

**TRENDS AND PERCEPTIONS OF SUSTAINABILITY REPORTING AND
CORPORATE GOVERNANCE – A CASE STUDY OF ESKOM**

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Abstract

The King II Report on Corporate Governance was released in March 2002. This report, although focusing on South African businesses, is acclaimed as a world first in setting superior governance standards. Corporate governance in South Africa is undergoing transformation due to the influence of the King II Report, and a range of other global trends such as Global Reporting Initiative guidelines and the infamous collapse of Enron due to governance failures.

Non-financial reporting (also referred to as sustainability reporting) forms the main focus of this research project. The financial reporting aspects of corporate governance, and the role of governing boards and auditors fall outside the scope of this study. Through document analysis methods, Eskom's annual reports from 1998 - 2002, were analysed to establish whether patterns in sustainability reporting were identifiable. Employees and consumers of Eskom were interviewed, using structured interviews to explore their awareness and knowledge regarding sustainability issues.

A drastic increase in Eskom's non-financial reporting was identified in 2000. Apart from the corporate governance category, none of the chosen categories showed a major change after the 2002 release of the King II Report. Possible reasons for the lack of clear trends since 2002 are that the pattern is either not yet visible or it could be speculated that Eskom, who had won various reporting awards, is a leader in the field of corporate reporting and specifically on sustainability issues. Eskom had been involved in the reviewing of the first King Report and the drawing up of the recommendations for King II, and could therefore have modified their reporting procedures in 2000, prior to the release of King II. As shown in the trend analysis, companies are coming under increased pressure to be socially accountable and

transparent. This is fast becoming a 'core business issue', illustrated by the status of the King II Report requirements for corporate governance.

Even though the terminology 'sustainability reporting' is unfamiliar to employees and consumers, both groups want disclosure and transparency of sustainability issues. Employees were, however, more aware than consumers of Eskom policies regarding sustainability issues.

This report recommends that companies take a pro-active approach to corporate governance and sustainability reporting, noting the desire of consumers and employees to be informed about non-financial issues. These stakeholders also need to be made more aware of the meaning and significance of sustainability reporting.

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Chapter 1

Introduction to the study

1.1 Research question and focus

Since the emergence of the concept of Corporate Governance in South Africa in 1994, and the publication of the King II Report in March 2002, non-financial reporting principles have increasingly received prominence and attention in the media and amongst business leaders and scholars. The value of good corporate governance in terms of shareholder's preference is extensively dealt with in the academic and business literature (King Committee on Corporate Governance, 2002; KPMG, 2001; McKinsey, 2002 and Naidoo, 2002). The main foci of this thesis are a) the awareness of non-shareholding stakeholders (consumers and employees) of sustainability issues and non-financial or sustainability and b) trends in sustainability reporting between 1998 and 2002, using Eskom as a case study.

Over the past three decades there has been growing public awareness of corporate reporting in businesses. Although firms contribute to the economic progress of countries and communities, many are being criticized for contributing to social and environmental problems (Hackston and Milne, 1996). Organizations that were previously credited for their economic and technological progress have been criticized for being the cause of social problems. "Pressure from a variety of sources have come to bear on the private sector to accept responsibility for impacts on society from business activities" (Hackston and Milne, 1996: 77). Companies are being urged to become accountable to shareholders as well as stakeholders (Hackston and Milne, 1996). Stakeholders have subsequently extended their concerns to pollution, waste, product quality and safety, the rights of workers and the corporate power of large corporations.

Internationally there has been a growth in the awareness of corporate responsibility and environmental reporting, but according to Visser (2000) "... in South Africa we lag substantially behind ..." and "... only Eskom in South Africa has a comprehensive environmental accounting system" (Visser, 2000: 4). Naidoo (2002) agrees that "... South Africa, and indeed much of Africa, already lags far behind other emerging markets in its ability to attract foreign direct investment (FDI), primarily

because of the African continent's categorisation as a 'high - risk' area for investment" (Naidoo, 2002: 5).

In areas such as eco efficiency, transparent reporting and ethical investment, Visser (former Director of KPMG's Sustainability Services in South Africa) still sees South Africa behind most of the West, but in some areas, such as "... social or stakeholder engagement, South Africa probably leads the field" (Bennett, 2003:1, quoting Visser 2000).

The first King Report on Corporate Governance, published in 1994, was aimed at promoting the highest standard of corporate governance in South Africa (King Committee on Corporate Governance, 2002). This groundbreaking King I report advocated good governance in the interest of all stakeholders. Since King 1, it has been accepted around the world that companies cannot operate in isolation from society and the environment. Shareholders and stakeholders want understandable measurements to be able to judge performance, conformance and sustainability. In the light of this, the King I report was revised and the King II Report was published in March 2002.

King II updates King I,

... to take account of subsequent legislative developments, including various amendments to the Companies Act of 1973, as well as shifts that have taken place in business practice, globally, over recent years. The section on integrated sustainability reporting, previously termed non-financial reporting, provides guidance in respect of social, health and environmental issues (Darroll, 2002:19).

The King II Report's recommendations are not enforceable, but the report clearly suggests that companies failing to comply with good governance principles "will damage their reputations and suffer public and corporate sanction" (Darroll, 2002: 19). Listed companies have to comply with the King II recommendations or face penalties or exclusion from the Johannesburg Stock Exchange, but for other companies compliance is voluntary (Shevel, 2002). Organizations are encouraged to, at least annually, report on the nature of social transformation, ethical safety and health and environmental practices. It is increasingly recognized that companies need to revitalize their way of communicating with stakeholders, through frank disclosure, as "... there is greater awareness globally that long-term commercial success is

inextricably linked to sustainability” (Ryan, 2002: 1). The King II Report is a code of corporate practices and conduct and not legislation (King Committee on Corporate Governance, 2002).

King II recognises a move away from the single-bottom-line to a ‘triple-bottom-line reporting’, a term that is in common use by practitioners, e.g. Lomas-Walker from PriceWaterhouseCoopers who states that “Compliance to the second King Report will see companies listed on the JSE Securities Exchange reporting on their triple bottom line performance as well as the development of industry charters on black economic empowerment” (<http://www.wbcsd.org>, 2003).

Visser and Sunter (2002) note that profitability used to be a trustworthy financial measure, which has now “... multiplied into a triple bottom line by blurring together economic, social and environmental performance” (Visser and Sunter, 2002: 18). Corporate governance incorporates economic/financial aspects, as well as the non-financial aspects, i.e. the environmental and social effects of the activities of a company. Previously emphasis was on the financial bottom-line and no attention was given to the reporting of non-financial issues. The environmental aspects include the effect of the products of the company on the environment and the social aspects embrace values, ethics and relationships with stakeholders others than shareholders. The Global Reporting Initiative published guidelines on how reporting on the triple-bottom-line should be done (King Committee on Corporate Governance, 2002). “The Global Reporting Initiative is a multi stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines” (Global Reporting Initiative, 2004, see Appendix 1). Triple-bottom-line reporting will be discussed in more detail in Chapter 2, Section 2.2.

The purpose of this research is to specifically examine sustainability reporting in corporate governance as described in Section 4 of the King II report, and whether it has an effect on consumer and employee preference and awareness. (The recommendations of the King II Report are summarized in Chapter 2.) One of the challenges of the King Committee was to establish whether evidence existed that good corporate governance ‘pays’, and whether companies’ shareholder value was increasingly being determined “... not just by commercial success, but by transparency in reporting” (Ryan, 2002:1). A Global Investor Opinion Survey

published by Mc Kinsey & Co. in 2002 found that shareholders were prepared to pay a premium of at least 18 – 27% for shares of a company that was well governed (Naidoo, 2002). This would imply that a company could add shareholder value by providing evidence of good corporate governance. Investors want a reporting system that will help them draw their own conclusions about the sustainability (other than financial sustainability) of a company, and want value accounting, which reports on strategy, organization, technology, social and environmental factors. More than 60% of investors stated that poor governance of a company might have caused them to avoid investing in the particular company, while a third of the investors stated that they would avoid investing in the country where the company was based (McKinsey, 2002).

In an interview with Financial Mail, Mervyn King stated that “a company of the 21st Century will have to conform while it performs” (King, 2002:2); and that there should be a correct balance between conformance with governance principles while performing in an entrepreneurial market economy (King Committee on Corporate Governance, 2002). Companies should not only show a profit, they need to show that they are also looking after the sustainability issues, like the environment, social and community issues.

Eskom is nationally recognized as a leader in environmental reporting (KPMG, 2001 and Visser, 2000). Although compliance to the King II Report recommendations is voluntary for public entities like Eskom, management seems to pay attention to what the King II Report recommends. Eskom has received KPMG awards for corporate environmental reporting and environmental disclosure in annual reports (Price, 2002). This research aims to investigate sustainability reporting in the context of Eskom, as an example of a South African public entity, through in-depth development of a case study, using trends analysis and structured interviews to assess employees’ and consumers’ perceptions and awareness. As a public entity, Eskom has a social responsibility to integrate non - financial considerations into their core values and business practice.

The research questions that guided this study include:

1. What evidence can be found of patterns of change towards sustainability reporting (as outlined in the King II Report) in the annual reporting of Eskom from 1998 to 2002?
2. Does sustainability reporting influence customer and employee perceptions and awareness regarding sustainability issues?

1.2 The goals of the research

As indicated above, the goals of this research were to a) gain a clear understanding of the sustainability/non-financial reporting patterns of one public entity (Eskom) in the light of the King II Report and b) explore customer and employee perceptions of the same company's sustainability reporting. The researcher explored whether the company's policies and ethos were being filtered down to the employees and whether end consumers were aware, or cared, about this. The research was based on the following hypothesis:

H₀₁: There is no evidence of changing patterns in sustainability reporting in Eskom;

H_{a1}: There is evidence of changing patterns in sustainability reporting in Eskom;

H₀₂: Most customers and employees are not aware of the sustainability reporting of Eskom.

H_{a2}: Most customers and employees are aware of the sustainability reporting of Eskom.

The potential value of this research could be to indicate awareness existing among Eskom employees and consumers about sustainability or financial reporting. These terms are common in the press and corporate literature, but it is unclear whether the average person in the street is aware of its existence.

1.3 Overview of remaining chapters

In chapter 2, a more in depth perspective is provided of the development of corporate governance and sustainable reporting in the South African context. Sustainable development, definitions and different perspectives of sustainable development are discussed and some company information on Eskom is provided. The characteristics of good governance, as recommended by the King II Report, are described and the

advantages of good governance are mentioned. A brief summary of the history of sustainable development and the moral imperative to promotion of sustainable development, as seen by Hattingh (2002) is summarized.

Chapter 3 includes a description of the methodology used to establish the trend patterns in the annual reporting of Eskom. The annual reports of the last five years were analysed to establish if a trend could be found towards sustainability reporting during the previous five years of reporting. Questionnaires were administered to employees and consumers of Eskom electricity in Grahamstown, to obtain information on their existing knowledge and perceptions of non-financial reporting. The structured interview contained open and closed questions as well as a five point Likert scale section. Data analysis and validity issues are also discussed in this chapter.

Chapter 4 is a presentation of the data that was collected through various methods as well as a discussion of the findings. Patterns of non-financial reporting have been found in some of the categories, with a point of drastic increase in reporting mostly around 2000. Findings show that the category of corporate governance peaked in 2002. The results of the statistical analysis of the questionnaire are also discussed in chapter 4. Consumers and employees of Eskom were found to want transparency and disclosure of non-financial or sustainability issues, but neither of the two stakeholder groups are aware of the terminology, 'sustainability reporting'.

The conclusions are summarized in Chapter 5 and some recommendations are made. Recommendations for future research suggest that this study could be repeated with other stakeholders, including customers, suppliers, unions and the Government. The study could also be repeated with other organizations that are not award winners. The study could be conducted over a longer period to establish whether the patterns found are indeed long term trends. Recommendations to Eskom suggest that community awareness campaigns (public education) could be developed to increase the knowledge of the general consumer regarding Eskom's policies and activities in terms of sustainability issues.

Chapter 2

Corporate Governance, Sustainable Development and Sustainability Reporting

2.1 Introduction

Corporate governance has become a global concern, but there are still debates on its exact definition and boundaries. Corporate governance has traditionally been described as the system by which corporations are controlled. "The importance of good governance is recognised internationally, and its factors given prominence with the rise of globalisation and the demise of international organizations as a result of weak governance methods" (Yusaf-Jooma, Bowker and Vithal 2002: 5). PriceWaterhouseCoopers define governance as the "... means by which direction and control are applied to the stewardship of an organization's assets - tangible or intangible, financial or non-financial, - in the pursuit and delivery of the primary objective of sustainable value creation" (Yusaf-Jooma, *et al.*, 2002: 5).

Naidoo (2002) describes corporate governance as the practice by which companies are managed and controlled, which includes:

- Creation and monitoring of systems to ensure a balanced exercise of power within the company;
- Implementation of systems to ensure compliance with legal requirements;
- Identification of the risks to a company's sustainability and management of identified parameters;
- Development of practices to keep the organization accountable to the broader society within which it operates.

