AUD006 Impact of Sustainability Reporting on Sustainable Ethical Business Practices: A Review of Sustainability Reports of Selected South African Companies

Fakoya, M
University of Limpopo

Abstract

This paper reviews sustainability reports of selected listed South African companies in relation to extant literature to determine its impact on sustainable ethical business practices. The paper adopted the four key principles of ethical behaviour in the principal-agent relationship as provided by Quinn and Jones (1995) to analyse selected South African firms attempts to conduct their businesses in a sustainably responsible manner using the content analysis method. Findings indicate the difficulty to measure a direct relationship between companies' sustainability reports and improvements to sustainable ethical business practices. The paper concludes that while it is necessary for organizations to comply with sustainability regulations; attempts should be made to ethically integrate and improve conventional business practice in a sustainable manner.

Key words: Sustainability Reporting, Stakeholder theory, King III Code on Corporate Governance, Sustainable ethical business practice

Introduction

Corporate Social Responsibility (CSR) is linked to stakeholder theory and has become a major issue for organizations as a result of sustained pressure for improved environmental performance from lobby groups under the current social climate. But organizations have a moral responsibility to act in an ethical manner by conducting their business in a socially responsible manner to satisfy the interests of all stakeholders. Quinn and Jones (1995) argue that since managers have no special rules that allow them to ignore their moral obligation as agents, they have to adhere to ethical behaviour whether it is profitable or not. Quinn and Jones (1995) then provide four principles to favour their argument for applying ethical behaviour namely avoid harm to others (environmental responsibility), respect the autonomy of others (social responsibility), avoid lying (honesty), and honour agreements (economic responsibility). They claim that the principal-agent relationship could only hold if these principles are adhered to.

Considering that the requirements of the King III Code on the principles of Sustainability Reporting is a positive step to actualise the sustainable development agenda in South Africa, the effect of this required exercise on the society and the environment in relation to sustainable business practice rather than on compliance, is the focus of this study. The question here is whether those organizations that provide sustainability reporting are improving on integrating their conventional business approach by adopting sustainability practices to achieve economic growth. Whether these companies' reasons for disclosure in

their sustainability reports are obligatory or voluntary? Moreover, there are skills shortages among existing accountants to provide organisations with reliable sustainability financial and non-financial information for inclusion in annual reports (Jinabhai, 2005). The objective of the study is to review sustainability reports of selected listed South African companies in relation to extant literature to determine its impact on sustainable ethical business practices. The study made use of empirical evidence from secondary sources on selected sustainability reports from selected Johannesburg Stock Exchange (JSE) listed companies complying with the requirements of the King III sustainability reporting code of governance. The rest of the paper is structured as follows: stakeholder theory; the King III Code on the principles of sustainability reporting; sustainability reporting and sustainable ethical business practice; methods; analysis; discussion; and conclusion.

Stakeholder theory

Proponents of normative Stakeholder theory argue that principled moral reasoning should motivate management decisions (Quinn and Jones, 1995). Other proponents indicate that because managers' acts as agents for shareholders, maximising the value of the firm should be the appropriate motivating principle (Quinn and Jones, 1995). But supporters of shareholders wealth maximisation contend that legal, ethical, and social issues should be considered (Lee et al. 2012). For the purpose of clarity, this paper focuses on that aspect of agents' decisions and actions that affects the society in general, that is, sustainability. Sustainability encompasses organizations environmental, social, and economic responsibilities. Conversely, organizations should not only consider satisfying shareholders interest, but uphold the interest of other stakeholders as well. Due to conflicting interests among stakeholders, Argenti (1993) criticises the Stakeholder theory on the ground that it could lead to inefficiency and sub-optimality. He suggests that multi-purpose organizations should transform into single purpose organizations while categorising all stakeholders, except shareholders, into interest groups having stakes in the organization, but having no claim other than that specified in law.

While the Stakeholder theory arises from a social perspective on corporate governance; Freeman (1984) proposed a general theory of the firm which incorporates corporate accountability to a broad range of stakeholders. Likewise, the development of this theory has brought the role of organizations in society under scrutiny on issues such as organizational impact on employees, the environment, local communities and the shareholders (Edgley, Jones & Solomon, 2010). Similarly, social and environmental pressure groups are set to gather information targeted at organizations whose activities are considered unethical towards their stakeholders (Edgley et al. 2010). This information measure the responsiveness of an organization towards fulfilling its moral obligation to society. But such measurements can only be reflected in organizations' annual financial reports which in recent times have integrated social responsibility reports, known as CSR reports.

