economic development, public sector capacity building, further education and training, schooling, public private partnerships, energy efficiency and climate change.

The NBI is a global network partner of the World Business Council for Sustainable Development (WBCSD) in South Africa and an implementation partner of We Mean Business, the CEO Water Mandate and CDP.