"Corporate governance, then, is essentially about responsible leadership of companies. This is leadership that is transparent, answerable and accountable towards the company's identified stakeholders" (Naidoo, 2002: 1 – 2). The King Committee, quoting the World Bank, defines corporate governance as being "... concerned with holding the balance between economic and social goals and between individual and communal goals ... the aim is to align as nearly as possible the interests of individuals, corporations and society" (King Committee on Corporate Governance, 2002: 5).

In the 90's, often referred to by business scholars as 'the Decade of Transparency' (Lees, 2003) the emphasis was on sustainability issues. This brought an increased emphasis on transparency. Transparency is one of the seven characteristics of good corporate governance as identified by the King II Report (King Committee on Corporate Governance, 2002). This was more recently followed by a shift to corporate governance. "... the first decade of the 21st century looks set to be the 'Decade of Governance' " (Lees, 2003:2).

The publication of the first King Report on Corporate Governance (1994) institutionalised corporate governance in South Africa, focusing on promoting the highest standards of corporate governance in South Africa. This report is also referred to as 'the Code', or 'King I' (Naidoo, 2002). The public's attention was drawn to the fact that companies could no longer act in isolation of the communities within which they operated. The report motivated for an integrated approach to corporate governance, including the principles of financial, social, ethical and environmental practice. This approach recognises the community, suppliers, customers and employees of an organization as stakeholders. Other authors identify additional or different stakeholders as discussed on page 13 of this research project.

The introduction of the first King Report coincided with political and social transformation in the country and the introduction of new legislation including the Labour Relations Act (no. 66 of 1995), the Basic Conditions of Employment Act (no. 75 of 1997) and the Employment Equity Act (no. 55 of 1998), all of which supported the recommendations of the first King Report.

Following this new legislation, globalisation and especially the increasing availability and usage of the Internet, the King Committee reviewed the first King Report to assess its contemporary relevance, and to review the proposal of an inclusive approach for the sustainable success of companies. The revised report recommended new reporting standards for non-financial issues and recommended how compliance with the recommended Code of Corporate Governance should be measured. It was concluded that businesses needed to embrace corporate citizenship, define the core purpose of the business and identify their relevant stakeholders. Corporate Governance is about "... leadership with integrity and responsibility, which is

transparent and accountable, and ... is effective in a competitive global economy” (Yusuf-Jooma, *et al.*, 2002:7).

The King II philosophy is based on the idea that governance must reflect the value system of the society within which it operates. In the South African context it emphasises collective rather than individual good; the spirit of humanity; a political ideology based on inclusive consultation at various levels; a preference for consensus and a mentality of trust and belief in the fairness of human beings. This means a shift from a decision-making hierarchy to a more consultative, consensus-based one (Naidoo, 2002).

The 2002 King II Report identifies seven characteristics of good governance and all companies are encouraged to apply these guidelines:

- Discipline - Corporate discipline refers to the commitment by senior management to act according to universally accepted behaviour.
- Transparency – Transparency is the ease with which an outsider can analyse a company’s actions, including the non-financial actions. It is an indication of whether investors can get a true picture of what is going on inside the organization.
- Independence – This refers to the extent to which mechanisms are in place to avoid potential conflicts of interest.
- Accountability – Individuals and groups within the organization need to be accountable for decisions they make.
- Responsibility – While being accountable to the company for their actions, the board must also act responsibly towards all the stakeholders of the company.
- Fairness – All those who have interests in the company need to be treated fairly; minor shareholders must receive the same consideration as more dominant shareholders.
- Social responsibility – Social issues and especially ethical standards must receive high priority in a well-governed company (King Committee on Corporate Governance, 2002).

The researcher sees corporate governance as the way that the managers and leaders of the organisation governs the organisation, not only in terms of creating a profit, but in a way that ensure the future not only the company, but also in a way that will ensure

the future of the next generations and the environment. The researcher prefers the definition of Naidoo, above.

The major advantages of good corporate governance lie in the ability to attract investment, to manage the business within the identified parameters and to implement sustainable growth (Naidoo, 2002). The King II Report recommends that companies consider disclosing information on the underlying principles as summarized above. Recommendations of the King II Report as included in Section 4, are summarized in Table 2.1.

Table 2.1 King II Recommendations on Sustainability Reporting (King Committee on Corporate Governance, 2002)

Sustainability Reporting

- Annual reporting at least once a year on the nature and extent of the organization's social, transformation, ethical, safety, health and environmental management policies and practices. When deciding on what to disclose, the Board of Directors should consider the environment within which the company is operating. South African companies should disclose on:
 - Strategy plan and policies that the company has adopted to manage the impact of HIV/AIDS on the company;
 - Formal policies regarding Black Economic Empowerment; and
 - Whether the organization has adopted a code of ethics.
- Disclosure should be clear on:
 - Nature of the organization;
 - Scope of issues subject to disclosure;
 - The period under review;
 - Performance expectations; and
 - The degree to which the disclosed items are due to the company's own actions.
- Non-financial disclosure should be governed by the principles of reliability, relevance, clarity, comparability and verifiability in line with the Global Reporting Initiative (GRI) Sustainability Guidelines on the triple-bottom-line performance (economic, environmental and social, see Appendix 1 for a summary of the GRI guidelines).
- Reporting should be done consistently and should consider international models.
- Reports should be made available to all stakeholders.

Ethics

Every organization should demonstrate its commitment to integrity by drawing up a code of ethics. Stakeholders should participate in determining the standards of the code of ethics. Companies should show their commitment to this code by:

- Creating systems to enforce and monitor the code.
- Assigning high-level individuals to oversee compliance to the code.
- Assessing integrity of new employees.
- Training all employees regarding the values and standards of the organization.
- Providing systems for the reporting of unethical or risky behaviour and enforcing discipline and responding to offences.

Disclosure should include adherence to a company's code of ethics against these criteria.

Safety, Health and the Environment

- Safety, health and environmental management principles should be integrated with business processes.
- Environmental governance must reflect current South African Law.
- Corporate governance should reflect commitment towards the reducing of accidents and occupational health incidents.

Social Transformation

- Companies should value the diversity that women and black people can 'bring to the table'.
- Black economic empowerment and the need to empower women should receive social investment priority.
- Companies should disclose practices in place to promote equal opportunities for previously disadvantaged people.
- Investment of corporate funds should be disclosed.

Human Capital

- Criteria by which human capital development is measured should be disclosed and reporting should be done according these criteria.
- Companies should report on human capital development in terms of number of staff, demographics, training and development and the financial investment committed.

2.2 Sustainability in a corporate context

The World Commission on Environment and Development defines sustainability as the duty of humanity to "... ensure that [development] meets the need of the present without compromising the ability of future generations to meet their own needs" (King Committee on Corporate Governance, 2002: 96).

In the business context "... sustainability means that each enterprise must balance the need for long-term viability and prosperity ..." (King Committee on Corporate Governance, 2002: 96). While a business needs to be viable and competitive in the short-term, it relies on the environment for resources, and on society to generate economic value. Social, environmental and ethical management practice is an indicator of the balance between the need for prosperity and sustainability of the environment and the communities within which businesses operate. The King II Report sees sustainability as a focus on the non-financial issues of corporate activities to benefit communities and through that, ensuring future value creation. Within the business context sustainability refers to a balanced and integrated economic, social and environmental performance or 'triple-bottom-line' as it is now universally referred to. All stakeholder needs, need to be considered and all values and processes required by a company to minimise harm to these stakeholders while creating economic, social and environmental value, need to be included (King Committee on Corporate Governance, 2002).

This move from a single bottom line to triple-bottom-line accountability is one of the focal points of the King II Report. Financial reports are historical documents that focus on a particular point in time, but to comply with triple-bottom-line reporting companies now have to look at the current performance as well as taking a forward looking view regarding safety, health, environmental and ethical practices. Threats to the sustainability of the company can thus be identified and factored in during planning (Naidoo, 2002).

According to Visser (2002), the sustainability concept or the triple-bottom-line concept refers to "... balancing and integrating corporate management on reporting

across economic (including financial), social (including all stakeholders) and the environmental (including health and safety) dimensions” (Visser, 2002: 80).

The triple-bottom-line approach forces organizations to not only focus on the economic value that they add, but to also concentrate on environmental and social values, as well as their social and environmental impacts. Apart from being a framework for reporting against economic, social and environmental parameters, the term ‘triple-bottom-line’ includes values, issues and processes to be addressed by a company to ensure that any harmful activities due to their actions are minimised. “This involves being clear about the company’s purpose and taking into consideration the needs of all the company’s stakeholders – shareholders, customers, employees, business partners, governments, local communities and the public” (SustainAbility, 2004: 1). The three bottom lines are not static and are in flux all the time due to social, economic, political and environmental pressures, cycles and conflicts (SustainAbility, 2004).

International sustainability standards like the ISO 9000 quality management and quality assurance standards, ISO 14000 environmental standards, Global Reporting Initiative (GRI) guidelines, Accountability 1000 and Social Accountability (SA 8000) standards, have increased pressures to report on sustainability issues. The GRI Guidelines note that non-financial reporting has, until present, not been guided by a framework of reporting principles and practices. I.e. it has been unclear what, how and where to report. Organizations have been reporting what they chose to, and this resulted in a lack of transparency on non-financial issues (King Committee on Corporate Governance, 2002).

Lees describes the connection between corporate governance and the ‘Triple-bottom-line’ as follows:

... as environmental social issues trickle from the margins to the corporate mainstream, stakeholders are transferring their attentions from downstream impacts and industrial fallout to the upstream business decision-making process itself. They are learning how best to intervene and influence through a proactive corporate governance route (Lees, 2003:2).

The history of sustainable development and some interpretations of sustainable development will be discussed in section 2.3.

2.3 Some interpretations of sustainable development

Hattingh, writing in the southern African context, notes that sustainable development encompasses a "... set of words like democracy, justice, fairness, equity and transparency that almost everyone seems to support, and almost no one seems to reject" (Hattingh, 2002: 5). Despite this agreement about the term, there does not seem to be global consensus about the content, interpretation and implementation of sustainable development. Hattingh (2002) discusses four different interpretations of the moral imperative to promote sustainable development:

1. Sustainable development as a green agenda of nature conservation: This argument for sustainable development appeals for a minimum impact on the ecosystem and maximum conservation of nature and protects the interests of the rich while the poor are not 'allowed' to utilise nature to secure their livelihoods.
2. Sustainable development as a social and economic agenda of needs satisfaction: This perspective is reflected in the discourse of the UN Conferences and Brundtland definition already discussed above. It emphasises the concept of people's needs, which should be given priority and the idea of limitations on the environment's ability to meet the needs of the present as well as the future. This interpretation under-emphasises environment and conservation and does not give guidelines for when nature and interests are in conflict.
3. Sustainable development as caring for the community of life on earth: This approach focuses on quality of life and not only on survival. Emphasis is placed on people in the concern for sustainable development, eradicating poverty and injustice in the distribution of the resources.
4. The radical political and ethical agenda of transformation: This agenda of sustainable development investigates the purpose of life.

Sustainability should not be an add-on. A strategy should be developed that makes sustainability a core part of the organization's way of functioning. Corporate sustainability is an "... opportunity and source of competitive advantage" (Chown, 2003: 35). The value of sustainability is described by Chown (2003) as:

- The saving of costs through reductions in environmental impacts and through treating employees well;
- Building a good reputation by increasing environmental efficiency;

- Developing human capital through better human resource management;
- Develop social capital through effective social investment programmes and stakeholder engagement processes; and
- Access to capital is improved through better governance and investment practices.

Chown (2003) describes the journey to sustainability as an evolutionary one, often involving three phases:

- a reactive approach that sees sustainability as a cost that cannot be avoided, due to fines and revoked licenses;
- followed by the step that sees sustainability and social investing as a way of life, but not part of all the business levels;
- and finally the third phase of implementing sustainability driven business models with a visible return on investment and a positive impact on brand value (Chown, 2003).

None of the above interpretations are neutral as they all promote certain interests. As there are different interpretations of the moral agenda of sustainable development, it can lead to different models of accountability. Hattingh maintains that the promotion of sustainable development has moral appeal for all of us. Achterberg, (cited in Hattingh, 2002) says that the four different interpretations of sustainable development provide answers to value questions, such as:

- What is so important that we have to preserve it forever?
- With a view to whom do we need to pursue sustainability?
- How should this be done?
- How would we know if we are getting closer to sustainable development or not?

From the above we can conclude that the agenda of sustainable development involves a critical questioning of motives, actions, and the effects of these actions on others: "... people, future generations and the other members of the community of life. If this point is missed, however, sustainable development could become just another entry in the current lists of ideologies ..." (Hattingh, 2002: 15) and according to Stigson, (2003:25):

Sustainable development is an ongoing process that requires the continuous evolution of thought and best practice ... it is clear that business cannot reach these goals by itself. Government, civil society and business need to work together and channel their efforts toward the same objective (Stigson, 2003: 25).

The principles of unhindered profit are being replaced by 'triple-bottom-line' thinking, which demands that businesses demonstrate that they are making profit in ways that also benefit the environment and society. The corporate world is being expected to make a greater and more accountable contribution towards social and economic progress. Company performance is being measured through sustainability indices that have been designed to test the conscience and practice of the corporate board. Companies now have to prove to their investors that a percentage of their profit is being allocated to environmental and social causes and have to answer to their shareholders and stakeholders on issues relating to their use of natural resources (see table 2.1).

