MEMORANDUM ON THE GOOD GOVERNANCE ACADEMY'S

FIRST COLLOQUIUM

VALUE CREATION IN A SUSTAINABLE MANNER

THE GOOD GOVERNANCE ACADEMY

INDEX

Message from the Patron of The Good Governance Academy (GGA), Professor Mervyn King SC

The vision of the GGA is to hold at least two colloquia a year in which there would be input from international and national, namely South African, universities and business schools on critical governance issues so that the best of thought leadership is imparted to our educators for the benefit of the future corporate leaders in South Africa. Accountants study accountancy to become accountants and lawyers study the law in order to become lawyers. Some accountants and lawyers enter business but business administration students study business science in order to go into business. These students, both undergraduate and post graduate, are the majority of South Africa's future corporate leaders.

The critical governance issues which the GGA has identified are:

Mindful outcomes based governance;
Conscious corporate leadership;
Value creation in a sustainable manner;
Integrated thinking and reporting;
Integrated functions;
The Extended External Reporting (EER) Assurance as presently contained in a Consultation Paper issued by the International Auditing and Assurance Standards Board;
The business risks associated with climate change;
The business risks associated with species extinction, especially the reduction in the bee population with consequential reduction in natural pollination.

The concept is that there will not only be academic input at these colloquia but input from corporate leaders as to how, for example, they are steering companies to create value in a sustainable manner, how they deal with the extraordinary risks facing business in the resource constrained world of the 21st century and how they lead as they understand that they are the conscience of companies. Further, in this resource constrained world with increasing population, from 7.6 billion at present to 9.3 billion by 2045 according to an extrapolation by the United Nations, corporate leaders have to steer the business of a company towards the junction of the three critical dimensions for sustainable development, the economy, society and the environment.

The vision of the GGA to act as a catalyst between international and South African tertiary educators in business science falls in line with the Sustainable Development Goals 17 and 4. Goal 17 records that the 16 goals cannot be achieved without collaboration. Goal 4 is the achievement of quality education. This also ties into the National Development Plan in South Africa around quality education.

The GGA has support members namely the South African Institute of Chartered Accountants (SAICA), the Institute of Internal Auditors South Africa (IIA SA), Chartered Secretaries Southern Africa (CSSA), the Ethics Institute (TEI) and the South African Business Schools Association (SABSA). All these bodies will receive a precis of the presentations at the colloquia so that the input learned at the colloquia can be distributed free of charge to all their members. The issues are all matters of public interest and are discussed at the colloquia for the public good.

Over the last three decades I have been privileged to chair the Eminent Persons Group at the United Nations on Governance and Oversight, the Global Reporting Initiative, the International Integrated Reporting Council, the Integrated Reporting Committee of South Africa and the King Committee on Corporate Governance. I have also sat on corporate governance advisory boards in the Far East and at the World Bank.

I record the above not out of self-praise but to indicate that because of my international appointments I have associations with universities and business schools abroad, in the USA, UK, Europe, Far East and Australia. It is that association which I have voluntarily given to the GGA to act as a catalyst to share matters of extreme public interest between all institutions teaching business science on a collaborative basis.

Prof Harari, in his book Sapiens, concluded that it was collaboration over 70 000 years that resulted in homo sapiens being the superior hominid and out populating other hominids on planet earth. We have reached the stage on planet earth that collaboration is needed now to save humankind. This is so because of the continuous decline in natural assets and human’s conduct exacerbating natural, cyclical climate change.

At our first colloquium held on 13 June 2019, during my introduction I explained the purpose of the GGA and recorded that the theme of the first colloquium was “Value Creation in a Sustainable Manner”. Our next colloquium will be held on 28 November 2019 and the theme is “Effective Corporate Leadership”. On a reading of the precis of the presentations I am confident that you will learn something and be motivated to encourage governing bodies to develop business models which result in value creation in a sustainable manner in our resource constrained world. More information can be found on the GGA at its website thegoodgovernanceacademy.com.

The first speaker was the associate Professor at Monash University, Nick McGuigan, who spoke about the evolution of teaching accountancy and business science. The audience, included some 700 people to which it was live-streamed in South Africa and in nine countries outside of South Africa. He spoke about the way Monash is teaching aspirant business persons how to think differently because, as he put it, we don't even know the nature of the jobs in the future because of the Fourth Industrial Revolution. See page 8.

Our next speaker was Brian Chicksen, an adjunct Professor Minerals to Metals in the Faculty of Engineering and the Built Environment, who spoke about the company's business model and strategy developed by the collective mind of a board. He urged that in order for there to be seen to be value creation the Sustainable Development Goals which are relevant to the business of the company should be embedded in the company's business model and its strategy. See page 11.

Then there was Athol Williams of the Allan Gray Centre for Values-Based leadership. He spoke about what companies should focus on in order to make sure they deal with value creation. He differentiated between economic, ethical, community, justice and environmental responsibilities. He pointed out that depending on the nature of the business of a company these responsibilities would need to be prioritised. See page 16.

The Academy's first practitioner to speak was Shobna Persadh, the Corporate Affairs and Sustainable Business Director of Unilever Limited. She pointed to the launch in November 2010 of Unilever's Sustainable Living Plan which aimed to halve the environmental impact of its products, give farmers in distributing countries access to its supply chain, slash the carbon, water and waste impact of its products in half over the next ten years. She showed how Unilever has made good progress over the last eight years. She emphasised that Unilever's purpose is simple and clear – to make sustainable living commonplace. See page 20.

Then Prof Guler Aras of the Yildz Technical University for Finance, Corporate Governance and Sustainability, Istanbul, Turkey. She was invited to speak because of her knowledge of the working of the global capital markets and having served on the board of the Istanbul Stock Exchange, which is a parent stock exchange of some twenty other stock exchanges in the Middle East. She pointed out that account is now being taken of sustainable value creation by financial institutions in capital markets before committing to buy a bond or other financial instrument issued by a company for bidding in the financial markets. See page 22.