The King III Code on the principle of Sustainability Reporting

In South Africa, efforts were made to encourage organizations to report on their sustainability practice as stipulated by the King III Code on the principle of Sustainability Reporting (Institute of Directors, IOD, 2009). Sustainability Reporting in South Africa is a requirement by the JSE for listed companies to respond to a combination of societal trends and the concerns of an unsettled international investor community (IOD, 2009). Sustainability reporting is part of a wider corporate governance code; a mechanism instituted as a response to growing concern over the security of investments in South Africa. Also, sustainability reporting has become a useful mechanism for communicating with local stakeholders who challenge businesses on matters pertaining to CSR and other environmental issues (Ingenhoff and Sommer, 2011). Annual sustainability reporting to stakeholders is meant to ensure that organizations are able to reasonably reduce societal conflict while demonstrating that policies, procedures and environmental management systems are in place to help manage organizational and societal challenges (IOD, 2009; Pacheco, Dean & Payne, 2010).

The requirement to report on the social, environmental and economic activities to stakeholders annually by South African companies are on the increase through an integrated reporting system which contains conventional financial information, operational data, and sustainability information (IOD, 2009). More importantly, an integrated reporting system is designed to incorporate social, environmental, and economic performance report into existing conventional financial reporting system to external stakeholders (Gray, 2006). To this end, the International Integrated Reporting Council (IIRC) encouraged a revolutionary change in the reporting systems of organisations to its stakeholders by including their environment activities in current reports (Soyka, 2013).

In South Africa, the King III sustainability reporting is an initiative that requires organisations to report on an annual basis their environmental activities to stakeholders (IOD, 2009). The numbers of South African companies' currently providing sustainability reports under the King III Code has increased considerably to above 420 between 2010 when the code was launched to date (IRAS, 2012). The King III sustainability reporting initiative was meant to improve on the environmental and social performance of organisations in South Africa. But this initiative is stumbling. The first problem with this initiative is the lack of standardised approach to reporting sustainability issues by these organisations (IRAS, 2012).

Organisations may provide sustainability reporting to stakeholders for some of the following reasons: *Good corporate image*: the ability to provide both financial and non-financial data on an organisation's sustainability activities in its annual financial report will improve the organisation's corporate image and sustainable performance (Dey et al. 2011). *Legitimacy*: it ensures that organisations are compliant with the requirements of the King III on sustainability reporting (Castelló & Lozano, 2011; Du & Vieira Jr, 2012). *Stakeholders' retention:* since most investors have become environmentally conscious, a good report and analysis of an organisation's environmental and sustainability impacts in

its annual financial reports will ensure that investors remain loyal to the organisation (Lee, 2012). *Fulfil ethical and corporate social responsibility:* as part of an organisation's ethical and Corporate Social Responsibility (CSR), reporting on its environmental impact and its effort to reverse its negative impact helps to promote its social responsibility (Carroll & Shabana, 2010).

In South Africa, the focus on sustainability reporting is a requirement by the King III Code for all listed companies on the Johannesburg Stock Exchange (JSE) (IOD, 2009). This requirement ensures that companies report their environmental footprint to stakeholders to conform to GRI. The King III Code is a regulatory requirement of the Johannesburg Stock Exchange (JSE) for organisations to provide sustainability reports (IOD, 2009). This reporting initiative is designed to shift corporate accountability and reporting approach towards integrated reporting, both in reporting form and purpose. The major goal of this reporting shift is to encourage corporate sustainability practice among organisations and promote sound and quality sustainable decisions (IOD, 2009). But the quality of sustainability decisions depends on the quality of sustainability information available to managers. The manner in which an organisation's sustainability reporting is captured and reported may have profound implications for future sustainability practices among business entities.

Sustainability reporting and sustainable ethical business practice

The growing demand for greater accountability from corporate organizations for more disclosure of financial and non-financial information is meant to make organizations pay greater attention to the environmental and social impact of their investment strategies (Eccles et al. 2014). The motivation for business to embrace sustainability reporting tends to relate to an organization's reputation and long-term savings. Although, sustainability has often been mentioned as goal of businesses; yet measuring the degree to which an organization is being sustainable can be difficult (Liu, 2003). Similarly, measuring costs and benefits associated with corporate sustainability is intricate primarily due to the lack of standardised reporting (Szekely & Knirsch, 2005). Notwithstanding, sustainability requires a balance among competing social, economic, and environmental objectives (Litman & Burwell, 2006). Moreover, business success can no longer be determined only by monetary benefits but also on how an organization is able to manage the impact of its activities on the society as a whole. Hence, corporate concerns require a radical shift of approach to balance these competing objectives.