New methods of reporting, like the Global Reporting Initiative (GRI) Sustainability Guidelines, (Appendix 1) are forcing corporate boards to rethink economic priorities and to put more emphasis on the non – financial issues like the environment, HIV/AIDS, safety, equal opportunities, training and development and community reporting. Companies with good corporate governance and a proactive approach to sustainability issues are likely to be safer in the long – term. High standards of corporate governance are being driven by a market that demands high standards in terms of social and environmental sustainability issues (Starke, 2003).

2.4 Corporate Social Responsibility and Sustainability Reporting

Corporate Social Reporting has been part of accounting research for the last 30 years and has been defined in different ways. Gray (1995) defined Corporate Social Reporting as part of the signs, meanings, norms, values and beliefs through which organizations define themselves and are being defined by others. Companies use Corporate Social Reporting to “ ... construct themselves and their relationships with others as they strive to create and maintain the conditions for their continued profitability and growth” (Gray, Kouhy and Lavers, 1995:55).

Corporate Social Reporting is defined by Robbins in Coldwell as "... a business firm's obligation, beyond that required by the law and economics, to pursue long-term goals that are good for society" (Coldwell, 2001: 49). Boone and Kurtz in Coldwell, described Corporate Social Reporting as "... the acceptance of management of the responsibility to consider profit, consumer satisfaction, and societal well being of equal value in evaluating the firm's performance" (Coldwell, 2001: 49). This definition by Boone and Kurtz is the definition favoured by the author.

According to The Sustainability Report website,

http://www.sustreport.org/business/report/intro_lg.html, a sustainability report differs from an environmental or health and safety report. It gives a holistic view of the organization's activities and "... provides a balanced view of benefits and trade-offs among social, economic and environmental impacts" (The Sustainability Report, 2004: 1).

Corporate social performance "... focuses on the extent to which business is perceived as proactively conducting its affairs in an ethical manner and using its resources for social upliftment" (Coldwell, 2001: 49). The key to improved financial performance is not the company's social performance *per se*, but it is the perceptions of the customers regarding the social performance. Good social performance leads to enhanced reputation, which again drives customers or consumers to become or remain loyal to the company. This implies that customer perceptions with regards to social responsibility are vital in the relationship between social and financial performance of a business (Coldwell, 2001).

According to Gray, reporting is a technique for environmental management. The author distinguished between environmental reporting and sustainability reporting, but up until 1996 efforts to get companies to disclose voluntarily, were unsuccessful (Gray in Welford, 1996). Sustainability reporting should, according to Gray, consist of "... statements about the extent to which corporations are reducing (or increasing) the options available to future generations" (Gray, 1996, cited in Welford and Starkey, 1996: 171). Reporting for sustainability must be transparent and accountable. This is also emphasised in the King II Report (King Committee on Corporate Governance, 2002).

A United Kingdom survey of annual reports, conducted in 1990, found that voluntary reporting of companies consisted of information that management wished the readers to know about. Results varied, but in the study the average environmental and social reporting did not exceed half a page (Gray in Welford and Starkey, 1996). Gray was pessimistic that corporations would voluntarily undertake sustainability reporting and that the corporate reporting at the time would accommodate the changes needed in reporting. He said that the reporting framework should “ ... take on board the concepts of stewardship and accountability – but not just to the financial community” (Gray, cited in Welford and Starkey, 1996: 186). Gray advocated certain steps that should be followed in Environmental reporting, including: policy, plans and structure, financial, activity and sustainable management (Gray, in Welford and Starkey, 1996).

Organizations adopt different strategies when reporting. Lindblom in Gray, *et al.*, (1995) identified 4 strategies that an organization may adopt:

- To educate the stakeholders about the activities and performance of the organization.
- To change the perceptions of the stakeholders but not change its actual behaviour.
- To manipulate the perceptions of stakeholders by deflecting attention away from certain issues to other related issues.
- To change external expectations of the organization’s performance.

According to Gray, *et al.*, (1995), each one of these strategies could be used in social disclosure (reporting). Corporate Social Disclosure can be defined as the provision of financial and non-financial information about the organization’s interaction with the physical and social environment (Hackston and Milne, 1996).

The King II Report indicates that traditionally companies were at liberty to report on what they wanted about their economic, social and environmental issues. There has been a lack of transparency and consistency and it has been very difficult to compare performance of companies in a meaningful way. The King II Report provides guidelines to organizations that wish to improve their practices of disclosure (see table 2.1). As stakeholders are increasingly demanding improved disclosure practices, silence by companies is beginning to be perceived as a negative dimension of their governance. “Silence on issues of concern could create negative perceptions, which

only increased transparency – even to the extent of reporting that ‘nothing is being done’ – can address” (King Committee on Corporate Governance, 2002).

Over the past 25 years, corporate environmental reporting has attracted a lot of attention worldwide. Environmental reporting can be viewed as a sub-division of social reporting. Traditionally financial accounting and reporting focused on financial issues, and was aimed at shareholders, but more recently there has been movement to increase the scope from only shareholders to include other stakeholder groups as well. These stakeholders can be the state, employees, environmentalists, unions, consumers, suppliers, communities and the media (King Committee on Corporate Governance, 2002). As companies choose what and how much they want to report on in their annual reports, they seem to prefer to report on those issues that will provide positive publicity for the company and that are a popular ‘focus’ of the time (Price, 2002).

2.5 Corporate sustainability reporting in South Africa

The state of environmental reporting in South Africa, in 1998, did not compare favourably with other developed countries. In 1997, KPMG research found that only 23% of South African companies sampled mentioned the environment in their annual reports, compared to 70% of corporate reports worldwide (De Villiers, 1998). One of the reasons for this unfavourable comparison was that South Africa was a developing country without the same pressure from environmental groups as their counterparts in more developed parts of the world (De Villiers, 1998).

South African companies have a “shockingly low” level of public disclosure, says Naidoo (2002), when she refers to the KPMG report that South Africa ranked last of 19 surveyed countries in terms of sustainability. “Only 1% of South Africa’s top 100 companies produce separate reports on triple-bottom-line issues” (Naidoo, 2002: 132).

Earlier research by De Villiers (1996) examined the views of managers and auditors regarding the awareness of environmental impacts and willingness to support more environmental reporting. It was found that the “... financially literate South Africans seem to be very positive about increased environmental disclosures in the annual statements of companies. They are also getting less environmental information than

the amount they require" (De Villiers, 1998: 9). Previous studies did, however, not reflect the attitudes of financially illiterate stakeholders (De Villiers, 1998).

(This research study focuses on awareness and perceptions of mostly financially illiterate employees and consumers of Eskom electricity in Grahamstown).

In 1998 De Villiers implied that legislation could address environmental disclosure (De Villiers, 1998). Since then, following the publication of the King II Report, listed companies have to comply with the King II Report recommendations or face penalties or exclusion from the Johannesburg Stock Exchange. For other companies compliance is voluntary (Shevel, 2002). In the United Kingdom the environmental awareness of companies appeared to increase from around 1986, and South Africa environmental awareness only started increasing in 1992 – 1993 (Bennett, 1998).

International pressure has played a big role in the changing trends in South Africa, with overseas customers and the media driving the process. Legislation like the SA Constitution's Bill of Rights, which allows members of the public to take companies that are threatening the environment to court, and the new National Environmental Management Act (NEMA) (No 107 of 1998), which stipulates that everyone must have access to information to enable them to protect their environmental and personal well-being, have contributed to companies' compliance with certain standards (Bennett, 1998).

Despite a lack of consensus in the literature about why companies disclose social responsibility information, an increasing number of companies are now doing so – even the companies that are not required to do so by law. Although there is a lack of consensus in the accounting profession and literature about why companies disclose, Gray in De Villiers and Vorster (1995) described many reasons for and against disclosure of environmental information by companies:

Reasons for disclosure:

- If not done voluntarily now it will become mandatory later,
- To legitimise the current activity,
- To distract attention from other areas,
- To develop their corporate image,
- To build up expertise in advance of regulation,

- The expected positive impact on their share price,
- A reduction in perceived (company or information) risk,
- Political benefits,
- Competitive advantage,
- Shareholders' and other stakeholders' right to know,
- To explain expenditure patterns,
- The desire to tell people what the company has done/achieved, and
- To forestall disclosure by other parties.

Reasons for non-disclosure:

- Exact opposite of the above,
- No need or no motivation to do so,
- A 'wait and see' attitude,
- Cost factors,
- Data availability (and related costs),
- Secrecy,
- Absence of demand for the information,
- Absence of legal requirements,
- Never thought about it and
- Prioritising areas for disclosure.

Adapted from De Villiers and Vorster, (1995).

A moral argument for disclosure is that of externalities. Businesses use natural resources, like fresh water and air without accounting for the costs involved. "These costs are external to the corporation and are paid for by others" (De Villiers and Vorster, 1995: 47). If a business for instance pollutes the air, respiratory diseases may occur in the community and the cost of the medical treatment is carried by the community and not by the corporation (De Villiers and Vorster, 1995). This places a moral obligation on companies to accept responsibility for such negative impacts by not hiding the truth.

Companies may face certain risks if they choose to ignore environmental and other non-financial issues:

- The bottom line will suffer,

- The risk of losing out on international trade,
 - The risk of facing prosecution and high clean up costs if contaminating an area, and
 - Increased costs to the company to redeem themselves in the eyes of the public.
- (Bennett, 1998).

Bennett reported in the Business Times (22 November 1998) that South Africa was 5 to 6 years behind the international trend regarding environmental awareness. In his interview with Business Times of 22 November 1998, De Villiers stated that there is a definite trend of improvement every year in the amount of environmental information in the annual reports (<http://www.btimes.co.za/98/1122/comp/comp16htm>).

For many years companies have been trying many forms of reporting. Some have used reporting in the annual reports and others have used separate booklets; some companies had their reports audited and verified and some not; some included social, health and environmental aspects and others not. These companies had no regulations or guidelines to guide their reporting.

There has been an increased realisation that pursuit of sustainability must continue at community, household and organizational level. Businesses are essential in the progress toward sustainability as they account for most of the world's economic activity and control most of the resources; they have a great influence over people's choices. Development of reporting systems needs to support this process of aiming for sustainability. The King II Report is seen as the most significant development for South African companies, regarding sustainability obligations; with a new chapter especially devoted to non-financial matters. In 2001, only 27% of South Africa's largest companies recognised sustainability or sustainable development as a concern (KPMG, 2001; Visser, 2002).

The 2001 survey of sustainability reporting in South Africa, undertaken by KPMG, reflects the international trend towards greater transparency, corporate social responsibility, stakeholder accountability and performance reporting that is credible. The KPMG study found that disclosure on sustainability issues was improving, although only 57% of top companies were reporting by 2001. The issues that were most frequently reported on were corporate performance, ethics, employment equity

and education and training. Most detail was given to social, health and safety and environmental matters. The least attention was given to HIV/AIDS, Black Economic Empowerment and fraud (Visser, 2002).

Globalisation, emerging standards on sustainability and increased stakeholder awareness has increased the pressure to be accountable in terms of non-financial reporting. Sustainable reporting has now become a critical success factor for modern business. The challenge for companies is to put in place internal systems that are needed for producing an externally verified sustainability report, that can serve as a positive catalyst for improved management of sustainability/non-financial issues (Visser, 2002).

The King II Report makes recommendations on how sustainability reporting should be done by indicating that every company should report at least once a year on the nature and the extent of their policies and practices relating to social, transformation, ethical, safety, health and environment. When the company decides what should be disclosed, the Board of Directors, with whom the ultimate responsibility lies, should take into account the environment within which it operates. The Board should disclose adopted strategies and policies relating to HIV/AIDS and the potential impact on the company; its black empowerment policies and standards that have been developed for a code of ethics (King Committee on Corporate Governance, 2002).

The code should be clear on:

- The nature of the entity,
- The scope of issues subject to disclosure,
- The period that is being reported on,
- Performance expectations, and
- The degree to which the items disclosed are attributable to the business's own actions.

(King Committee on Corporate Governance, 2002).

Public disclosure of non-financial information should be clear, reliable, comparable and verifiable. "As with financial reporting, verification serves only to reinforce transparency and so promote stakeholder confidence in a company's integrity" (King Committee on Corporate Governance, 2002: 106). According to the King II report,

companies should develop clear guidelines for materiality to help with reporting and reports should be made available to a range of stakeholders, including government departments and supervisory bodies. They should also draw up ethical standards for behaviour in collaboration with appropriate stakeholders and should demonstrate commitment to its code of ethics. Safety, health and environmental management principles should be integrated in the business processes of the organization. Environmental practices should be according to the 'Best Practicable Environmental Option' standards and within the South African law. A commitment to reducing accidents and improving occupational health should be reflected in the corporate governance report. Companies should report on social transformation, including black economic empowerment and should disclose the policies and practices that are in place to promote equal opportunities to the previously disadvantaged. Criteria for the improvement of measuring and reporting on human capital development should be disclosed and the business practice should reflect the requirements for development of human capital (King Committee on Corporate Governance, 2002).