The next speaker was James Forson, the chief operating officer at Regenesys Business School who pointed out that value creation had to be done, inter alia, through stakeholder management. He spoke about the concept of the invisible line between how the company makes its money and the company's relationships with its stakeholders. These are all integrated but he showed how they are inextricably interlinked on a daily basis for value creation. See page 25.

Then another practitioner spoke, being the executive project director and co-founder of Eco-Industrial Solutions (Pty) Ltd, a South African company, namely Dr Pieter du Toit, supplementary information was provided by the chief executive officer, Deshika Kathawaroo. The colloquium ended with this incredible presentation of how, over the last three years, South Africans, acting in the best interests of its South African investors, has developed a circular economic industrial park in the Musina municipal area on the border of Zimbabwe. The park is over 6000 hectares and obtains its water from the Zambezi river only when it is in flood, has its own waste management treatment plant which can also cope with waste management from Musina, and it has developed the mechanism of capturing gas emissions in the area which translates into energy. Consequently the industrial park is off the main grid. The main railway line between Zimbabwe and South Africa runs through the park and there is a station where the train stops in the park. It has not only industrial and commercial sites but also residential sites and a nature reserve. See page 30.

The two practitioners, namely Unilever and Eco-Industrial Solutions, indicated how corporate leaders can steer a company's business to be at the junction of those three critical dimensions for sustainable value creation, namely the economy, society and the environment.

The GGA has commenced negotiations with institutions abroad to become support members as set out above. The important impact of their becoming members is that the memoranda emanating from the colloquia will be distributed not only locally but internationally as there is international input into the colloquia as well as national.

Consequently, negotiations have commenced with the American Institute of Certified Public Accountants, Certified Public Accountants Canada, Certified Public Accountants Australia, the International Institute of Internal Auditors, the Institute of Chartered Accountants of England and Wales and the Chartered Global Management Accountants.

I am confident that the precis of the above presentations attached hereto will be both instructive and informative for you, the reader.

Mervyn King

____

Mervyn King

19 August 2019

The evolution of teaching accountancy and business administration students. Educating our future corporate leaders.

Speaker: Nick McGuigan – Associate Professor Monash University, Melbourne, Australia

Currently the university education system offers a standardised approach to education. It's packaged up into a particular product and which we're sending out to the labour market. We are doing a disservice, and this needs to be disrupted.

The standardised approach is to teach students of business science to be prepared for tomorrow's jobs, which may not exist in the future. In fact, we don't even know what some of the jobs of the future will be, nor can we predict them. Students are taught to compete, rather than collaborate, and we wonder why they don't like working in teams.

This method of teaching needs to change towards a design context. In order to build humanistic futures we need to tackle the problems of design. Designing a system that fits within a humanistic design system. A form of accounting, for example, built on trust, that reinvestigates holistic, measurement, value creation and accountability. Interdisciplinary platforms need to work in order to design a new form of accounting, an accountable language that facilitates regrowth. A long term shift is needed, refocusing around trust and accountability, system design and thinking approach and models of collaboration.

We need to move beyond our standardised approach and encourage and foster diversity because the world that is coming will require social intelligence, sense making, trans disciplinary design mindsets and an integrated approach to the way we think and how we bring that into our education spaces. This might require a mindset or learning to unlearn. The disciplines have to be thought about differently, other ideas need to be brought in a very creative way. A structured movement away from what was known, to rethink and recalibrate around something completely different.

The Bauhaus School in Germany had a curricular design. Students would start with a preliminary course at the outset of the degree and gravitate towards the centre of that particular curricula design, but how they did it was completely up to the student. So the course was built on the student's interests and motivation. Students could navigate and as they were navigating learn different skills sets, making them more resilient in order to face an unknown future. This unlearning approach enabled questioning the obvious, finding out for themselves and using their bodies as primary tools. The idea of practice, playing and exposure and valuing the whole process and not only the outcomes that occur.

The focus should be on educating the whole individual, the learning experience needs to be facilitated through the student and their interaction within and between themselves through experience rather than only focusing on theory.

Another concept is the Japanese principle called Ikigai which focuses on showing students a holistic systems thinking approach, with the emphasis on the self. As students start to explore the things they want to do, they start to find their sense of purpose, the Ikigai in the middle. And what happens as a result is that students are able to see the contradictions and complexity associated with such a systems view. This has never been done before with accounting students.

It is important to facilitate accounting and business education as if it were a social science. In order to encourage and develop critical thinking to be able to move to multiple lenses and views when students go into the business world as graduates, students cannot continue to be taught as if business is some kind of objective science. In other words, starting to take a long term approach to the way students are educated and the kinds of things that they are exposed to.

The idea is that students are not only taught what is known but also what is unknown, and trying to facilitate those questions. Resulting in creating a dual learning mechanism where educators learn as much from students as they learn from educators. Exposing students to the idea of knowledge that can’t always be Googled. It is exposing students to new ways of thinking about accounting and business education, asking them to express some of their views and communicate in abstract and different ways.

Professional development becomes a type of curation, allowing individuals to curate their own forms of learning and placing their ideas in very unique contexts that form a strong appreciation with the complexity of the whole.

We need to start to question where learning takes place, and investigate places that turn ordinary everyday situations into much more powerful learning experiences. An example of this is taking application from nature and applying it within an organisation or business context and setting, using design principles to design a new view or multiple lenses in which to look at and measure performance of organisations.

We need to explore accounting and business in different ways. Exploring the human and emotional connection to money. Using art and money as a way to bring some of these aspects to the fore by running futuring workshops questioning what is the future of business, what is the future of money and using a creative design process to visualise what those futures might look like.

For all the above reasons we started a programme “Dating an accountant.” Monash Business Schools, Artist-in-Residence Bek Conroy has a performance led artistic work which she creates this short film showcasing the six accountants she invited to go on a thirty minute date with her. How does one measure love? In the balance sheet of life how do accountants account for love? While they have a way of calculating profit and loss, a little creativity may be necessary to inject the professional with a fresh approach to maintain their relevance.