Because of the growing demand for greater accountability from corporate organizations for more disclosure on both financial and non-financial information, organizations are meant to pay greater attention to the environmental and social impact of their investment strategies (Nikolaeva & Bicho, 2011; Frias-Aceituno et al. 2014). The concept of sustainability is anchored on social, economic, and environmental balance for current and future survival of the planet. As such, efficient resource usage will ensure that future generations have resources they need to survive. Adopting sustainability practices throughout all aspects of human endeavour, especially in business operations will promote

a safe environment for both society and businesses as well (Daily & Huang, 2001). However, business sustainability involves the management of the triple bottom line, a process through which organizations manage their social, economic and environmental risks, obligations, and opportunities (Aguilera, Rupp, Williams & Ganapathi, 2007). Even more, there are a number of best practices to ensure that sustainability practices are embedded into organizational strategies. Some of these best practices include stakeholders' engagement, environmental management systems (EMS), life cycle analysis, and reporting and disclosure. Under those circumstances, the demand by regulations for organizations to consistently provide sustainability reports as part of annual integrated reports require the integration of sustainability principles and concepts into business operations.

The level of integration between the qualitative and quantitative information depends on the extent to which the organization has managed to improve its social, environmental, and economic effectiveness and efficiency in a reporting period must be considered before its inclusion in sustainability reporting (Roca & Searcy, 2012). Similarly, Lozano and Huisingh (2011) affirm that sustainability reporting is increasingly recognised as an important driver to engage and report on an organization's efforts towards becoming more sustainable. Nevertheless, the increasing demand of products and services from sustainably responsible organizations and the growing emphasis on environmental sustainability issues have made it increasingly important for organizations to identify and report on its ability to reduce it impacts (Caniato et al. 2012; Ramos et al. 2013). Incidentally, sustainability reports should communicate useful information to stakeholders, although, its ability to influence sustainable business practice has been questioned (Manetti, 2011).

Method

Using the content analysis method, the paper reviewed annual sustainability reports of selected listed companies on the JSE. The paper reviewed latest sustainability drives among these companies based on their environmental, social and economic performances in an attempt to comply with the King III Code on the principle of Sustainability Reporting. In doing this, the paper adopted the four key principles of ethical behaviour in the principal-agent relationship as provided by Quinn and Jones (1995) to analyse the selected South African companies' attempt to conduct their businesses in a sustainably responsible manner. The review covers 15 companies that are listed on the JSE and the analyses is contained in Table 1 below. The companies were selected based on the accessibility to their sustainability reports on the individual companies' websites. The sustainability reports covered reports for the year 2013 which is commonly available for the selected companies since their financial year ends are not concurrent. The review covered various companies from selected South African business sectors which include extractive, manufacturing, merchandising, and service sectors. The choice of companies from the different sectors is to provide a diversity of evidence.

Content Analysis of Selected South African Companies

In analysing the sustainability ethical behaviour of companies in South Africa, the four principles, as provided by Quinn and Jones, were merged into three key sustainability issues, namely: environmental, social and economic responsibilities. This paper considers honesty as a social ethical responsibility of a firm; hence, it is merged into social responsibility. Table 1 present analysis of sustainable ethical business behaviour of 15 selected South African firms listed on the Johannesburg Stock Exchange (JSE) with regards to their responses to these key sustainability issues.

Table 1: Analysis of Sustainability Reports among selected JSE listed South African firms

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
3M	3M has a major environmental responsibility to avoid harm to others as a result of its volatile air emissions; high waste generation; high energy consumption; and high Carbon emissions.	Due to its commitment to respect the autonomy of others in a honest manner, 3M has committed to Reduce Volatile Air Emissions (VOC) 15% indexed to net sales from 2010 base year; reduce waste 10% indexed to net sales from 2010 base year; improve Energy Efficiency (energy use) 25% indexed to net sales from 2005 base year; Reduce Greenhouse Gas (GHG) Emissions 5% indexed to net sales from 2006 base year; develop Water Conservation Plans for 3M sites located in water stressed or hyper stressed areas as defined by the Mean Annual Relative Water Stress Index maintained by the World Business Council for Sustainable Development (WBCSD).	As at 2012, the company achieved 12.0% VOC Reduction Indexed to Net Sales from 2010 Base Year; 9.0% Waste Reduction Indexed to Net Sales from 2010 Base Year; 29% Reduction of Energy Use Indexed to Net Sales from 2005 base year; 55% Reduction of GHG Emissions Indexed to Net Sales from 2006 base year; Water Conservation Plans have been developed for all sites identified as being in water stressed/hyper stressed areas in 2012
Illovo Sugar	Illovo Sugar environmental responsibilities include mitigating risks associated with air emissions, effluent and waste which are not in compliance with changing environmental legislation. Legal sanction and reputational damage due to non-compliance with regulations and licences; high energy and electricity consumption; Risk of continuity of water supply due to increased water demand, land expansions and manufacturing capacity; Potential climate change impacts on future water security.	As part of the company's social responsibility and respect for the autonomy of others, the company embarked on the implementation of treatment measures for effluent and solid waste use of renewable biomass as primary energy source reduces overall Carbon footprint, improves reputation and contributes towards climate change mitigation. Compliance with local environmental laws; Improvement of co-generation capacity and efficiencies from renewable fuel sources, allowing for power self-sufficiency, reducing the consumption of primary energy; Strategy for more effective water management and measurement to reduce water use; Irrigation systems investment.	The resultant economic benefit of its action resulted in improved irrigation efficiency and scheduling; Export of excess power to the national grid.