If South Africa wants to be a destination of choice for foreign investment, it will need to show that very high standards of Corporate Governance exist in all sectors of the commercial activity. A lack of Corporate Governance will lead to capital leaving the market (Yusof-Jooma, et al., 2002). Lomas-Walker, the head of the sustainable business solutions division of PriceWaterhouseCoopers in Durban says that to compete globally, South African investors have to accept international standards as foreign investors are willing to pay a premium for good corporate governance in emerging markets (Africa News, 2003).

Demand has steadily increased for ISO 14001 accreditation and stakeholder demand for increased transparency and accountability has caused an increase in environmental and social reporting in average South African corporations especially those seeking offshore listings or foreign investments. The Business Council for Sustainable Development: South Africa (BCSD: SA), an organization that promotes the concept of sustainable development in business, has initiated the concept of a sustainability index for listed and non-listed companies in South Africa. This index would serve as:

- an investment tool; offering local and international investors a measure of a company's triple bottom line performance in an annual ranking;
- a management tool, providing an annual measure of a company's progress in respect of critical sustainability concerns; and as

- a decision support tool, in terms of allocating and prioritising expenditure (Darroll, 2002: 19).

It is anticipated that these public results would stimulate competition and reward companies with public recognition (Darroll, 2002). At a meeting hosted by the GIBS (Gordon Institute of Business Science) Forum and the African Institute of Corporate Citizenship, the emergence of a sustainability index by the JSE Securities Exchange was discussed as there is a need to “find an objective and accepted method of measuring the CSR [Corporate Social Reporting] performance of listed companies ...” (GIBS, 2004:2). The purpose of the Sustainable Reporting Index would be for companies to have a benchmark to compare themselves against. The main principles would be “ ... environmental sustainability, positive stakeholder relationships and upholding and supporting universal human rights” (GIBS, 2004: 3).

The King II report will probably have a lasting impact on corporate accountability in South Africa. At a ‘365 days post King II’ meeting held in March 2003, Dr Zoe Lees, the Executive Director of the Business Council for Sustainable Development: South Africa, said that rarely have business leaders been faced with so much growing pressure to be competitive and to grow, but also in terms of corporate governance and corporate citizenship that is disclosed and transparent:

Companies are now increasingly expected to provide a strong return for shareholders, grow their businesses, and meet the human needs of societies around the world, while at the same time reducing the environmental or social footprint of their operations and products. This we call the challenge of ‘sustainable growth’ (Lees, 2003: 1).

Lees referred to the required balance between the three elements of society, economic, environmental and societal elements and stressed that the judges of this balance are society – customers, shareholders, employees and also potential customers and partners. Lees concluded that values matter and that

... sustainable businesses will be responsible, transparent and sensitive to the needs of everyone involved. The demands of economics, of the environment and of contributing to a just society are all important for a commercial enterprise to flourish ... [and to neglect these] ... is to threaten the whole (Lees: 2003, 4).

Chapter 3.

Methodology and case study information

3.1 Introduction

The goals of this research were to gain an understanding of the non-financial reporting patterns of one public entity (Eskom) in the light of the King II Report recommendations and to explore consumer and employee perceptions of the same company's sustainability reporting. It aimed to investigate whether the company's policies and ethos are being filtered down to the employees and whether end consumers are aware or care about this. A case study of Eskom was undertaken, using annual reports and structured interviews. To establish the patterns of change in Eskom's sustainability reporting, qualitative document analysis was used and to establish customer and employee perceptions, quasi-experimental research techniques were applied.

This study attempted to seek patterns or trends in Eskom's annual reporting, and to find out what the perceptions of consumers and employees of Eskom were. The researcher has conducted an instrumental case study to gain insight into the issue of sustainability reporting as a component of corporate governance and to facilitate understanding of the reporting patterns of sustainability (Stake, 1995).

This research was conducted within a post-positivist orientation and included qualitative and quantitative research approaches. Multiple methods were used to try to capture as much of the reality as possible. Multiple methods "... are needed to generate and test theory, improve understanding over time of how the world operates ..." (Patton, 2002:92). Post positivism recognises that judgement is unavoidable in science, that knowledge is relative rather than absolute and that all methods are imperfect. Multiple methods are needed to generate and test theory and improve understanding. Post-positivism accepts that it is possible to distinguish between rival hypotheses. Triangulation of data sources and analytical perspectives were included in this study to increase the accuracy and reliability of the findings. The research reflects a belief that absolute objectivity is impossible to achieve, but that it is worth striving for (Patton, 2002).

3.2 Case study

A case study entails a detailed study of a phenomenon of some sort and is the researcher's unit of analysis. With a case study, a limited number of units are studied and the study is directed at understanding the uniqueness of the particular case. When choosing a case study, it is with the idea to optimise understanding of the case, rather than to generalize beyond. It is a bounded system, has working parts and is purposive (Stake, 1995). Case study methodology allows for an in-depth search for understanding and detailed collection of data. "A case study can illustrate relationships, corporate political issues and patterns of influence in a particular context" (Remenyi, 1996: 22). This methodology was used in this research project to identify and describe changes in sustainability reporting in Eskom and was used to create an understanding of the particularity of the single case of Eskom's non-financial reporting. When looking at the trend analysis, Eskom as a whole was used for the case study, but when the perceptions of sustainability reporting amongst consumers and employees were examined, the geographical area of Grahamstown was selected.

3.3 Company information: Eskom

The Director's Report, describes the nature of the business as: "Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers, and to redistributors" (Eskom, 2002). Of the electricity generated in South Africa, 95% comes from Eskom. Eskom is a public entity and ownership vests in the Government of South Africa. From 1 July 2002, it has been incorporated as a public company. Redistributors such as municipalities sell to the end-consumers.

In 1999 and 2000, Eskom reported to their stakeholders via an annual report and *an additional environmental report*, containing a section on sustainability. The 2001 annual report is a combined report aimed at a more integrated approach to sustainability reporting, covering aspects like economic, environmental and social issues. In that year the annual report and the environmental report "... have been combined in terms of international trends of integrated reporting" (Eskom, 2001). This annual report states that Eskom is committed to aligning itself with international sustainability reporting initiatives. Apart from the annual reports, additional

information on the sustainability issues is also available on the Eskom website www.eskom.co.za/annreport02/.

The 2000 Environmental report of Eskom states that the GRI principles and UNEP (United Nations Environment Programme) guidelines were used as a basis for the report. The environmental policy of Eskom states that the organization will "... contribute towards sustainable development" (Eskom, 2000: 1). Eskom participated in the review of the King Report on Corporate Governance and in 2000 was represented on the World Business Council for Sustainable Development (WBCSD) task team and in 2000 participated in the development of a national sustainable development strategy for the government.

Eskom conforms to the minimum legislation requirements of the National Environmental Management Act (NEMA) (No 107 of 1998) and undertook to be SABS (South African Bureau for Standards) ISO 14001 compliant by the end of 2002. The annual report of 2002 states that "... action plans have been developed and an Environmental Management system has been implemented. An external ISO 14004 compliance audit is scheduled for 2003 to confirm compliance" (Eskom, 2002: 43). Independent firms verify the annual reports of Eskom.

The most recent annual report analysed, that of 2002, is a combined report with a separate section of seven pages on Corporate Governance. As stated in this 2002 report, "Eskom is in the process of implementing the recommendations of the King Report on Corporate Governance for South Africa 2002 (King II Report) including the Code of Corporate Practices and Conduct contained therein ..." (Eskom, 2002: 16).

Apart from the interests of Government as the major stakeholder, Eskom recognises the interests of other stakeholders, the employees, consumers, suppliers, investors and lenders of capital, the National Electricity Regulator, trade unions and local communities. Eskom claims to be continually striving to ensure clear, relevant and effective reporting and disclosure to stakeholders (Eskom, 2002). Key performance objectives, financial and non-financial are predetermined and then reported on in the Director's Report (Eskom, 2002).

Eskom has received numerous awards in the past, including a gold award from KPMG for best sustainability disclosure in an annual report for its Annual Report of 2000 and best Corporate and Environmental Report for its Environmental Report of 2000 (Price, 2002). The year prior to the publication of the 2002 annual report, Eskom was acknowledged with various awards, including:

- Exel Award: An award by the petrochemical company Exel in recognition of its valuable contribution to Black Economic Empowerment and implementation of affirmative action and gender equity.
- Sunday Times- Markinor Brands of the Year Survey: Eskom was voted the third most admired company in South Africa.
- Raptor Awards: The highest accolade for achieving excellence in sponsorship of raptor conservation.
- IT Project Masters Opportunity Award: Awarded for a Plant Maintenance implementation project.
- Public Sector Gold Awards: Awarded for progress on the electrification of houses in rural areas.
- SABS Tourism Award: The SABS awarded two certificates for service excellence.
- Apex Awards: Apex award is an international award for excellence in publishing and is based on design, editorial content and the ability to achieve overall communication excellence.
- Prism Awards: Eskom Generation Division's GenTalk newsletter was voted as the best employee publication in the country.
- Top Business Personality Award: Eskom's Chairman was a recipient of a Top Business Personality Award for 2002. This award recognizes the Winner's achievements in business in terms of factors such as company growth, innovation, and contribution to the economy, job creation and transformation.
- Energy Newsmaker of the Year: This award was given to Albert Africa, Eskom Demand Side Management manager, for outstanding achievements that will change the energy industry in Southern Africa.
- Technology for Women in Business Award: Khumo Radebe, Power Station Manager at Matimba, won the Electricity and Nuclear category of this award. This award celebrates and recognizes women who succeed in integrating technology in business.

- Technology Top 100: Awarded to Eskom as the “Best Research and Development Group in South Africa”.
- Platinum Awards: Eskom was recognized as a leader in the field of Training and Capacity Building.
(Eskom, 2002).

Since this research project (only covering 1998 – 2002) has been conducted, Eskom has received awards that will only appear in its 2003 annual report, which will only be released later in 2004. These 2003 awards confirm that Eskom is a leader in the field of sustainability.

In March 2003, Eskom was awarded the Financial Mail PRISM Award. This award was in recognition of Eskom's public relations campaign for its Young Scientists sponsorship. Eskom was the overall winner in the category for a campaign aimed at distributors, members, educators, youth and other special publics (Proudly South African, 2004). Another award in 2003, for 'Eskom News', Eskom's monthly staff magazine produced by Fox, was awarded Best Internal Publication for 2003. 'Eskom News' has also received two concurrent awards from APEX - the American Publishers Association Awards for 2002 and 2003 (Fox Publishing, 2004).

To follow up on the World Summit on Sustainable Development, the *Mail & Guardian* has taken the initiative to launch two competitions, *Greening the Future Award* and *Investing in the Future Award*, two separate but linked awards. Companies were invited to comment on their environmental or sustainability policies, principles and systems. These awards recognise organizations demonstrating appropriate environmental management systems within their operations and are designed to heighten public, government and business awareness of the corporate environmental investments of the participants that enter.

This competition would be run annually and the coordinator, Sudley Adams hopes that this will increase awareness of sustainability initiatives (Adams, 2003). The Investing in the Future awards were awarded in October 2003 and the winner was Old Mutual Rural Economic Development Initiative. Eskom's 'Cairn Lemon' and its 'Abalinda Bakery' projects were finalists in the competition. A special award for innovation was awarded to Eskom's 'Playpump Water' project (Macleod, 2003).

In December 2003, Eskom was awarded the Community Development Programme of the year award at the Global Energy Awards in New York. These awards are seen as the most prestigious awards programme in the industry. Criteria for the award included the company's community development programmes in the community as well as employee participation. In 2002, Eskom was rated as the most caring company by Corporate Care check and in 2003 was rated as the most hands-on grantmaker (Eskom Development Foundation, 2003).

On receiving the award the Chief Executive of Eskom, T.S. Gcabashe, said, "Working in the communities in which we operate forms part of our day-to-day business. We believe that community development is a business imperative which is supported by our commitment to sustainable development" (Mail & Guardian, 2003: 2). This award was given to Eskom due to its large grants towards the development of an AIDS vaccine, the fact that Eskom had been voted the most caring company in South Africa for the second year in a row and because Eskom is one of the largest grant-makers in South Africa (Eskom Development Foundation, 2003). These awards indicate that Eskom is a leader in sustainability issues in South Africa, and thus confirms that patterns reflected in the analysis are not new but that a strong tendency towards non-financial sustainability practices exists in Eskom.

3.4 Trend analysis of annual reports

In doing the trend analysis, the dependent variable was corporate social disclosure. Sentences were counted in each category of the identified sections within the annual reports. The total number of sentences referring to sustainability issues were also calculated and the results were displayed in graphs (see chapter 4).

The content of the annual reports were examined to measure the extent of corporate social responsibility disclosure. Previous research (see Hackston and Milne, 1996) looked at social disclosure examining the location in the report, whether or not disclosure existed and the percentage of a page that contained social disclosure. Research by Ng done in 1985, criticized this measurement on the basis of differences in font and page sizes between annual reports. Ng used the number of words to count the amount of disclosure, but this methodology leaves the possibility that there could

be differences amongst coders on which words actually indicate Corporate Social Disclosure (Ng cited in Hackston and Milne, 1996). "Sentences, as a measurement unit, overcome the problems of portions of pages and removes the need to account for, or standardize, the number of words" (Hackston and Milne, 1996: 84). For the purpose of this research, sentences were used to measure the amount of disclosure per year, per content category as found in the particular annual reports, looking particularly at the Chairman's, Chief Executive's and Director's report. Full sentences were counted between full stops and were then allocated to a specific category if it contained reference to the specified non-financial issues as listed above. By counting the number of sentences referring to non-financial matters in the annual reports a comparison could be made between the years from 1998 to 2002 on an annual basis.