I believe that if accountants do not start investigating new and creative ways to change their profession they will be replaced – with robots and AI automating many of the tasks they currently undertake. Monash’s Artist in Residence playfully investigates accounting in everyday living. Academics, students and industry take part in this innovative event, exploring their creativity culminating in a dating marathon where she invited six accountants to go on thirty minute dates with her. We make a short film of this dating marathon.

Creative accounting is often used in a negative light. However, creative skills are highly beneficial in the accountancy profession and so collaborating with artists just seems to make sense. The accountancy profession needs to reclaim the true sense of creativity as it will be the future of all professions.

To see this short film visit “dating an accountant-how do you measure love-Monash Business School” or “Monash Business School’s Artist in Residence presents Dating an accountant.”

****

Embedding the Sustainable Development Goals into Strategy

Speaker: Brian Chicksen – Adjuct Professor Minerals to Metals in the Faculty of Engineering and the Built Environment

In September 2015, the United Nations' released the 2030 Agenda for Sustainable Development. Signed off by more than 150 world leaders, the 2030 Agenda adopted 17 global goals – the SDGs – which seek to address economic growth, social inclusion and environmental protection. Central to the SDGs is the intent to end poverty, reduce inequality and manage natural resources and ecosystems in an integrated and sustainable way. As articulated in the 2030 Agenda, this is to "shift the world on to a sustainable and resilient path". While the SDGs are not legally binding, country governments assume primary responsibility for their achievement, recognizing that there is a clear need for collaboration across all stakeholder groups. As an organ of society, it is essential that the private sector plays a meaningful role in their achievement – indeed, a thriving private sector is critically dependent on a sustainable and resilient world. At the same time, increasing societal expectations for a mutual value approach are shifting competitive frontiers, requiring that companies move beyond philanthropic initiatives to ensuring positive and sustainable impacts from their core products, services and competences.

Private sector engagement with the SDGs is varied – ranging from extensive interaction, to none at all. For companies pursuing an SDG agenda, three modes of engagement have been observed. Some companies have mapped their existing business activities to the SDGs, seeking to demonstrate how they have historically contributed to their achievement. Where this remains the full extent of their engagement, the outcome is often business as usual without any further contribution to achieving the goals. Other companies have chosen to focus on one or two of the SDGs, prioritizing their contribution efforts, and often using this approach to position themselves in the business landscape. A third group of companies have moved beyond mapping the SDGs to their existing activities, by reflecting deeply on how to integrate the goals into their business strategy and approach, and embedding step change practices into their core operations.

The approach followed by companies seeking to embed the SDGs into their strategy is generally underpinned by a philosophy of mutual value. These companies recognize that they are an integral part of society, with mutual interdependence between business *and* societal success. They intentionally seek to be a consistently positive shaping and contributing force to societal development – reimagining the role of business in society, redefining their activities for a step change performance and creating multiple streams of value. This combination of integrated thinking and integrated doing, along with integrated reporting which demonstrates citizenship and meaningful societal contribution, is likely to become an increasingly influential determinant of competitive positioning.

Adopting such a stance, and turning it into reality, requires that companies move from being transactional in the way they conduct business – primarily maximizing profits for shareholders – to becoming transformational in developing solutions for the common good. Critical drivers of this shift, are the need to build trust across the company's stakeholder groups, and embracing innovation to develop better and more creative solutions.

Figure 1. below outlines the two-pronged strategic approach of building trust and driving creativity for transformational solutions.

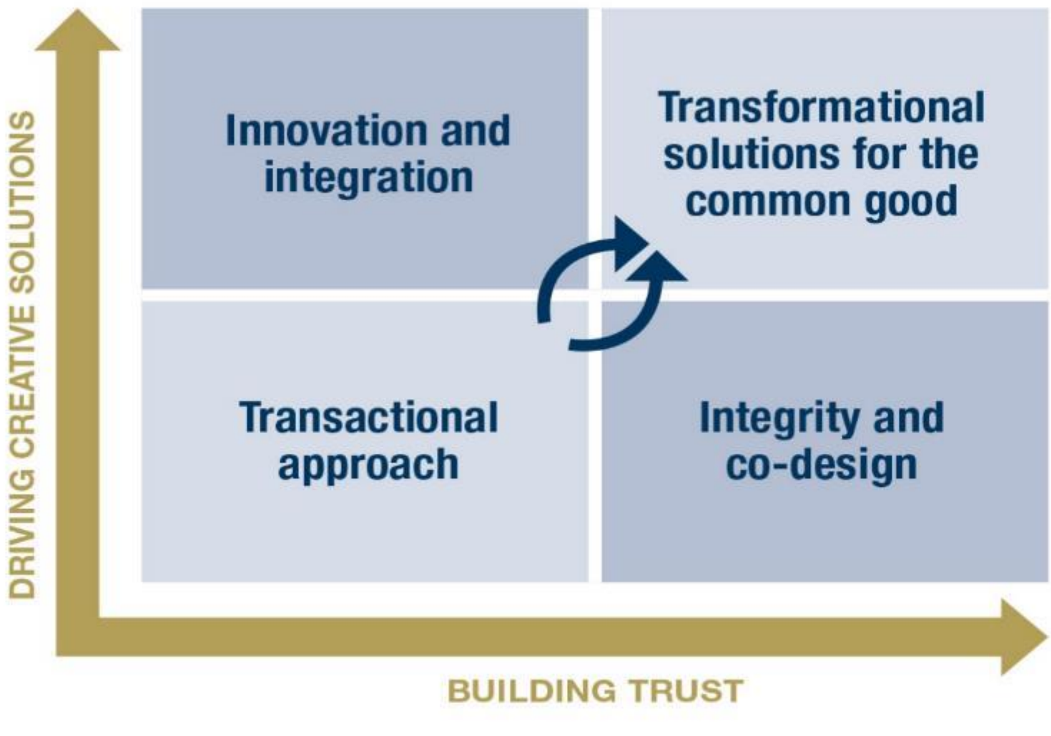


Figure 1: A two-pronged approach to achieving the goals

(Source: *Adapted from* Chicksen, B. et al (2018): "Embedding the Sustainable Development Goals into Business Strategy and Action", MtM & MiLA Working Paper 1- 2018, Cape Town, University of Cape Town.)