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
Sappi Southern Africa	Sappi has committed to ensure a strategy to reduce its Carbon effect and fossil fuel emissions as part of its environmental responsibility.	To become a socially-responsible company, it planned to reduce its transportation-generated emissions through the replacement of travelling for meetings with video and teleconferencing, as well as through its SMART vehicle fleet.	In economic effect, the percentage of renewable energy increased in 2012 due to Saiccor Mill decreasing its usage of fossil fuel by increasing the black liquor solids content and improved washing efficiencies. Ngodwana Mill also increased its chemical recovery furnace steam production by increasing the black liquor solids concentration and by burning more bark in the pulverised coal-fired boiler.
Aspen	A major environmental problem caused by Aspen is the high risk of air contamination through its raw materials particles and exposure of people to harmful substance. The company has therefore committed to reduce the contamination caused by its activities	As such, to become socially-responsible for its actions, the company installed sophisticated air-handling systems at all its manufacturing sites to filter, scrub and purify the air prior to atmospheric emission.	As a result of its social responsibility, the levels of harmful air emissions became negligible and therefore not material to Aspen's business. This is in fulfilment of its economic responsibility to its shareholders.
SAB Ltd	The major environmental problem caused by SAB Ltd is the risk posed by its use of high quality water in production, especially in a country with high water scarcity and Carbon footprint (WWF, 2012).	Socially, SAB Ltd have committed to using water efficiently by setting a target of reducing water use per hectolitre of lager by 25% between 2008 and 2015; it aims to halve the fossil fuel emissions by 2020 from on-site energy use per hectolitre of lager compared to 2008 and possibly aiming to use alternative and renewable sources of energy which produce fewer emissions than fossil fuels.	In 2012, SAB global procurement business, Trinity, joined the Carbon Disclosure Project Supply Chain programme; SAB uses what it tagged the '5Rs' (i.e., Protect, Reduce, Reuse, Recycle and Redistribute) to manage its water usage upstream, downstream and within its operations; SAB Ltd average water consumption per hectolitre of lager beer produced fell to 4.0 l/hl, that is, 5% less than 2011. This initiative helped to generate cost-savings from the use of less volume of water.

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
Sasol	Industrial safety; transport incidence; GHG emission intensity are among Sasol's environmental problems and it is its responsibility to mitigate these incidences through better environmental management.	Sasol as part of its social responsibility has plans to effectively improve its industrial safety; to efficiently and effectively manage its transportation related risk; and pursue a number of energy efficiency projects to deliver a further reduction in annual GHG emissions.	Sasol achieved an RCR (recorded case rate) per 200 000 hours worked; achieved 30% reduction over 5 years based on the 2009 actual transport indicator; total Carbon Dioxide emissions reduced by 12 million tons between 2004 and 2012 in its South African operations. This provides Sasol with cost-saving opportunity to fulfil its economic responsibility.
Absa Bank	Absa's environmental responsibility is to reduce its Carbon footprint as a result of its indirect environmental impact through lending.	To become socially-responsible, Absa Bank set a target of a 12,5% reduction in absolute Carbon emissions by 2013 against 2010 as the base year and to offset the remainder; reduce environmental footprint in buildings; ensure energy efficiency gains lead to a decrease in energy costs; and ensure that optimisation measures reduce maintenance costs when implemented.	In fulfilment of its economic responsibility, Absa made significant improvement in Carbon Disclosure Project during 2012, indicating their continued improvement to Carbon management; Carbon footprint dropped 22% in 2012 compared with the 2010 baseline year (almost double their 2013 target). Their intensity measured against total employees decreased 10.6% to 10.1 tonnes CO_2 per employee from 11.3 in 2010.
DAWN	DAWN's major environmental responsibility include reducing its Carbon footprint; energy consumption; waste-reduction, minimize water usage including less groundwater discharge.	DAWN, as part of its social responsibility, is committed to reduction in Carbon footprint; water usage; and energy consumption.	In effect, DAWN's Electricity consumption increased by 1 913 496 kWh from 55 689 004 kWh to 57 602 500 kWh; but its natural gas usage decreased by 323 234 m^3 from 4 624 475 m^3 to 4 301 241 m^3; petrol consumption decreased by 388 156 litres from 1 626 285 litres to 1 238 129 litres; diesel consumption decreased by 521 998 litres from 3 960 495 litres to 3 438 497 litres; total water usage decreased by 59 345 kilolitres from 210 934 kilolitres to 151 589 kilolitres; while groundwater extracted by volume increased by 4 066 kilolitres from 1 100 kilolitres to 5 166 kilolitres; and waste volume disposed increased by 1 391 kilolitres from 6 624 kilolitres to 8 015 kilolitres. In essence, DAWN's economic responsibility requires an improvement to its sustainability strategy.