Documents can have certain limitations like the possibility of being inaccurate, incomplete or biased. As annual reports are specifically written to be read by shareholders and other stakeholders, this is a real possibility, especially in earlier years before guidelines on sustainability reporting existed. Annual reports are written to be read by shareholders and stakeholders. There is therefore always the danger that the authors/company are only telling the good news. Price (2002), described annual reports as a form of social practice, tied to a specific historical context that serves particular interests in terms of social relations. When reading annual reports, you can either read with the text and accept and support the text without questioning, or you can read against the text, when you look at how the text is positioned and how it is positioning the reader; whose interests are served and what the consequences of this positioning are. When reading annual reports one should ask whether this is simply good publicity and whether the company is positioning itself to reflect the popular trend of the time, whether it reflects on environmental emphasis, corporate emphasis or political issues relevant or popular at a particular time. When analysing the 2000 reports, Price found that Eskom made mention of minor environmental 'confessions', while giving very little coverage to its nuclear disposal challenges. It could be interpreted that 'minor confessions' are used as a smokescreen or used in a process of avoiding reporting on certain other aspects (Price, 2002).

A trend study "... examines recorded data to establish patterns of change that have already occurred in order to predict what will be likely to occur in the future" (Cohen, Manion and Morrison, 2000: 175). Trend analysis was selected, as one of the goals of

the study was to estimate if a pattern or a trend in sustainability reported could be detected. For the trends analysis, data were primarily obtained from the annual reports of Eskom produced between 1998 and 2002, and supplemented by media reports. Document analysis refers to "... various procedures involved in analysing and interpreting data generated from the examination of documents and records relevant to a particular study" (Schwandt, 1997:32). Document analysis was selected as a method for analysis for this research study, as it allowed access to information of 1-5 years ago. No information obtained through personal interviews would have been as comprehensive as reviewing the documents.

Past trends are not always a good predictor of future trends (Cohen, et al., 2000). This research project was focused more towards investigating a possible *pattern* in sustainability reporting, as the study was not conducted over a long enough period to be able to identify a trend. It seems that when a trend starts to develop, new emphasis on other categories due to external factors like political, environmental, social, technological or legal, could change emphasis in reporting within a few years.

A framework for the document analysis was developed drawing on the King II Report requirements for sustainability reporting. Annual reports from the last five years were analysed using the specific categories of non-financial reporting as a basis for the analysis.

Categories were selected based on Section 4 in the King II Report, which deals with sustainable reporting (see table 2.1), KPMG Survey of Sustainability Report (KPMG, 2001) and the Hackston and Milne study (Hackston and Milne, 1996), which examined determinants of social and environmental disclosures in New Zealand companies.

Categories used for content analysis

The following is a list of the categories or types of social disclosure/reporting that formed the substance of the content analysis of the sub-reports, the Chairman's, Chief Executive's and Director's reports of the Eskom Annual Reports of 1998 – 2002, when looking at the sustainability reporting pattern over the five years.

Table 3.1. Categories and sub-categories for document analysis

Main categories	Sub-categories
Black empowerment	All sentences referring to Black Empowerment or empowerment
Corporate Governance	Corporate objectives and policies Reference to stakeholders Reference to transparency of disclosure
Employees	References made to gender and minorities Employment of special interest groups Employee training and development Housing, pension and other benefits Statistics regarding employees
Environmental management	Pollution and pollution control Research and development Reference to damage or repair of damage to the environment Wildlife conservation Environmental impact studies Conservation of energy and water Compliance to regulations
Ethics	Ethical code Reference to the ethical help line Ethical committee Gifts and gift register
HIV/AIDS	Policies and programmes Grants and research
Safety	Safety issues, accidents, nuclear safety, legislation
Social/Community	Community events, sponsoring of projects Community development

The following is a list of the decision rules that were used when analysing the Annual Reports, looking at the sustainability reporting patterns over the five-year period:

- It was decided to analyse only the sub-reports, the Chairman's report, Chief Executive's report and Director's report of the Eskom Annual Reports of 1998 – 2002. Sustainability and Corporate Governance sections were included.
- Financial statements and tables were not included in the count and only full sentences were counted.
- All the disclosures had to be explicitly stated and not just implied.
- If more than one classification was possible for a sentence then it was classified in accordance with the main emphasis of the sentence.
- Sentences that were repeated exactly, e.g. as 'eye catchers' in report margins, were counted once only.

The methodology of this research report neither attempted to use critical discourse analysis strategies (Price, 2002) that read with or against the text, nor did it attempt to find reasons for limited reporting on some issues in the annual reports.

Methodological considerations regarding documents

For the purposes of the document analysis, the whole report was not analysed as large portions of annual documents are dedicated to financial reports that mostly consist of tables and diagrams. It was therefore decided to count only full sentences of the Chairman's Report, Chief Executive's report and the Director's Report as they appear in each annual report. These reports reveal policies and incidents that happened in the past and they reveal goals and decisions that might have remained unknown if not studied through the documents (Patton, 2002). When analysing the annual reports, full sentences ending with full stops were counted and headings of relevant tables were included.

All the annual reports are printed on glossy paper and contain the Chairman's Report, Chief Executive's Report and the Directors Report as well as financial statements and notes to statements. The annual reports of 1999 and 2000 have a separate Environmental Report and Sustainability section and the 2001 and 2002 report contains a specific separate section on Corporate Governance. The 2002 report contains a separate section on sustainability. When counting the sentences of the different annual reports, the separate Environmental reports of 1999 and 2000 were excluded. As these environmental reports were inconsistent with the annual reports, in not containing separate sections reported by the Chairman, the Chief Executive and

Director, the decision to exclude the Environmental Reports was made to be consistent in the analysis. Furthermore, their inclusion would skew the environmental reporting results for 1999 and 2000.

Table 3.2 Comparison of annual reports reviewed

Year reviewed	1998	1999	2000	2001	2002
Period covered	1 Jan. 1998 – 31 Dec. 1998	1 Jan. 1999 – 31 Dec. 1999	1 Jan. 2000 – 31 Dec. 2000	1 Jan. 2001 – 31 Dec. 2001	1 Jan. 2002 – 31 Dec. 2002
Total no. pages	87	100	132	136	140
Exceptional sections		Separate Environmental Report, 35 pp	Separate Environmental Report, 56 pp		
	Corporate Governance, 2 pp section within other text	Corporate Governance, 3 pp section within other text	Corporate Governance, 3 pp section within other text	Separate section on Corporate Governance, 7 pp	Separate section on Corporate Governance, 8 pp
CEO	A.J. Morgan	A.J. Morgan	Thulani S. Gcabashe	Thulani S. Gcabashe	Thulani S. Gcabashe

Special challenges when analysing documents include getting access to relevant documents, determining the accuracy of the documents and linking document results to other sources of information such as interviews and observations (Patton, 2002). At the outset of the research, access to the relevant documents was negotiated with the Eskom Head Office. Hard copies of the annual and environmental reports were obtained from the Eskom Library. As all Eskom annual reports are public documents, they are available on <http://www.eskom.co.za> and confidentiality regarding the documents did not pose a problem. International trends associated with the distribution of annual reports amongst large-scale organizations include hard copies as well as electronic copies on the Internet. Eskom Head Office was notified of the research as a matter of courtesy and a copy of the proposal was given to an environmental consultant at Eskom who circulated it to management. It was not the purpose of this study to verify whether the information in the annual documents was accurate. The Eskom annual reports are, however, verified by external auditors.

3.5 Structured interview with consumers and employees

It was decided to do structured interviews (Patton, 2002), as this is a feasible way to reach enough respondents to allow statistical analysis of results. Structured interview questions were drawn up for use to conduct interviews with two groups of stakeholders; employees of Eskom and consumers of Eskom electricity, in Grahamstown. As it was anticipated that the consumers would differ in intellectual and language ability, it was decided to use a structured interview rather than a questionnaire. By choosing a structured interview, the non-return of questionnaires was eliminated. The length of the questionnaire was limited to a reasonable attention span; noise and distraction levels were kept to a minimum when conducting the structured interview.

The first few questions of the questionnaire dealt with socio-demographic questions, the intention being to collect information on the profile of the respondents. The next section of the questionnaire enquired about electricity usage, knowledge of sustainability reporting and awareness of the policies and reporting practices of Eskom relating to subdivisions of sustainability reporting, like health and safety, HIV/AIDS and the environment. In the last part of the questionnaire, questions were posed to attempt to get an idea of the attitude of interviewees, (two groups of stakeholders), regarding Eskom and sustainability issues. These questions were structured according to a Likert scale, as explained in Chapter 3. A section of knowledge questions requiring a true/false response followed. This section contained questions to establish the awareness of respondents of sustainability issues and sustainability reporting. A five point Likert or summated scale (Welman, 2002) section with eleven questions concluded the structured interview. A Likert scale is used for multi-dimensional attitudes and “... consists of a collection of statements about the attitudinal object” (Welman, 2002: 150). The purpose of this section was to get an idea of the attitude or perception of respondents regarding sustainability issues. These questions required a response ranging from strongly agree to strongly disagree. See Appendix 2 for the structured interview schedule.

Demographic questions were included to be able to compare responses of different groups. When the profile of the respondents are described, employees and consumers

are put together, as employees are also consumers (see table 4.2). An interview guide approach (Welman, 2002) was used and topics and issues to be covered were specified in advance on the outline form. Some of the questions were open ended and some were closed questions. Open-ended questions (Welman, 2002) were included as the researcher was uncertain of the response that these questions would generate. The probing questions that were designed to test awareness were mostly the open-ended questions. The words, 'please explain' were included as a probe to allow participants to elaborate (Welman, 2002). All interviewees were asked the same questions in the same order. Certain questions were closed with a fixed response required. Questions and response categories were determined in advance and respondents had to choose among the fixed responses. The data of fixed response questions can be compared and it facilitates organization and analysis of data (Patton, 2002).

Limitations of the open-ended questions include limiting and constraining the "... naturalness and relevance of questions and answers" (Patton, 2002: 349). Fixed response questions again, might force respondents to choose a category and may be impersonal and irrelevant (Patton, 2002).

Limitations of the structured interview are that the possibility always exists that the interviewer might affect the situation, for instance by having a selective perception. Respondents might for example try to please the interviewer when answering or give distorted answers due to fear, anxiety, personal bias, politics or lack of awareness. Care was taken to train the translator not to prompt answers and to conduct all interviews in a consistent style and manner (Patton, 2002).

After the questionnaire had been developed, a pilot study was done to ensure that the tool would be effective. The pilot study was conducted with 25 respondents and was conducted over a period of ten days. The actual data was collected over a period of two months and was collected in Grahamstown, in town and in the township. An *isiXhosa*-speaking interviewer was used to facilitate and translate the English questionnaire when doing the interviews with *isiXhosa*-speaking respondents. The pilot study indicated that no amendments were necessary and the questionnaire was then administered to interviewees. The researcher selected sampling units subjectively, attempting to obtain a sample that would appear to the researcher to be representative of the population (Welman, 2002). Two groups of respondents were

approached; employees of Eskom and individuals who use Eskom power, either as direct customers or as consumers through the energy provided by the Municipality who is the actual customer of Eskom. Eskom employees were approached in their office, with permission of the manager and consumers were approached at the Makana Municipality building in Grahamstown city centre and at coupon outlets in the Grahamstown East township where electricity coupons can be bought.

The document was given to experts for their opinion and was discussed with a statistician throughout the process of development, to ensure that the final document would yield statistically valid data. The issue of sustainability reporting is not a general, everyday issue and it was anticipated that many respondents would not be able to answer a questionnaire on their own.

The interview was conducted in public and participation was voluntary. The very young and the very old (the age of respondents ranged from 14 to 77 years) were excluded from this research, as this part of the population is unlikely to be buying electricity, paying for accounts or be Eskom employees. (Although many respondents indicated that the main source of income is pensions, the younger family members are the ones who get sent to buy the electricity or pay the account). The questionnaire did not contain many sensitive questions, but the respondents were told at the beginning that they were welcome to 'not answer' questions if they preferred. The purpose of the study was explained to respondents at the start of the interview. Each interview lasted between ten and fifteen minutes. Certain coupon outlets in the township, mostly paraffin and gas traders, where coupons are sold, were selected and the researcher also approached respondents at Makana Municipality in the Grahamstown city centre, as this is where account holders pay for their electricity.

Eskom employees were interviewed at the office building in High Street Grahamstown after permission was obtained from the manager of the division in Port Elizabeth who then notified the local office to grant permission for the researcher and interpreter to interview the employees during working hours. Permission from the supervisors was obtained in writing and a copy of the interview guide was given to them for their perusal. The same structured interview questions were used to interview the consumers and the Eskom employees.

A total of 104 people were interviewed, of which 15 were Eskom employees and 89 were customers.

Ethical considerations regarding the interviews

Permission was obtained from an environmental representative at Eskom to go ahead with the research. Apart from getting the approval of Head Office at Eskom, permission was needed to interview the Eskom employees at their place of work and this was obtained from the area supervisor.