In addition to the significant challenges and constraints companies face in sifting toward this new way of thinking and doing, scant guidance is available on how to navigate this new territory and to embed the philosophy of mutual value into business practices. It remains an emerging field and, in the pursuit of learning, we undertook action research within AngloGold Ashanti to develop a toolkit to assist companies wishing to take a leap in this direction.

The case study covers a five-year period and the toolkit is based on the AngloGold Ashanti strategic framework and design-thinking approach to formulating strategy. In the process, the company's sustainable development challenges and opportunities were clarified through the annual materiality process and these were mapped to the SDGs. Company goals, congruent with the SDGs were set and these were cascaded across sustainable development functions through workshops involving corporate and operational participants. The process was extended to key business functions such as procurement, the supply chain and human resources. The use of strategy mapping and the balanced scorecard as strategic tools, enabled a common language and approach across business functions, along with the development of fit-for-purpose and step change activities to achieve the goals. Details of the AngloGold Ashanti sustainable development strategy are reported in the company Annual Sustainable Development Reports from 2014 – 2018 at www.anglogoldashanti.com.

Flowing from the company's experiences in embedding the SDGs into the strategy, an Embedding Framework was developed comprising the strategic intent, principles underpinning the framework, enablers and process requirements for implementation. The framework formed the basis of an embedding pathway shown in Figure 2 below.

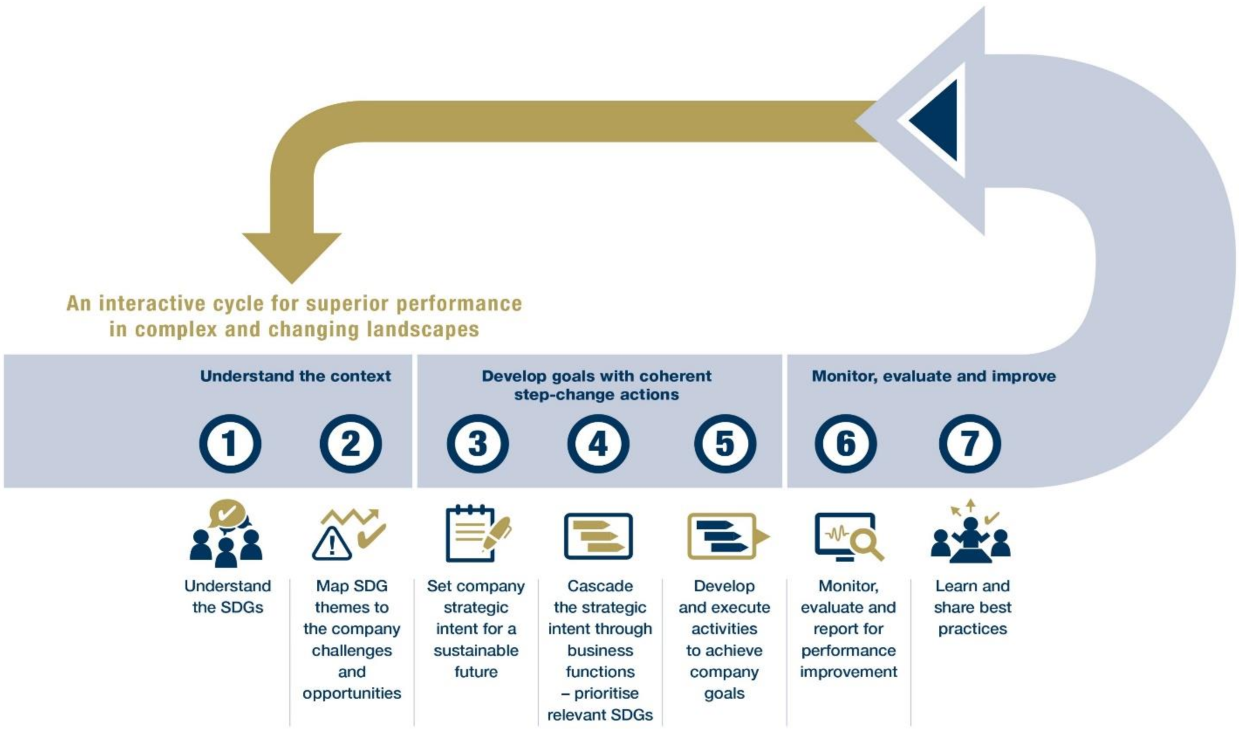


Figure 2: Pathway to embed the SDGs into strategy.

(Source: *Adapted from* Chicksen, B. et al (2018): "Embedding the Sustainable Development Goals into Business Strategy and Action", MtM & MiLA Working Paper 1- 2018, Cape Town, University of Cape Town.)

Each of the high-level steps of the pathway is disaggregated into a series of sub-steps which structure conversations within the step, with suggested processes to follow, questions which need to be answered and outcomes to be achieved.

The toolkit has been published as an open access resource and is freely available at https://thevault.exchange/?get_group_doc=143/1553857838-EmbeddingtheSDGgoalsintothebusinessstrategy.pdf

In conclusion, embedding the SDGs into strategy remains a new and incompletely understood field. It requires a bold shift by business leaders to move beyond conventional thinking of maximizing profits for shareholders, to an authentic belief in mutual value as a foundation of business sustainability and success. In turning this belief into reality, experimenting and sharing of ideas is needed to accelerate learning. It also appears that a design-thinking approach is best suited to help companies grapple with the complexity of the sustainable development challenges they face, and in realizing the interdependence between business and societal success. Active participation of all organizational levels in co-designing solutions to achieve the goals is also likely to mobilize more ideas and innovations, along with increasing co-ownership of solutions for ultimate success.