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
African Rainbow Minerals	High water and energy consumption; inadequate environmental data collection are some of the environmental responsibilities to be addressed by ARM.	Management initiated some socially-efficient management of resources including water and energy; improving their environmental data collection, monitoring and reporting systems as part of its social responsibility.	However, ARM's electricity consumption on a 100% basis increased 4% to 2 658 megawatt hours (MWh) (F2011: 2 550 MWh); Water withdrawal on a 100% basis increased 19% to 18.0 million m3 in F2012 (F2011: 15.1 million m3); focus was on improving data collection, specifically regarding energy which has enhanced their Carbon footprint monitoring and reporting. There is need to improve ARM's sustainability strategy to fulfil its economic responsibility.
Woolworths Holdings Ltd	Major environmental responsibilities of Woolworths are to reduce its high water usage, energy consumption, and waste generation.	Socially, Woolworths have committed to minimise water consumption on all its farms by installing water measuring systems in stores to help reduce water consumption.	Economically, Woolworths achieved 27% energy reduction based on company's benchmark; reduce water consumption from 732 742 kilolitres to 650 752 kilolitres.
BHP Billiton	Environmental problems associated with BHP Billiton include high GHG emissions; the need for waste reduction; and rehabilitation of contaminated land.	Socially, BHP have committed to reduce Aggregate Group in greenhouse gas (GHG) emissions target per unit of production of 6%; Aggregate Group target of a 13% reduction in Carbon-based energy per unit of production; Aggregate Group target of a 10% improvement in the ratio of water recycled/reused to high-quality water consumed; Aggregate Group target of a 10% improvement in the land rehabilitation index.	Economically, BHP achieved a 16% reduction in GHG energy intensity compared with the FY2006 base year; a 15% reduction in energy intensity compared with the FY2006 base year; and a 1% decline on the land rehabilitation index compared with the FY2007 base year.

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
Murray and Roberts	Some of Murray and Roberts environmental responsibilities include Resource efficiency and Carbon footprint; low emissions releases and waste management.	Murray and Roberts's management have decided as part of its social responsibility to determine its material environmental issues through a combination of benchmarking and internal engagement with operating entities; define an appropriate governance structure for environmental risk and reporting, aligned to health and safety; conduct environmental status reviews at selected operations to capture and report on the most material environmental risks; develop a consistent environmental risk management framework and process; develop an environmental data reporting standard to ensure consistent and complete reporting of environmental data across the businesses; build capacity on environmental data reporting across the operating entities.	To measure its economic responsiveness, Murray and Roberts conducted Environmental status reviews at 16 of its sites; Energy usage in MWh increased to 1 717 120 MWh in 2012 against 1 319 329 MWh in 2011; Carbon footprint increased to 565 034 tonnes in 2012 against 515 506 tonnes in 2011; ISO 14001 implementation (percentage coverage) 40% in 2012 and ±30% in 2011.