Respondents remained anonymous to promote open and frank responses. No names or other identifiable data, e.g. birth dates or identification numbers, were recorded. The issue of confidentiality was of particular concern to the Eskom employees. This research report will be available to any Eskom representative who may wish to see it and will also be placed in the University library.

Data analysis

Line charts were used to indicate patterns in sustainability reporting and tables were used to display statistical findings of the structured interview. The statistical programme used was Statistica and the method used for analysis of the data was the Chi-square test. The p-value selected for significance was 0.05 (5%). The Chi-square test is a statistical test that tests whether the observed frequency corresponds with the expected frequency. It is based on a comparison between the observed frequencies and is applied to data recorded in categories. The Pearson Chi-squared test is the most common test for significance of the relationship between categorical variables (Bless and Kathuria, 1993).

Chapter 4

Data presentation and discussion of findings

4.1 Introduction

This chapter describes the analysis of the data collected through the different methods as discussed in the previous chapter. For the trend analysis, the total amount of sentences in the different selected categories in the annual reports were presented by means of a table and graphs. The structured interview results were analysed, using STATISTICA analysis programme and the appropriate statistical findings were described by means of diagrams and tables.

4.2 Document analysis

As indicated in Chapter 3, printed annual documents of Eskom from 1998 to 2002 were analysed. The Chief Executive's Reports, Chairman's Report and Director's report were analysed. All financial statements and notes to financial statements were excluded.

A new section in the 2001 and 2002 reports, the Corporate Governance section was included in the count but not broken down into chosen categories. In the years of 1999 and 2000, Eskom printed separate Environmental Reports. The Eskom management saw it necessary at the time to write and report on these environmental issues separately, which indicates that this was an important issue at the time. The 2001 and 2002 Annual Reports incorporated all reporting into one report again and now the emphasis seems to be on Corporate Governance and Sustainability.

General trends and impressions

All annual reports mentioned environmental audits as well as environmental contraventions. The annual reports all included a statement of verification by an independent auditor. A Report of the Audit Committee is included in all the annual reports that were analysed. This is one of the recommendations made by the King II Report, that annual reports should be verifiable. The profiles of all the reports differ in terms of emphasis, where the earlier reports emphasised environmental sustainability

and socio-economic improvement, the 2002 report emphasises corporate governance and sustainability reporting.

The word 'sustainability' was mentioned in all the annual reports. In the earlier reports (1998-2000), however, this only refers to the financial sustainability of Eskom, where as in the 2001 and very clearly in the 2002 report it relates to economic, social and technical as well as environmental sustainability. 'Sustainability' was therefore excluded from Table 4.1. The 2002 report, for example, mentions that Eskom will continue to develop strategies to ensure the economic, social, technical and environmental sustainability. A Sustainability Liaison Committee has been established and a sustainability index will be developed to support these strategies. This index will include financial, environmental, safety, health, risk, governance, and quality, technical and social performance key measures.

Eskom participated in many events during the World Summit on Sustainable Development (WSSD) during 2002, such as:

- The launch of the first concentrated solar power generator and South Africa's first 660 KW wind turbine;
- A conference that highlighted the concepts of sustainability and encouraged networking;
- Workshops to discuss key environmental issues like climate change and oil management;
- Initiation of the African Energy Fund;
- The sustainable energy exhibition;
- Coal and Sustainable Development conference, and
- A Waterdome exhibition highlighting sustainable development in relation to water.

Trends

The total sentences in the chosen sub-reports increased linearly, from 636 in 1998 to 1009 in 2002. This almost 40% increase indicates that Eskom has put increasing emphasis on its reporting, following global trends towards greater transparency.

Table 4.1 Sentences in relevant sections of annual reports

Annual report	Full sentences in report referring to the chosen category									
	1998		1999		2000		2001		2002	
	No.	%	No.	%	No.	%	No.	%	No.	%
Black Empowerment	15	2.36	9	1.24	21	2.39	17	1.76	12	1.19
Corporate Governance	4	0.63	8	1.11	6	0.68	143	14.77	191	18.93
Employees	27	4.25	56	7.75	71	8.09	75	7.75	47	4.66
Environmental	38	5.97	51	7.05	89	10.14	201	20.76	141	13.97
Ethics	4	0.63	6	0.83	11	1.25	12	1.24	12	1.19
HIV/AIDS	5	0.79	10	1.38	14	1.59	10	1.03	16	1.59
Safety	20	3.14	31	4.29	40	4.56	64	6.61	63	6.24
Social/community	18	2.83	11	1.52	24	2.73	40	4.13	24	2.38
Total of above selected categories	131	20.6	182	25.17	276	31.43	562	58.05	506	50.15
Total 'other' sentences in reports	505	79.4	541	74.83	602	68.57	406	41.95	503	49.85
Total sentences in categories above plus other sentences	636	100	723	100	878	100	968	100	1009	100

Results of the sustainability reporting in the different chosen categories are depicted in the graphs below. The scale of the y-axis differs between graphs to facilitate interpretation.

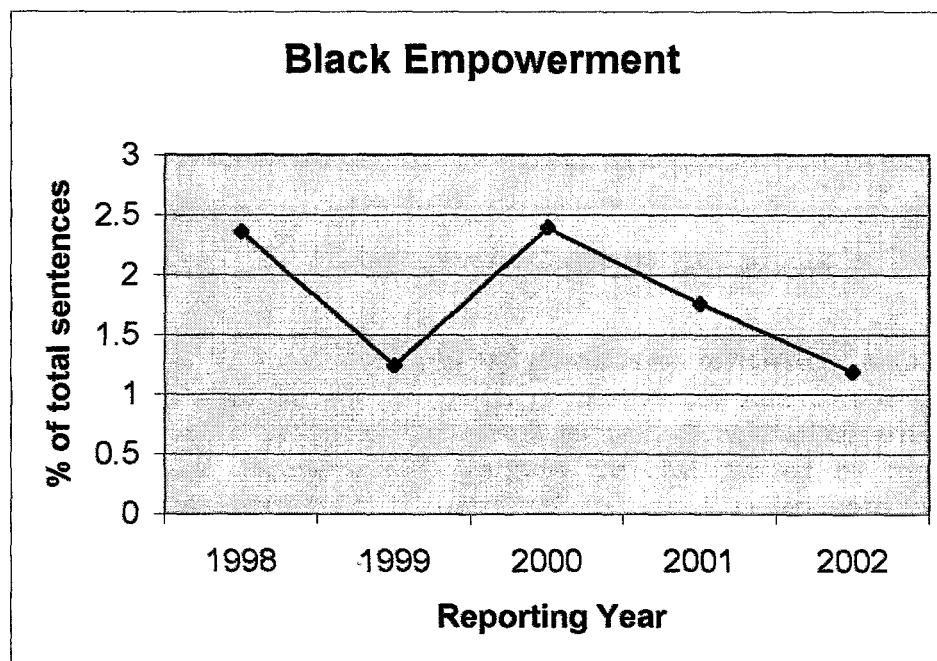


Figure 4.1 Patterns in the frequency of reporting on Black Empowerment in Eskom annual reports

It seems as if Black Empowerment is receiving less attention in 2001 and 2002, after peaks in 1998 and 2000 (figure 4.1). Although Black Empowerment is mentioned in all 5 years, the 1999 annual report is the only one that specifically states in its profile that Eskom supports Black Economic Empowerment.

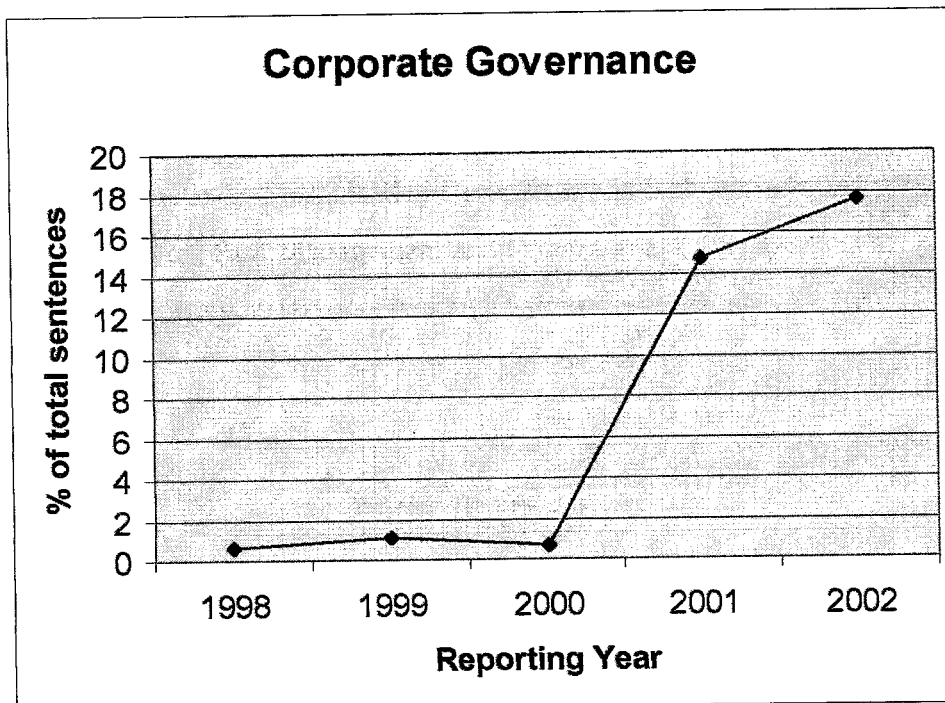


Figure 4.2 Patterns in the frequency of reporting on Corporate Governance in Eskom annual reports 1998 - 2002

Corporate Governance received disproportionate attention in the 2002 annual report, and it contains a separate section with the heading "Corporate Governance". This made an insignificant difference: from 0.6% of the total counted sentences in 1998, the category of corporate governance showed an abrupt increase to more than 19% in 2002 due to Eskom's explicit emphasis on it. In terms of corporate governance, the Eskom Annual Report of 2002 (p.12) states that the organization

... ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, ... and adherence to good corporate governance practices that are continually benchmarked with international practices. Processes and practices are characterised by triple-bottom-line reporting, economic, environmental and social, underpinned by principles of openness, integrity and accountability; and an all-inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of Eskom.

It must be pointed out that figure 4.2 indicates reporting specific on corporate governance as a whole, and not just the few categories that were chosen for this research study. The corporate governance section in the 2002 annual report includes many aspects of corporate governance over and above the categories selected for this study:

- Shareholding and shareholder compact,
- Conversion of Eskom,
- Governing Bodies, like the Board of Directors, Audit Committee, Ethics Committee, Sustainability Committee and Risk Management Committee,
- Internal Risk Management and Control and Audit, and
- Reporting to stakeholders and stakeholder relations.

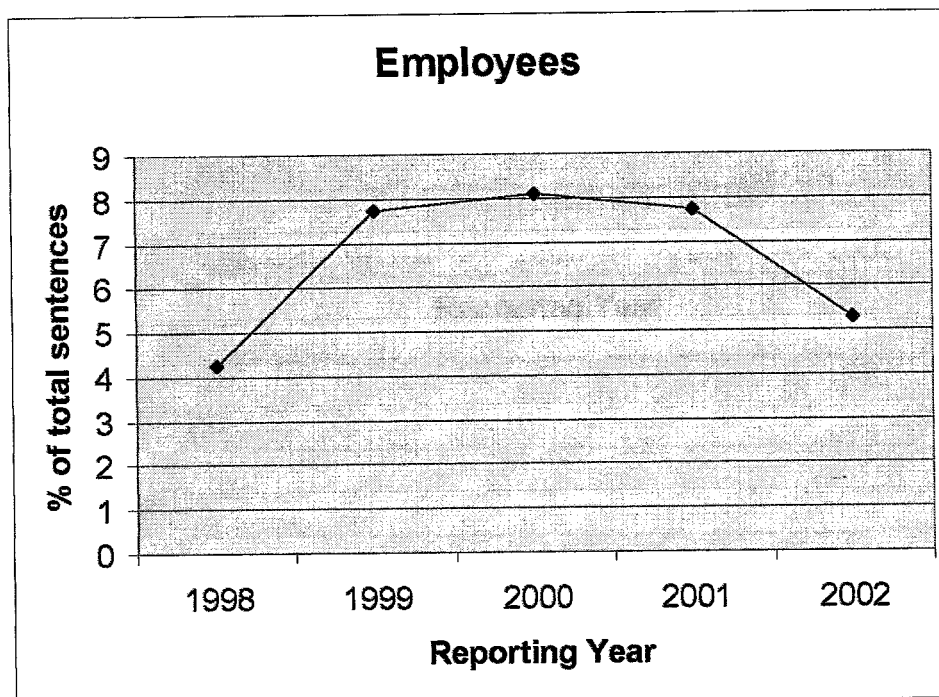


Figure 4.3 Patterns in the frequency of reporting on Employees in Eskom annual reports 1998 - 2002

Reporting on employee issues appears to have declined between 2001 and 2002 (figure 4.3). The 2002 report states that employee involvement ensured by participative structures and organised labour influences policies and procedures. The organization provides bursaries to children of employees without further obligation. An incentive system exists for managerial staff to encourage employee behaviour that

will promote business performance. Agreements exist between Eskom and trade unions and during the year of 2002, Eskom spent R6 million on empowering trade unions. A comprehensive health and wellness programme exists for employees. This includes psychosocial care, sports and recreation, occupational health, travel medicine, expatriate health and health education.