References

- AngloGold Ashanti Limited. (2014 – 2018): "Annual Sustainable Development Reports", Supplementary Publications to the Annual Integrated Reports, Johannesburg: AngloGold Ashanti Limited.
- Chicksen. B, Cole. M, Broadhurst. J, Meyer. H, Charikinya. E, Hoffman. A, & Viljoen. D. (2018): "Embedding the Sustainable Development Goals into Business Strategy and Action", MtM & MiLA Working Paper 1 – 2018, Cape Town: University of Cape Town.
- Kaplan, R. and Norton, D. (2008): "Mastering the Management System", Harvard Business Review, January, p62-77.
- Martin, R. (2009): The Design of Business: Why Design Thinking is the Next Competitive Advantage, Boston: Harvard Business School Publishing.
- Rumelt, R. (2011): Good Strategy Bad Strategy: The Difference and Why it Matters, New York: Crown Business.
- United Nations. (2015): "Transforming our world", Resolution adopted by the General Assembly on 25 September 2015, New York: United Nations.

****

What companies/leadership should focus on in order to make sure they deal with value creation

Speaker: Athol Williams – University of Cape Town, Allan Gray Centre of Values-Based Leadership

Introduction

The ‘corporate responsibility’ discourse carries with it the implication that corporations are irresponsible institutions in need of guidance for responsible behaviour. The reality is that corporations bear and fulfill numerous responsibilities across multiple domains.

Strength of corporate responsibilities are determined by the *scope* of the beneficiaries of actions to fulfill these responsibilities, and the *moral optionality* open to corporations to act. Understanding the important concepts of *corporate ethical responsibility* (CER) and *corporate justice responsibility* (CJR) as two of the five corporate responsibilities which help address the confusion over companies’ social responsibilities.

Outlining and delineating the corporation’s responsibilities offers guidance to corporations in terms of expectations and decision-making, and offers guidance to society for holding companies accountable, thus contributing to the effectiveness of both.

Identifying corporate responsibilities and assessing their strength

When discussing corporate responsibility we typically have in mind responsibilities relating to welfare concerns for society and sustainability concerns relating to the environment. These are two important categories of corporate responsibilities but there is a third category, that of business-orientated responsibilities, which is overlooked. Within these three broad categories, there are *five* corporate responsibilities which are discussed below.

<u>Business-orientated responsibility</u>

Two sets of responsibility relate to business’s primary function, namely economic responsibility and ethical responsibility.

1. *Economic (or contractual) responsibility*

Economic responsibility relates to the core economic activities of a commercial corporation and sets out the responsibilities that the corporation bears to its economic stakeholders.

The corporation's responsibility to society is not borne out of a direct, intentional economic contract or law. This is not to say that the company does not engage with the broader society and environment for economic gain. Part of the resistance to social responsibilities is the vagueness in the definition of society, as well as the grounds for this responsibility and what it entails.

2. *Ethical responsibility*

When we ask, "to whom should the corporation act ethically?" we are tempted to answer, "everyone,". Just as a corporation bears specific economic responsibilities by virtue of being a corporation so too does it bear ethical responsibilities by virtue of being a corporation.

Business-orientated responsibilities relate specifically to the activities and stakeholders with whom the corporation interacts in conducting its business, but these do not exhaust the full set of responsibilities borne by companies.

<u>Society-orientated responsibility</u>

Businesses bear some form of responsibility to society "that go beyond the production of goods and services at a profit,"[1] that is, beyond responsibilities to economic stakeholders. This responsibility is typically grounded in the *common good approach* which maintains that "business, as with any other social group or individual in society, has to contribute to the common good, because it is a part of society," and thus "should be neither harmful to nor a parasite on society, but purely a positive contributor to the well-being of the society."[2]

3. Community responsibility

[1] Rogene A. Buchholz & Sandra B. Rosenthal 'Social responsibility and business ethics' in Robert E. Frederick (ed) *A Companion to Business Ethics* (Blackwell 2002) 303.
[2] Elisabet Garriga & Domènec Melé 'Corporate social responsibility theories: Mapping the territory' (2004) 53:1 *Journal of Business Ethics* 51-62.

The most prevalent form of society-orientated responsibility is that deemed to be owed to the communities in which a business operates. These actions usually derive from a sense of benevolence or compassion for groups in need whether the community be a local village, region or even country.

4. Justice responsibility

The corporation bears responsibility to advance justice on the grounds that it participates in the economic scheme that causes or propagates many of the injustices prevalent in our societies.[3] This is the most overlooked of corporations' responsibilities and sits at the heart of societies' complaints about modern corporate capitalism, that companies cause harm without remedy. This is why it is vital to separate corporate social responsibility (CSR) from justice responsibility, or corporate *justice* responsibility (CJR). While community responsibility relies on a corporation's compassion, CJR is derived from the causal relationship between the corporation's practices and injustice. Whereas corporate ethical responsibilities (CER) relies on fairness between contracted parties, CJR raises the bar on right behaviour to include requirements such as refraining from exploitation of the vulnerable and not to violate human rights. Rather than dispersed, voluntary community responsibility, CJR is obligatory and specific.

CJR demands corporate action of three types depending on the context, namely to remedy, avoid or protect against injustice.

> *Remedy* – A corporation's obligation to remedy a harm derives from its role in causing the harm, if a corporation causes harm, allows it to occur or benefits from it, the corporation bears a responsibility to remedy the harm. This includes injustices of the past.
>
> *Avoid* – Corporations, particularly those in emerging markets, operate in contexts of current injustices or the enduring effects of historical injustices. In fulfilling its CJR, corporations are required to avoid any actions that would exploit these vulnerabilities or perpetuate them. Furthermore, CJR requires that corporations commit no new harms.
>
> *Protect* – The responsible company will not only keep its own practices in check, but as a member of the business community also seek to ensure that

[3] Athol Williams 'Ranking agents of justice: When should the corporation act?' (2018) 14:1 *St Antony's International Review* 83-91.

other companies are not committing harm. Action could take the form of establishing or supporting industry bodies or strengthening public institutions.

Environment-orientated responsibility

5. Environmental responsibility / Sustainability

Natural resources serve as inputs to economic activity and are impacted by the outputs of economic activity whether through by-products of manufacturing processes or the plastic packaging used for products. Given the vast and lasting impact on the environment that corporations can have, we cannot allow environmental responsibility to be voluntary. Just as we assigned justice responsibility to the corporation on the grounds of its participation in the social harms caused, we must assign an obligation to corporations to act responsibly or sustainably with regard to the natural world.