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
Mediclinic	The main categories of environmental impacts being managed are the utilisation of resources and waste management, which include electricity, water, gases, paper, healthcare risk waste, hazardous waste and normal waste. These have a direct effect on the Carbon emissions of the group. Excessive use and inefficient installations were highlighted; Physical risks include access to facilities and interruptions in service resulting from risks of water shortage, electricity load shedding or incidents of extreme weather conditions; Regulatory risks include operational costs of running of facilities could be affected by risks relating primarily to energy supply, with 83% of the company's carbon emissions resulting from purchased electricity.	Socially, Mediclinic have resulted to purchasing of advanced measuring and monitoring equipment to verify energy savings; A Carbon emission reduction target in respect of scope 2 emissions of 3.09% was set for the electricity consumption of Mediclinic Southern Africa's 52 hospitals for the reporting period. This reduction target is in line with the Carbon emission reduction target of 34% by 2020 agreed on by South African government after COP15 at Copenhagen; Environmental awareness entrenched in all business activities; Compiling Waste Management Plans at hospitals; Use of the Group's CURA risk management software to capture environmental aspect registers to be implemented at 39 hospitals during year ahead.	Economic performance of Mediclinic improved through an energy saving of 1.18% ton of $C0_2$ against the set reduction target of 3.09% for the electricity consumption of the group's 52 hospitals was achieved year-on-year; The reduction of normal waste is achieved through recycling and waste separation programmes, which include optimal use of paper and printers, and staff awareness training in compliance with ISO 14001:2004; Participated in the Carbon Disclosure Project 2011; Implementation of a Sustainable Compliance Culture Course at an additional 12 hospitals to enhance the preventions and minimising of impacts. At the end of the next financial year, 24 hospitals will have completed the course; Fifty-one ISO 14001-trained hospitals with a generic aspect register with baseline including healthcare risk waste, water, electricity, paper, hazardous waste, gases and climate change; Waste recycling programmes in progress at all ISO-trained hospitals; Implementation of ISO 14001 hazardous waste management/minimisation processes at all hospitals; Various energy and resource saving projects to counter excessive use and inefficient installations to be implemented; New user-friendly CURA aspect register in progress.

Company	Environmental responsibility (avoid harm to others)	Social responsibility (respect the autonomy of others and avoid lying- honesty)	Economic responsibility (honouring agreements)
PPC	Environmentally, PPC faces a challenging and changing environmental framework; Energy (electricity, coal, diesel); The cement industry requires significant thermal and electrical energy; Carbon footprint due to the chemistry and energy requirements of the cement manufacturing process, significant quantities of Carbon Dioxide (CO_2) are generated; Water management; Cleaner production.	Socially, PPC considers the price, quality, sustainable supply and optimal use of both energy types as key to successful operation; the potential implementation of a carbon tax will have financial implications for the cement and lime industry; efficient and responsible use of scarce water resources; drive cleaner production opportunities in their cement, lime and aggregate businesses.	To improve economic responsibility and performance, PPC implemented a mature environmental management systems at all its sites. All its cement operations in South Africa are ISO 14001 certified; PPC is replacing old technology at its Riebeeck plant in the Western Cape with modern energy-efficient and environmentally compliant equipment. The environmental impact assessment process has been completed with a positive record of decision issued by the provincial Department of Environmental Affairs and Development Planning in September 2012. Its Grassridge project was granted preferred-bidder status in round two of the renewable energy procurement programme. This is PPC's private wind farm, a project where 60MW will be generated into the renewable energy programme of the DoE and 21MW will be generated for the private use of PPC; Continued focus on energy management and implementation of a wide spectrum of energy efficient projects; Water-use optimisation projects implemented at each site; Substituting fossil fuel and natural resources with products from other industries, for example, fly ash from the power sector.
Eskom	High Carbon footprint from coal powered plants, gaseous and sulphur emissions, and water pollution are some of the major environmental responsibilities Eskom needs to address.	To become more socially responsible, Eskom has designed more technologically efficient coal power plants at Medupi and Kusile.	Economic lessons learnt from past environmental legal contraventions were shared with employees and contractors, contributing to a decrease in the number of environmental contraventions, from 21 for the six months to September 2011, to 12 for the six months to September 2012.