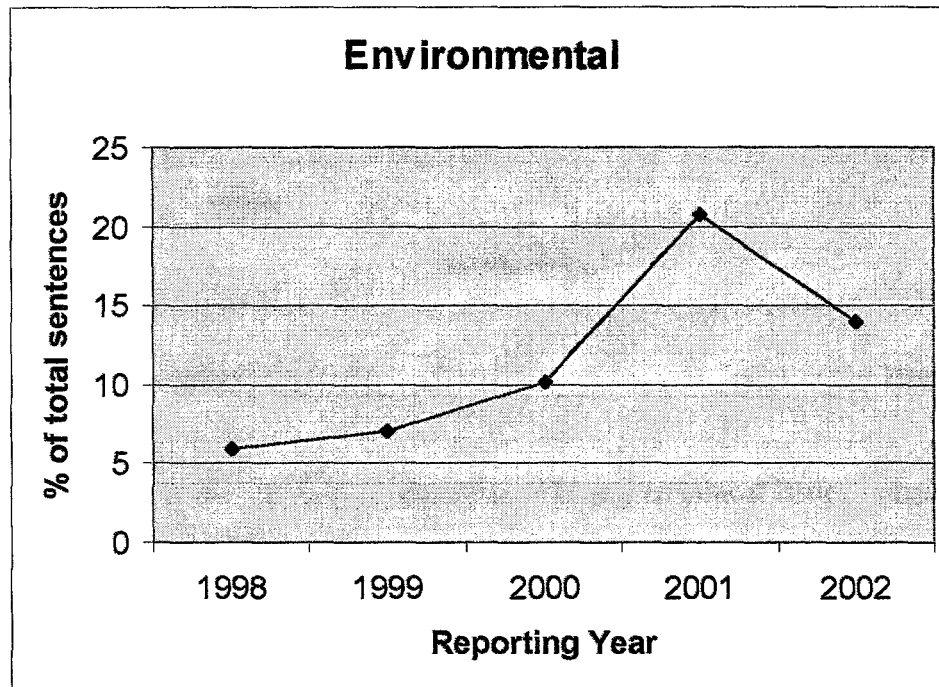


Figure 4.4 Patterns in the frequency of reporting on Environment in Eskom annual reports 1998 - 2002

There has been a steady increase in Eskom's environmental reporting since 1998. Environmental reporting has, on average, received far more attention than the other non-financial reporting categories (Table 4.1). In interpreting figure 4.4, it must be taken into account that the 1999 and 2000 reports contained separate environmental reports, which were excluded from the analysis due to the extreme bias they introduced. If these reports were included in the counts then there would have been a peak in environmental reporting in 1999 and 2000. The fact that the separate environmental report was incorporated into the 2001 and 2002 annual reports could be the reason for the sharp increase in the environmental reporting of 2001.

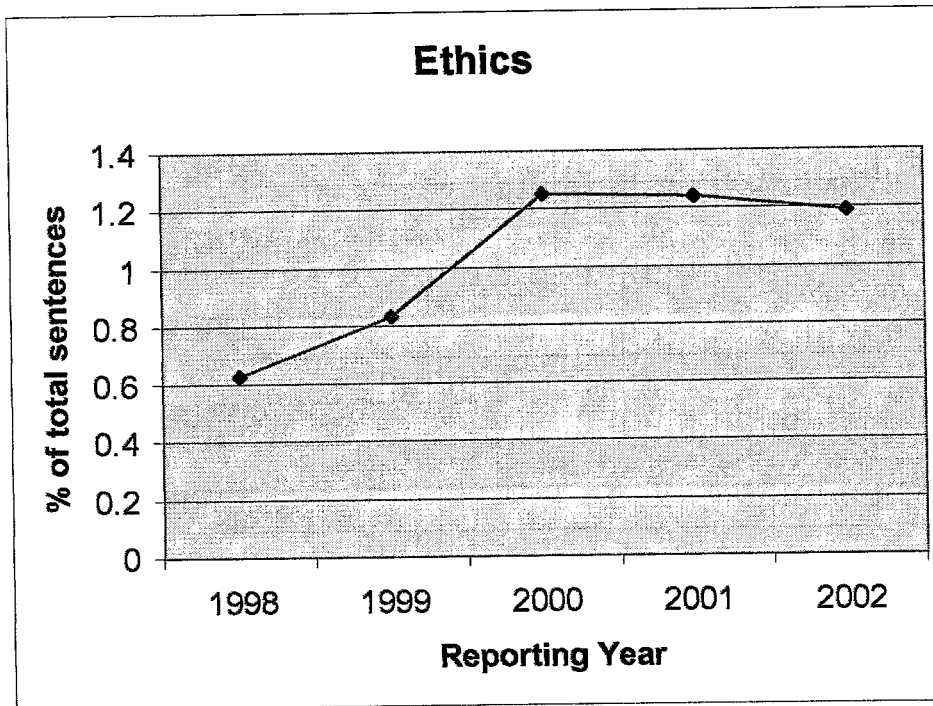


Figure 4.5 Patterns in the frequency of reporting on Ethics in Eskom annual reports 1998 - 2002

It seems as if the number of sentences referring to ethical issues remained consistent from 2000 – 2002 (Figure 4.5). It should, however, be taken into account that some of the sentences in the corporate governance section refer to ethical issues. This accounts for the increased emphasis on ethics reporting in Eskom (figure 4.5). Eskom has an ethics programme described in the 2002 report that is in line with the recommendations of the King II Report and promotes ethical behaviour in the workplace. This is supported by a written business conduct policy dealing with ethics. The chief executive is the custodian of ethics and the process to ensure appropriate business conduct involves:

- Ethics awareness presentations to senior management as well as employees;
- An ethics website that provides information;
- Maintenance of a database of declared conflicts of interests;
- A confidential ethics help line and reporting system for contraventions;
- Courtesy registers are kept of all gifts received, and
- A Corporate Audit that monitors business conduct.

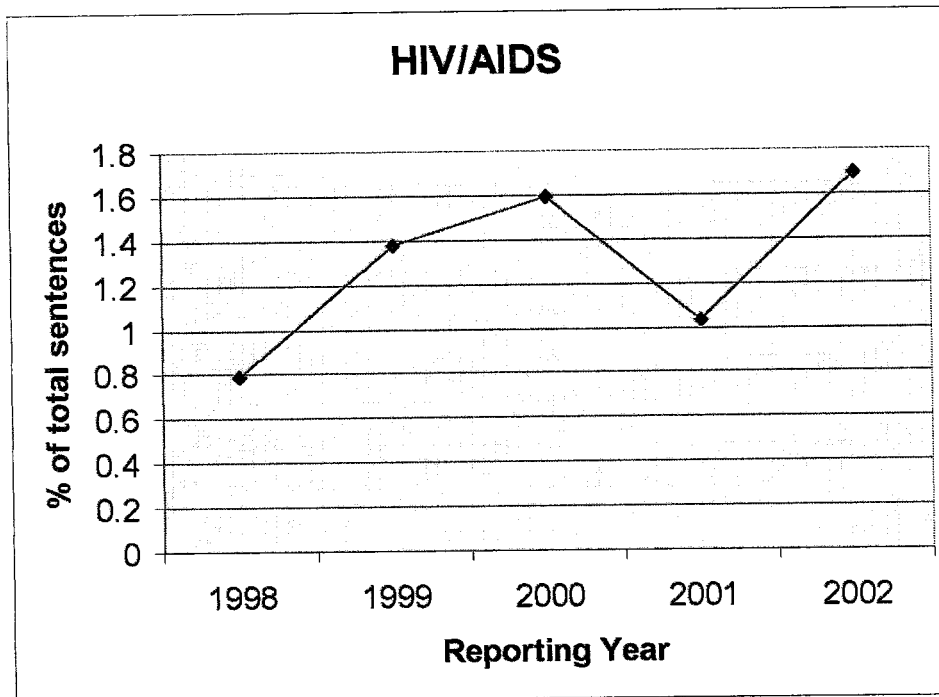


Figure 4.6 Patterns in the frequency of reporting on HIV/AIDS in Eskom annual reports 1998 - 2002

The sentences reporting on HIV/AIDS remain a very small percentage of the total non-financial reporting in the annual report (Table 4.1; Figures 4.6 and 4.10). Eskom's approach to the management of the impact of HIV/AIDS involves ongoing education and awareness programmes. Voluntary testing and counselling received special attention and a support group was formed for HIV positive employees. The Eskom Development Foundation gives financial support towards research for an HIV/AIDS vaccine. The grants towards the development of the AIDS vaccine was in fact one of the reasons why Eskom was awarded the Global Community Development Programme of the year Award in December 2003 (see chapter 2).

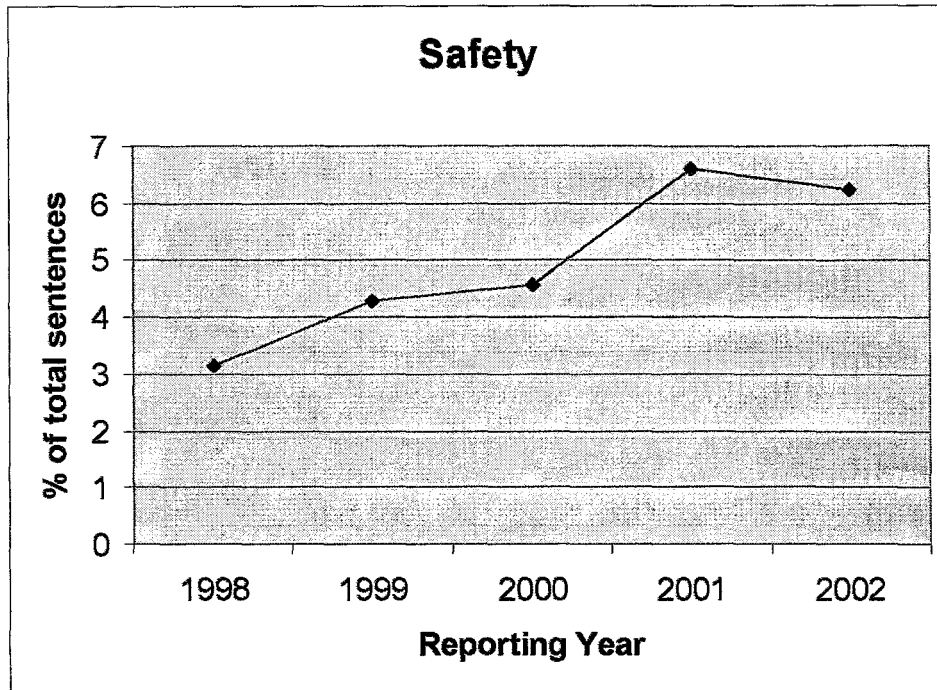


Figure 4.7 Patterns in the frequency of reporting on Safety in Eskom annual reports 1998 - 2002

Reporting on safety issues appears to have shown a steady increase (figure 4.7). According to the Chief Executive's report of 2002, Eskom takes the safety of its employees and members of the community seriously. As 2001 showed an increase in accidents, the Chief Executive stated that Eskom needs to intensify their public awareness and safety campaigns and ensure that the public adopts electrical safety. When employees were interviewed for this research project, many of them mentioned their regular participation in internal training sessions on safety issues. This was a spontaneous response and was not a specific question as part of the structured interview.

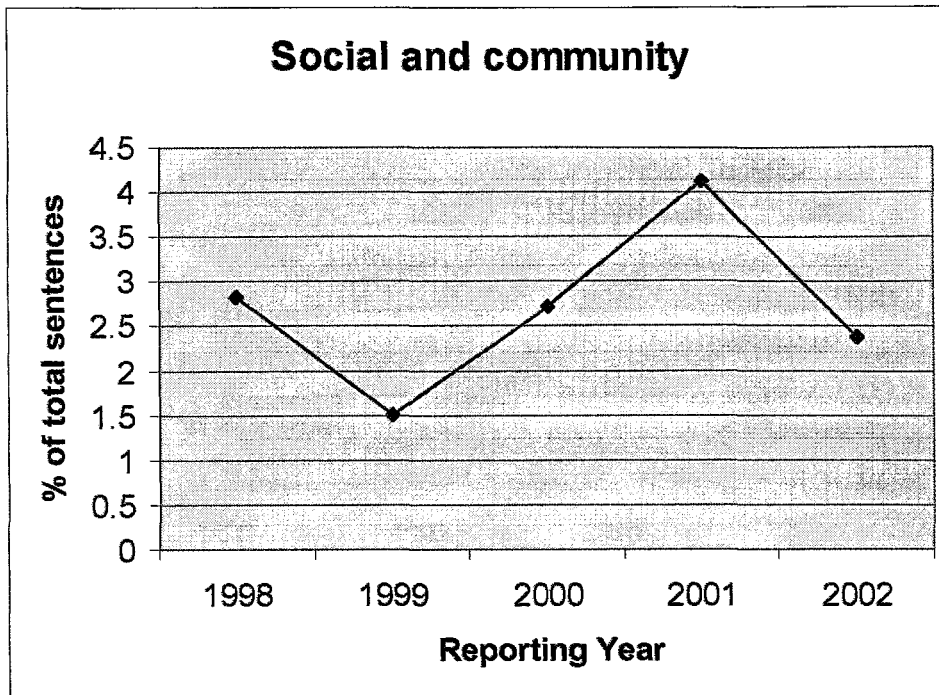


Figure 4.8 Patterns in the frequency of reporting on Social and Community issues in Eskom annual reports 1998 - 2002

The category of 'social and community' refers to sentences that refer to Eskom's social responsibility and specifically its contribution toward improvement of the quality of life of the previously disadvantaged citizens of South Africa. This is done through the Eskom Development Foundation. Reporting on this dimension showed an increase from 1999 to 2001 but now appears to be on the decline (figure 4.8).