Prioritising corporate responsibilities

This analysis presents economic, ethical and justice responsibilities as strong corporate responsibilities and thus these responsibilities should take priority when tradeoffs are to be made. The base minimum requirement for a company to be considered responsible would be fulfilling its economic responsibilities ethically, that is, fulfilling economic responsibility and CER. This ascription can only be made for corporations that have fulfilled their justice responsibilities and those specific environmental. This therefore ought to be our requirement for all companies.

If we were to *rank* all five corporate responsibilities, they would follow the order: economic, ethical, justice, environmental and community. The low ranking of environmental and community responsibilities may generate objections. Environmental responsibilities would need much greater definition to strengthen their pull on company attention and resource allocation, and as argued, we can allow corporations discretion over community responsibilities so long as they are fulfilling their justice responsibilities and their economic responsibilities ethically.

****

Unilever’s Sustainable Living Plan

Speaker: Shobna Persadh, Corporate Affairs and Sustainable Business Director, Unilever

In November 2010 Unilever launched its Sustainable Living Plan with the aim to halve environmental impact of its products and give farmers and distributors in developing countries access to its supply chain. The aim was to slash the carbon, water and waste impact of its products in half over the next ten years.

Areas where Unilever globally is making good progress approximately eight years later are in sustainable sourcing; nutrition, renewable energy; creating safe drinking water; health and hygiene for millions of people and a programme to change consumer behaviour, such as reducing the use of heated water in showering and washing clothes and encouraging people to eat foods with lower salt levels.

Paul Polman, the former chief executive officer of Unilever, said, back in 2010: “In a world where temperatures are rising, energy is costing more, sanitation is worsening and food supply is less secure, companies can no longer sit on the sidelines waiting for governments to take action. We have to see ourselves as part of the solution to these problems. We believe that our future success depends upon being able to decouple our growth from our environmental footprint, while at the same time increasing our positive social impacts … we cannot tackle these issues alone … we believe collaboration will become the only way of doing business in the future.”

Unilever’s purpose is simple and clear – to make sustainable living commonplace.

Unilever believes that business growth should not be at the expense of people and the planet. That’s why we are changing the way we do business, and why we want to change the way business is done.

The Unilever Sustainable Living Plan is achieving change at Unilever. It is creating sustainable growth through purpose-led brands, cutting business costs, reducing risk and helping to build trust.

The Unilever Sustainable Living Plan sets out to decouple growth from its environmental footprint, while increasing its positive social impact. The plan has three big goals to achieve, underpinned by nine commitments and targets spanning social, environmental and economic performance across the value chain. The commitment is to continue to work with others to focus on those areas where the biggest change can be driven and support the United Nations Sustainable Development Goals.

The three big goals and nine commitments are:

- *Health and hygiene – Improving nutrition*: By 2020 Unilever will help more than a billion people take action to improve their health and well-being.
- *Greenhouse gases – Water use – Waste and packaging – Sustainable sourcing:* By 2030 the goal is to halve the environmental footprint of the making and use of products as the business grows.
- *Fairness in the workplace – Opportunities for women – Inclusive business*: By 2020 the livelihoods of millions of people will be enhanced as the business grows.

****

Why a sustainable value creation story is necessary for companies in the capital markets of the world

Speaker: Prof Guler Aras, Founding Director, Yildiz Technical University Centre for Finance, Corporate Governance and Sustainability, Istanbul,Turkey

The capital market is one of the most fundamental areas where information creates value. According to the results of current research most business leaders agreed that it is important to consider broader information alongside financial information in order to give investors and other stakeholders a more complete picture of the value that the organisation creates.

Hence, a growing number of organisations have started to share their non-financial information covering environmental, social and governance issues with their stakeholders through several types of corporate reports such as integrated reports, sustainability reports, corporate social responsibility reports and governance reports.

On the basis of information sharing the two main principles of corporate governance, transparency and accountability are important. These two principles provide confidence to stakeholders and facilitate stakeholder decisions with complete information. The fact that the information that will form the basis for investment decisions is complete and accessible is of great importance, especially in terms of ensuring investor confidence which is the fundamental tool for the healthy and stable development of capital markets.

This is why in today's times the roles, impacts and responsibilities of organisations and society have changed. The purpose of organisations is not just producing goods and services, but also organisations are placing more importance on creating value for themselves and society. The main motivation behind this is that organisations have more benefits in the long term when they work together with all their stakeholders for a common purpose. Organisations are now well aware that focusing on merely economic and financial results does not suffice for sustaining their existence.

Investors are investing in the potential and future of the company by valuing the company's past and present performance while making investment decisions. In order for investors to be able to evaluate the potential performance of the company they must know what the company will do, not just what it did. The type of reporting, based on integrated thinking, developed to meet this need, is integrated reporting.

In addition to providing benefits to investors and other stakeholders this approach provides a significant contribution to an organisation's self-development, in the form of doing business based on integrated thinking. Most business leaders believe that the aims of integrated reporting align with their corporate objectives. Integrated reporting will promote a more cohesive approach to corporate reporting and better enable them to communicate the full range of factors that materially affect their organisation's ability to create value over time and tell the whole story of the company's value creation process.

The information that constitutes the basis of stakeholder decisions and benefiting the organisations's self-development include data that we can define as Sustainable Development Goals (SDG's). This includes for example, responsible business, the presence of strategic targets, long term maturity, customer satisfaction, employee development, risk management, opportunities evaluation, environment and community relations and the continuous and effective relationship with stakeholders. SDGs encourage organisations to report the positive impacts and contributions they have on their environment by offering stakeholders a common platform and roadmap for the organisations, taking into account, implementation and reporting on sustainability issues. SDG reporting should not only be considered on the basis of risk prevention and business opportunities, it should be integrated into business strategies and existing reporting processes.
These directly reflect the value of the organisation. In order to assist investors in making informed investment decisions.