Discussions

Although, the numbers of South African companies complying with King III Code on the principle of Sustainability Reporting have increased considerably, this trend does not indicate a corresponding improvement at integrating ethically sustainability practices into conventional business practices. This study argues that many companies continue to operate using conventional business approach while legitimising their actions through the production of tailored sustainability reports. Meanwhile the King III code on the principle of sustainability reporting was developed to improve environmental and social performance among South African companies from an ethical point of view (IOD, 2009). But a review of the selected companies' sustainability reports reveals a lack of standardised approach to reporting sustainability issues. Incidentally, this lack of standardised reporting system have led these companies to devise individual approach to generate sustainability report as a means to comply with sustainability reporting requirement but not necessarily based on ethical motivation (Ramos et al. 2013). Deriving from the lack of standard is the misconception by the initiators, that is, the South African Institute of Director (IOD) that producing annual sustainability report even though tailored to report on positive activities will invariably result in improvements to environmental and social responsibilities of these organizations. In contrast, the lack of standardised reporting approach has created a gap for management to manipulate their sustainability reports. The skills shortages among existing accountants identified by Jinabhai (2005) is a reason future sustenance of the King III Code requirement on sustainability reporting in South Africa may be under threat. Hence, in order to sustain this sustainability reporting requirement trend, a more holistic approach is needed to ensure that future accountants are well educated to meet the skills demand for generating accurate financial and non-financial information sustainability information.

The review shows that companies make efforts to report their sustainability initiatives without an explanation on whether these sustainability drives are obligatory or voluntary. An example is the worsened situation about the inability of Eskom, the state-owned power utility company to address the problem of infrastructural failure leading to load-shedding and blackouts in South Africa. This recent event and reality raises doubts about the ethics of individual companies' preparation of sustainability reports and questions its genuineness and reliability. A cursory look at these sustainability reports indicate that these organizations continue to do business as usual, using tested conventional business approaches to meet increasing demands of customers without ethical consideration for an improved sustainable business practice. Despite incentives to encourage and promote sustainability disclosure and reporting through annual awards for the most compliant company in South Africa; the lack of necessary manpower, skills, adequate knowledge and understanding of sustainability issues on what to include in these reports, remain a great threat to achieve the objective of the reports design.

One useful step to promote sustainability practices among these organizations is to identify possible economic benefits associated with its implementation. Such economic benefits will include cost savings through cleaner production systems and a shift to less a carbon intensive production system to reduce the effect of negative environmental impact on both the society

and the organization (Napp et al. 2014). The determination and identification of possible economic benefit will help managers as agents of these organizations to become more ethically responsible thereby translating to improved sustainable business practices and better environment. For instance, Murray and Roberts have at least disclosed their increasing carbon footprint it has nevertheless increased despite attempts to curtail its emissions. The inability to reduce carbon emissions does not indicate that the company's willingness to revise its environmental impact from an ethical point of view. The implication of this practice indicates the quest to increase output and profitability without considerations for environmental improvements. Improved environmental performance and organizational profitability depend on the responsible use of scarce resources available to the organization, such as water, energy, and input materials, as well as the ability to determine unsustainable and wasteful-producing business practices. As such, agents are compelled to adapt sustainable practices into conventional business approaches while driving profitability, shareholders' wealth, and sustainable development at the same time.

Conclusion

A significant step to align corporate objectives with ethical sustainability reporting responsibility by companies have been taken by the Institute of Directors of South Africa (IODSA) through the King III Code the principle of Sustainability Reporting that requires companies to report their sustainability and environmental impact to stakeholders annually. While, progress have been made to report on sustainability activities by the selected JSE listed companies; these reports have yet to translate into envisaged ethical culture for sustainable business practices by the IODSA. This paper suggests that, while organizations are trying to comply legally with the King III Code requirement on Sustainability Reporting, attempts should be made by agents to ethically integrate and improve their conventional business approach with sustainability practices. Further research is encouraged into individual companies to determine the level of ethical compliance in relation to sustainability issues and what motivates them to report their sustainability activities to stakeholders.

References

Aguilera R, Rupp D, Williams C, Ganapathi J. 2007. Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of Management Review* **32**(3): 836-863.

Argenti J. 1993. *Your organization: what is it for?* New York: McGraw Hill.

Caniato F, Caridi M, Crippa L, Moretto A. 2012. Environmental sustainability in fashion supply chains: An exploratory case based research. *International Journal of Production Economics* **135**(2): 659-670.

Carroll A, Shabana K. 2010. The business case for corporate social responsibility: a review of concepts, research and practice. *International Journal of Management Reviews,* 12(1): 85-105.

Castelló I, Lozano J. 2011. Searching for new forms of legitimacy through corporate responsibility rhetoric. *Journal of Business Ethics,* 100(1): 11-29.

Daily B, Huang S. 2001. Achieving sustainability through attention to human resource factors in environmental management. *International Journal of Operations & Production Management* **21**(12): 1539-1552.

Dey A, LaGuardia P, Srinivasan M. 2011. Building sustainability in logistics operations: a research agenda. *Management Research Review,* 34(11): 1237-1259.

Du S, Vieira Jr E. 2012. Striving for legitimacy through corporate social responsibility: Insights from oil companies. *Journal of Business Ethics,* 110(4): 413-427.