Further, the organisations reporting should include qualified information, which plays a key role in investment decisions, market efficiency and meeting its corporate objectives. Although not fully defined in literature, the term refers to "all kinds of elements that constitute the basis of investment decisions and reflect the true state of the information as a whole". The fact that the existence of incomplete and unreliable information in the market is the trigger and main reason for economic and financial crises, this highlights the significance and importance of qualified information for financial markets' stability.

It is extremely significant for organisations to attract long term investors. This is only possible with sustainable performance and reliable data sharing. It is therefore helpful for companies to share their reports about the value creation process with investors and stakeholders.

As a result the information organisation's share with their stakeholders should be based on longer term communication. In that way, all stakeholders can rely on the organisation's efforts. In order to ensure this trust, the information has been provided in a timely manner and the asymmetric information problem must be eliminated. To the extent that this can be achieved, the investor and other stakeholder will continue to have a longer relationship with the organisation.

For all the above reasons, the due diligence carried out by financial organisations in the capital markets of the world, has changed. The due diligence is not only a financial one but is one that covers the whole spectrum of value creation in a sustainable manner. For example, a due diligence is done on a company's supply chain because asset owners and asset managers have learned that suppliers, carrying on business adverse to society and the environment in the company's supply chain, can cause a reduction in the market value of a company.

****

Value creation through stakeholder management

Speaker: James Forson, Chief Operating Officer, Regenesys Business School

Introduction

How did we get here?
In 1970 the economist Milton Friedman famously stated that:

"The business of business is business." And for most of the rest of the previous century, this was the dictum for conducting business.

As long as they did not break the law and paid their taxes, corporations were free to conduct their business as they saw fit, regardless of the impact on society and on the environment. The focus was on the quarterly returns and delivering value to the shareholders in the form of an improved share price or a generous dividend.

A major change has happened since then. We have witnessed irreversible damage to the environment as well a pervasive social change. We are now confronted with enormous global problems which will lead to irreversible disaster if we do not take concerted action now. Organisations cannot continue to extract, use and discard as they used to.

Grayson and Hodges [2002] have aptly rephrased this as: "Today the business of business is everybody's business."

What has happened to Capitalism?

For a variety of reasons, shareholder primacy was the dominant mode in privately held organisations. The overarching imperative was to deliver ever increasing returns to shareholders, but at a cost to society and the environment.

The only way to survive in this competitive narrowly-focused environment has been to keep on improving results, or risking losing your investors. And the toll has been heavy, our environment is polluted almost beyond redemption, non-renewable resources are running out and the impact on human and animal health and wellbeing has been catastrophic.

It's in this vein that capitalism has to reinvent itself.

The Reinvention of Capitalism

In 2013 John Mackey of Wholefoods and Raj Sisodia of Babson University published their paradigm-shattering book on Conscious Capitalism. They highlight four characteristics organisations have to embrace if we are to survive our global social and environmental problems:

- The Purpose of the Organisation
- Stakeholder Alignment
- Conscious Leadership
- Conscious Culture

Stakeholder engagement is the process for securing stakeholder alignment.

Organisations have many interfaces with stakeholders, they sell products, provide services and conduct operations. These activities impinge on shareowners, customers, staff, business partners, suppliers, communities, and regulators, amongst many others.

Stakeholders have a stake in the organisation, and have the possibility of gaining benefits or experiencing losses or harm as a result of organisation operations.

An organisation's stakeholders give a responsible enterprise its legitimacy. Even if an organisation thinks it is acting responsibly, it will have little credibility and may [WILL] suffer reputational damage ***if stakeholders do not perceive it to be acting responsibly.***

AccountAbility [2015] has outlined organisational accountability as follows:

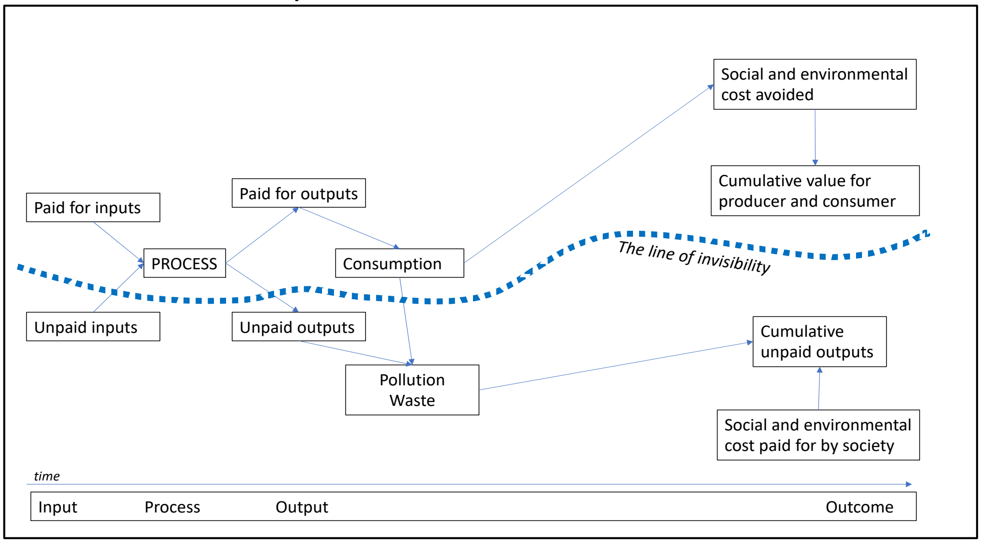
- **"Accountability** is the state of acknowledging, assuming responsibility for and being transparent about the **impacts of an organisation's policies, decisions, actions, products, services and associated performance.**
- "When an organisation holds itself fully accountable, it seeks to **involve stakeholders in identifying, understanding and responding to material sustainability topics and concerns,** and to communicate with and be responsive to stakeholders regarding its decisions, actions and performance.

- “Accountability comprises the way in which an organisation **sets strategy, governs and manages performance.”**

The ‘granting’ of a licence to operate is not done by a single, unified entity. The license to operate has to be understood in relation to:

- The organisation’s **legitimacy** in the eyes of society,
- The **trust** stakeholders have in the organisation [legitimacy does not always correlate positively with trust] as well as
- the **consent** [tolerance, support] granted the organisation’s activities by stakeholders.

The Line of Invisibility



[Figure 1: Inclusive capitalism, and the Theory of Change]

Time moves from left to right across the diagram. At the bottom of the diagram are the stages of the ToC Framework: from *input* through *process* to *output* and resulting finally in *outcome*.

Starting above on the left-hand side of the diagram are the inputs into the process. Some of these are paid for, such as raw materials, energy, water and employee labour. Some of the inputs are not paid for, for instance the air used in the combustion processes. Employee health is a less obvious unpaid input.

In the course of the processing there are two types of outputs. The paid outputs will include the final product etc. Unpaid products of the process include pollution, waste materials, and heat. Occupational disease is also an unpaid product. The organisation does not pay for these unpaid waste outputs, but they accumulate over time in the environment. The consumer of the product does not pay for the full cost of the outputs, and thus has 'saved' the unpaid costs. However, the unpaid costs extract a penalty over time, through polluted groundwater or air, plastic waste in the oceans, and employees coping with heart disease or stress. These latter costs are eventually picked up by society at large, but are not recovered from the organisation that originally produced the waste. Furthermore, some waste is produced through the consumption of the product, for example, packaging material.

Other unpaid costs may present as the destruction of a sensitive environmental habitat to make way for a housing development, or a shopping mall. By not paying for the waste products the organisation is able to maximise profit, but has put an additional long-term burden on society.

For most of the 20th century the unpaid costs and the cumulative results were largely invisible, below the line of invisibility. The operating model prevailing in companies was to maximise profit at all cost. Pollution, waste products, occupational disease and employee stress were largely ignored, and society was prepared to pay the price or, most often, society was ignorant that they had to pay the price.

The dotted line in the diagram illustrates the line of invisibility. In the past, very few people and institutions were concerned with what happened below the line of invisibility. But this is changing as people become aware of the long-term damage caused by not mitigating and accounting for the cumulative long-term negative outputs.

Understanding what happens below the Line of Invisibility

A number of global trends have made us all aware of what happens below the line of invisibility. They have acted separately and in unison to conscientise us about what has been happening and accumulating below the line of invisibility. The most prominent ones are:

- Climate change
- Globalisation
- Human and animal rights activism
- The millennial mindset
- The sustainability movement
- Increased awareness of the need for sound corporate governance

Stakeholder engagement helps companies better understand the interests and concerns of stakeholder groups. The organisation can make informed decisions about balancing the interests of all of the groups. Taking account of stakeholder concerns and interests can improve relationships with stakeholder groups, reducing conflict, litigation and negative media coverage. In the process of engaging with stakeholders, the organisation may operate more efficiently, uncover new ideas for products or services, and reduce costs and increase wealth.

Engaging with stakeholders is the most efficient way of understanding impacts below the line of invisibility.

The King Code is explicit on the prominence it attaches to stakeholders. It holds that as part of its decision-making in the best interests of the organisation, the governing body should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations.

Reframing the Capitalist Narrative

Our global problems are so big that we have to work together to deal with them. Financial capitalism has resulted in negative and destructive outcomes. Left unchecked, capitalism in its current form will result in a world that is unsuitable for human habitation. The consequences for humans, animals and the environment are frightening. Our earth will not be able to provide us with the basic conditions for social and economic reproduction.

Consumer values are changing. Consumers want to know what they consume. They want to avoid harm to animals and the environment. They are prepared in many cases to pay a premium, or adjust their consumption in order to accommodate this ethical position. This is a market to be taken seriously.

Stakeholders are becoming more organised, more informed and more vociferous. Social media allows campaigns to be mobilised in minutes and taken around the world almost instantaneously. Organisations should run their affairs in a way that does not alienate stakeholders. A positive relationship with stakeholders can bring about dramatic innovation and improvement.

Taken together, these trends cannot be ignored.

****

The world's first zero-solid waste smart eco-industrial park

CEO: Deshika Kathawaroo, Chief Executive Officer, Eco-Industrial Solutions (Pty) Ltd

Speaker: Dr Pieter du Toit, Executive Project Director and Co-founder, Eco-Industrial Solutions (Pty) Ltd

The Limpopo Eco-Industrial Park, "the LEIP Project", is Africa's first zero waste eco-industrial park conceptualised by South Africans for South Africans (and Africans), demonstrating that a profitable industrial economy, a healthy environment and community development goals can be integrated and balanced in an equitable manner.

This Eco-Industrial park covers 6464 hectares which includes 2286 hectares nature park and 1051 hectares of residential units.

Engineers have organised the site so that it has its own water supply with a system through which only flood waters of the Zambezi are channelled to the site so that local communities are not impacted by the flow of the Zambezi during non-flood times. Further, emissions in the area have been garnered and compacted so that the site is off the main grid. It has its own waste management treatment plant which will also be able conduct waste management treatment for the whole of the Messina local municipal area. In short, this is a self-sustaining eco-industrial park.

All construction companies must include local equity ownership. There is community participation in nature park tourism together with free wifi access.

This industrial park is in the Musina local municipal area on the border of Zimbabwe. It has the main railway line from South Africa to Zimbabwe running through it with a station for the train to stop at to load and offload goods and/or passengers in the park. The board of directors recognise and support South Africa's development goals as stipulated in the National Development Plan (NDP) to, among other things, address the triple challenges of unemployment, inequality and poverty.

Notwithstanding the fact that the LEIP Project as a private development is a commercial venture, mainly intended to create value for investors, its transformation objectives are intended to also create value for local communities; ensure eco-friendly and quality construction services ; contribute towards accelerating inclusive economic participation; and boosting South Africa's economic prospects. The conservative financial model for the LEIP Project unequivocally demonstrates that the project is techno and socioeconomically viable.

In terms of its infrastructure development ethos, the LEIP Project shall not only leave behind physical infrastructure in an environmentally ethical and sustainable manner, but also contribute towards meeting the country's development goals, economic development; localisation; job creation; skills development and skills transfer.

****

Athol Williams

Brian Chicksen

Guler Aras

James Forsen

Pieter du Toit

Shobna Persadh

Nick McGuigan