Eccles R, Ioannou I, Serafeim G. 2014. The impact of corporate sustainability on organizational processes and performance. *Management Science* **60**(11): 2835-2857.

Edgley C, Jones M, Solomon J. 2010. Stakeholder inclusivity in social and environmental report assurance. *Accounting, Auditing & Accountability Journal* **23**(4): 532-557.

Freeman R. 1984. *Strategic Management: A Stakeholder Perspective.* Englewood Cliffs, NJ: Prentice Hall.

Frias-Aceituno J, Rodríguez-Ariza L, Garcia-Sánchez I. 2014. Explanatory factors of integrated sustainability and financial reporting. *Business Strategy and the Environment* **23**(1): 56-72.

Gray R. 2006. Social, environmental and sustainability reporting and organisational value creation? Whose value? Whose creation? *Accounting, Auditing and Accountability Journal,* 19(6): 793-819.

Ingenhoff D, Sommer K. 2011. Corporate Social Responsibility Communication. *Journal of Corporate Citizenship (*42): 73-91.

IOD Institute of Directors South Africa. 2009. *King Report on Governance for South Africa,* Johannesburg: Institute of Directors South Africa.

IRAS Integrated Reporting and Assurance Services. 2012. *KING III & GRI +13.* http://www.iras.co.za/E635082C-AAC2-42FB-89F4-F0F3EA3BA60B/FinalDownload/DownloadId-51D7A099268CC81CE3D52FA554E63950/E635082C-AAC2-42FB-89F4-F0F3EA3BA60B/Documents/Research/King_III_and_GRI_13_Research_Report.pdf.

Jinabhai D. 2005. New challenges for South African development and training—linkages to empirical research. *Public Personnel Management,* 34(1): 85-101.

Lee K. 2012. Linking stakeholders and corporate reputation towards corporate sustainability. *International Journal of Innovation and Sustainable Development,* 6(2): 219-235.

Lee Y, Lee K, Li D. 2012. The impact of CSR on relationship quality and relationship outcomes: A perspective of service employees. *International Journal of Hospitality Management* **31**(3): 745-756.

Litman T, Burwell D. 2006. Issues in sustainable transportation. *International Journal of Global Environmental Issue,* **6**(4): 331-347.

Liu, Z. 2003. Sustainable tourism development: A critique. *Journal of Sustainable Tourism* **11**(6): 459-475.

Lozano R, Huisingh D. 2011. Inter-linking issues and dimensions in sustainability reporting, *Journal of Cleaner Production* **19**(2): 99-107.

Manetti G. 2011. The quality of stakeholder engagement in sustainability reporting: empirical evidence and critical points. *Corporate Social Responsibility and Environmental Management* **18**(2): 110-122.

Napp T, Gambhir A, Hills TP, Florin N, Fennell PS. 2014. A review of the technologies, economics and policy instruments for decarbonising energy-intensive manufacturing industries. *Renewable and Sustainable Energy Reviews* **30**: 616-640.

Nikolaeva R, Bicho M. 2011. The role of institutional and reputational factors in the voluntary adoption of corporate social responsibility reporting standards. *Journal of the Academy of Marketing Science* **39**(1): 136-157.

Pacheco D, Dean T, Payne D. 2010. Escaping the green prison: Entrepreneurship and the creation of opportunities for sustainable development. *Journal of Business Venturing* **25**(5): 464-480.

Quinn D, Jones T. 1995. An agent morality view of business policy. *The Academy of Management Review* **20**: 22-42.

Ramos T, Cecílio T, Douglas C, Caeiro S. 2013 Corporate sustainability reporting and the relations with evaluation and management frameworks: the Portuguese case. *Journal of Cleaner Production* **52**: 317-328.

Roca L, Searcy C. 2012. An analysis of indicators disclosed in corporate sustainability reports. *Journal of Cleaner Production* **20**(1): 103-118.

Soyka P. 2013. The International Integrated Reporting Council (IIRC) Integrated Reporting Framework: Toward Better Sustainability Reporting and (Way) Beyond. *Environmental Quality Management,* 23(2): 1-14.

Szekely F, Knirsch M. 2005. Responsible leadership and corporate social responsibility: Metrics for sustainable performance. *European Management Journal* **23**(6): 628-647.

WWF World Wildlife Fund. 2012. *Water Footprinting:Identifying and Addressing Water Risks in the Value Chain.* Available at: http://awsassets.wwf.org.za/downloads/sabmiller _waterfootprinting_report_final.pdf (Accessed 3 December 2012).