Figure 4.9, below, indicates the overall pattern of sustainability or non-financial reporting in the Eskom annual reports from 1998 to 2002.

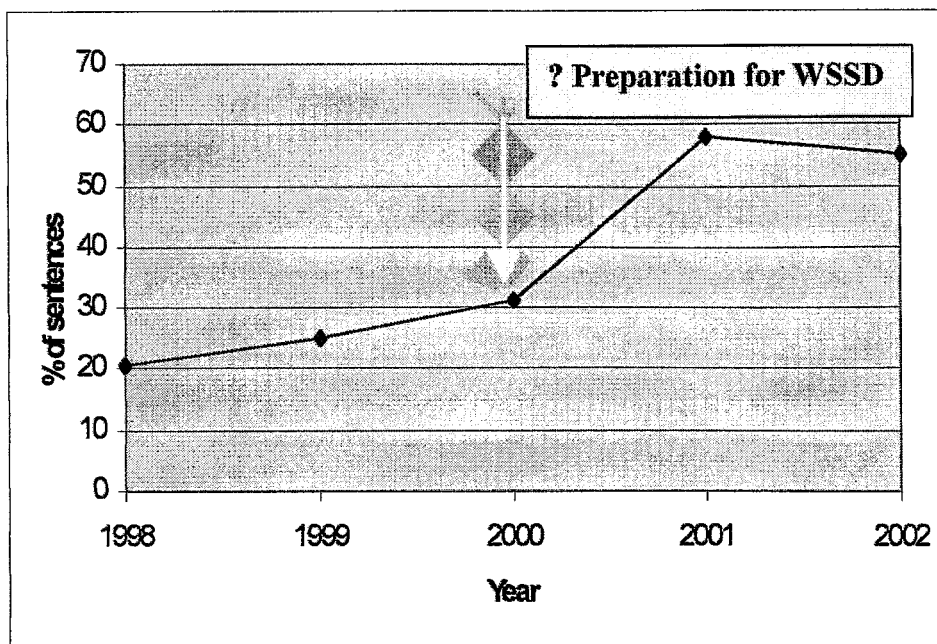


Figure 4.9 Overall pattern of non-financial reporting of Eskom

The above graph (figure 4.9) depicts the total number of sentences reflecting sustainability reporting of Eskom over the last 5 years. Between 2000 and 2001, the proportion of sentences on non-financial reporting increased from 30% in 2000 to 60% in the 2001 annual report, probably in anticipation of the World Summit on Sustainable Development and other factors mentioned later in chapter 5.

Figure 4.10 below depicts trends in all the categories of sustainability reporting that had been chosen for this research study. It shows that environmental reporting has been a high priority for Eskom (particularly if one considers that separate environmental reports, not included in the analysis, were produced in 1999 and 2000). The emphasis on environmental reporting appears to, however, be declining. Reporting on HIV/AIDS, Ethics and Black Empowerment seem to be of less significance in Eskom's non-financial reporting than corporate governance and safety. In the past two years emphasis has shifted from environmental reporting to reporting on Corporate Governance, although this does not only reflect non-financial reporting.

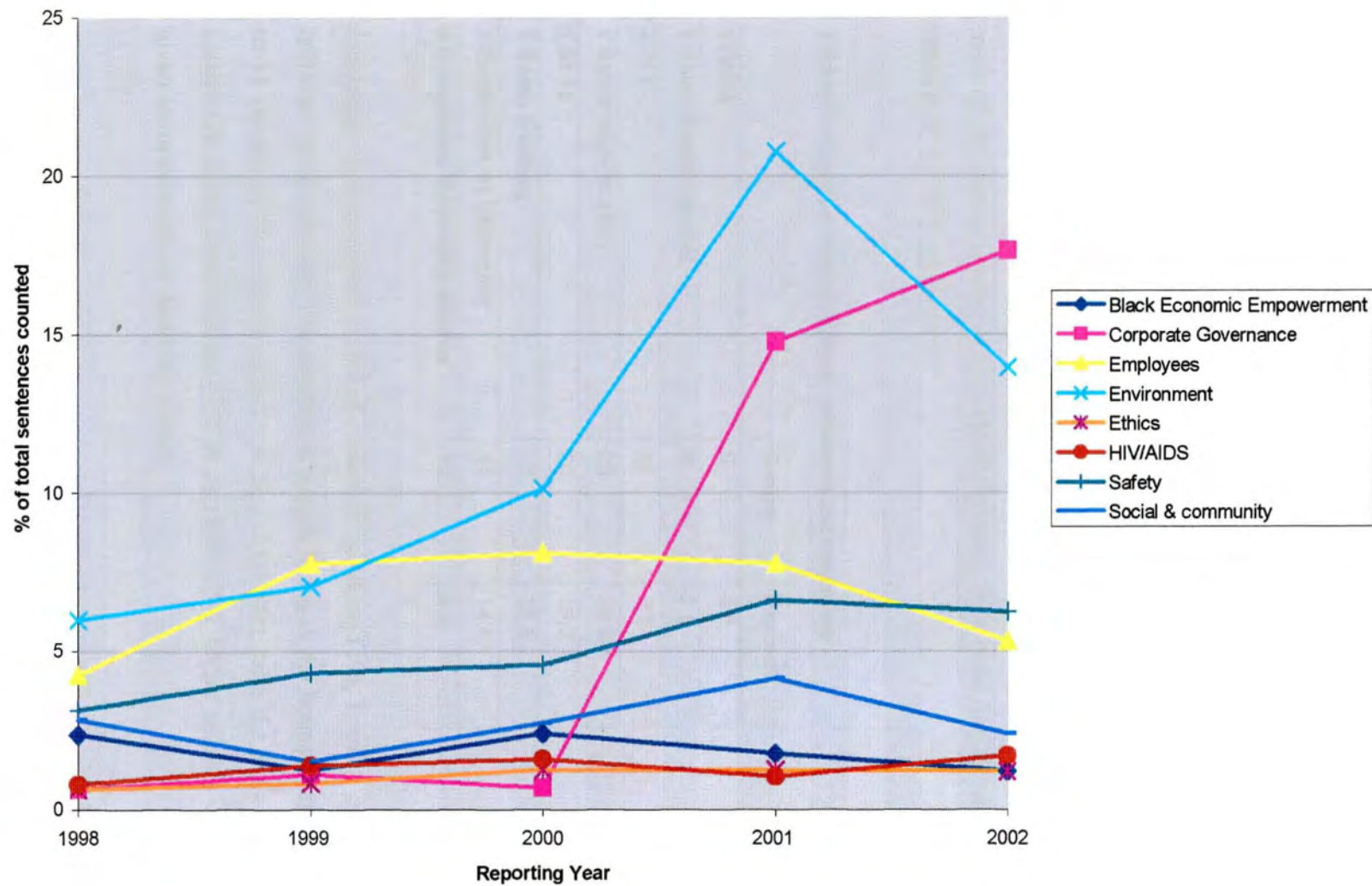


Figure 4.10 Combined graph of Sustainability Reporting categories

4.3 Structured interviews

Profile of respondents

A total of 104 people were interviewed in Grahamstown. Respondents were interviewed in the township and in town (see Chapter 3).

Of the 104 people interviewed, 86 were consumers of Eskom electricity and 16 were Eskom employees. Two people indicated that they were neither consumer nor employee. The 16 employees at the Eskom office were the total number of workers present at the office on that particular day. Apart from one absentee, this is the total of employees working in the office. The age of people interviewed ranged from 14 to 77 years (mean = 36.66 ± 15.5 SD). Of these, 40 respondents were male and 64 female. The education level of the respondents is presented in table 4.2 below, showing that most of the interviewees are functionally literate, with most having some high school training or a matric certificate.

Table 4.2 Education levels of Eskom consumers and employees

	Count	Percent
1 None	5	4.8
2 Some junior school	3	2.9
3 St 5	10	9.6
4 Some high school	28	26.9
5 St 10	20	19.2
6 Some training	13	12.5
7 Technicon or University	15	14.4
8 Completed University degree	10	9.6

Language of respondents included Afrikaans speaking (19), English speaking (15) or *isiXhosa* speaking (70). The number of people living in the households ranged from 1 to 11 people per household (mean = 4.46 ± 2.09 SD), with the main income for the households being from salaries (73) or pensions (24). Other sources of income were given as investments or disability grants.

Electricity is being used by 101 of the respondents. The method of payment is by account (28 respondents) or per pre-paid coupons (73 respondents). Three employees indicated that Eskom debited their salaries directly each month.

The most significant results related to the respondent's awareness and knowledge of sustainability reporting and differences in respondents awareness.

Respondents (employees and consumers) were asked whether they knew what sustainability reporting was (Question 19; Table 4.3).

Table 4.3 Employee and consumer awareness of sustainability reporting

	Consumer	% of Consumers	Employee	% of Employees	Totals
Yes	6	6.98%	2	12.50%	8
No	74	86.05%	10	62.50%	84
Unsure	6	6.97%	4	25.00%	10
Total	86		16		102

The Pearson Chi-square test indicated that there was no significant difference in the awareness of the terminology 'sustainable or non-financial reporting' between consumers and Eskom employees ($p > 0.05$). Consumers and employees do not differ significantly in their awareness of sustainability reporting ($\chi^2 = 5.9$, $df = 2$, $p = 0.052$). Very few respondents seemed to know what sustainable reporting was. A significant number of respondents were unaware of sustainability reporting.

Of the eight respondents that indicated that they knew the term, only five respondents gave relevant answers. The relevant explanations given of the term sustainability reporting, included:

- "to make sure things keep going",
- "indication of how much was spent on certain items",
- "we can last long",
- "so we can still operate in the next 10 years" and
- "reporting on opposite of financial reporting".

The irrelevant answers included:

- “progress on reports”,
- “something that you have left out in your reports to your boss” and
- “middle level reporting”.

The respondents who correctly claimed that they knew what sustainability reporting was, heard about this term from television, newspapers, radio and from a conference.

Employees and consumers were asked whether they were aware of Eskom’s projects focusing on health and safety (Question 24, Table 4.4).

Table 4.4 Employee and consumer awareness of Eskom’s projects focusing on health and safety

	Consumer	% of Consumers	Employee	% of Employees	Totals
Yes	27	31.40	13	81.25	40
No	55	63.95	3	18.75	58
Unsure	4	4.65	0	0.00	4
Total	86		16		102

A highly significant difference was found between employee and consumer’s awareness of Eskom’s projects focusing on health and safety. ($\chi^2 = 14.14$, $df = 2$, $p = 0.0008$). Eskom employees were much more aware of Eskom’s projects that focus on health and safety (81.25%) than the consumers were (31.40%).

Employees and consumers were asked whether they were aware of Eskom’s projects focusing on the environment (Question 25, Table 4.5).

Table 4.5 Employee and consumer awareness of Eskom’s projects focusing on the environment

	Consumer	% of Consumers	Employee	% of Employees	Totals
Yes	26	30.23%	11	68.75%	37
No	57	66.28%	5	31.25%	62
Unsure	3	3.49%	0	0.00%	3
Total	86		16		102

A highly significant difference was found between awareness of Eskom employees and consumers about the environmental projects of Eskom. Of the Eskom employees interviewed, 68.75% indicated that they are aware of Eskom's projects that focus on the environment while only 30.23% of consumers indicated awareness of any environmental projects ($\chi^2 = 8.79$, $df = 2$, $p = 0.012$).

Employees and consumers were asked whether they were aware of Eskom's projects focusing on social issues and the community (Question 26, Table 4.6).

Table 4.6 Employee and consumer awareness of Eskom's projects focusing on social issues and the community

	Consumer	% of Consumers	Employee	% of Employees	Totals
Yes	35	40.70%	14	87.50%	49
No	50	58.14%	2	12.50%	52
Unsure	1	1.16%	0	0.00%	1
Total	86		16		102

A highly significant difference ($p < 0.01$) was found between the awareness level of consumers and employees regarding social and community issues. Eskom employees are much more aware (87.50%) than the consumers (40.70%) of the community and social projects that Eskom is involved in ($\chi^2 = 11.85$, $df = 2$, $p = 0.003$).

Information regarding Eskom policies, projects and activities is available on the Eskom Intranet, which employees have access to. Employees are made aware of these issues through regular training sessions and meetings. For example, the week of 17 to 21 November 2003 was 'Sustainability Week' at Eskom and the intranet page displayed information on this topic. This awareness week happened after the interviews were conducted and it is possible that some of the responses may have been different if the interviews were conducted after this awareness week.

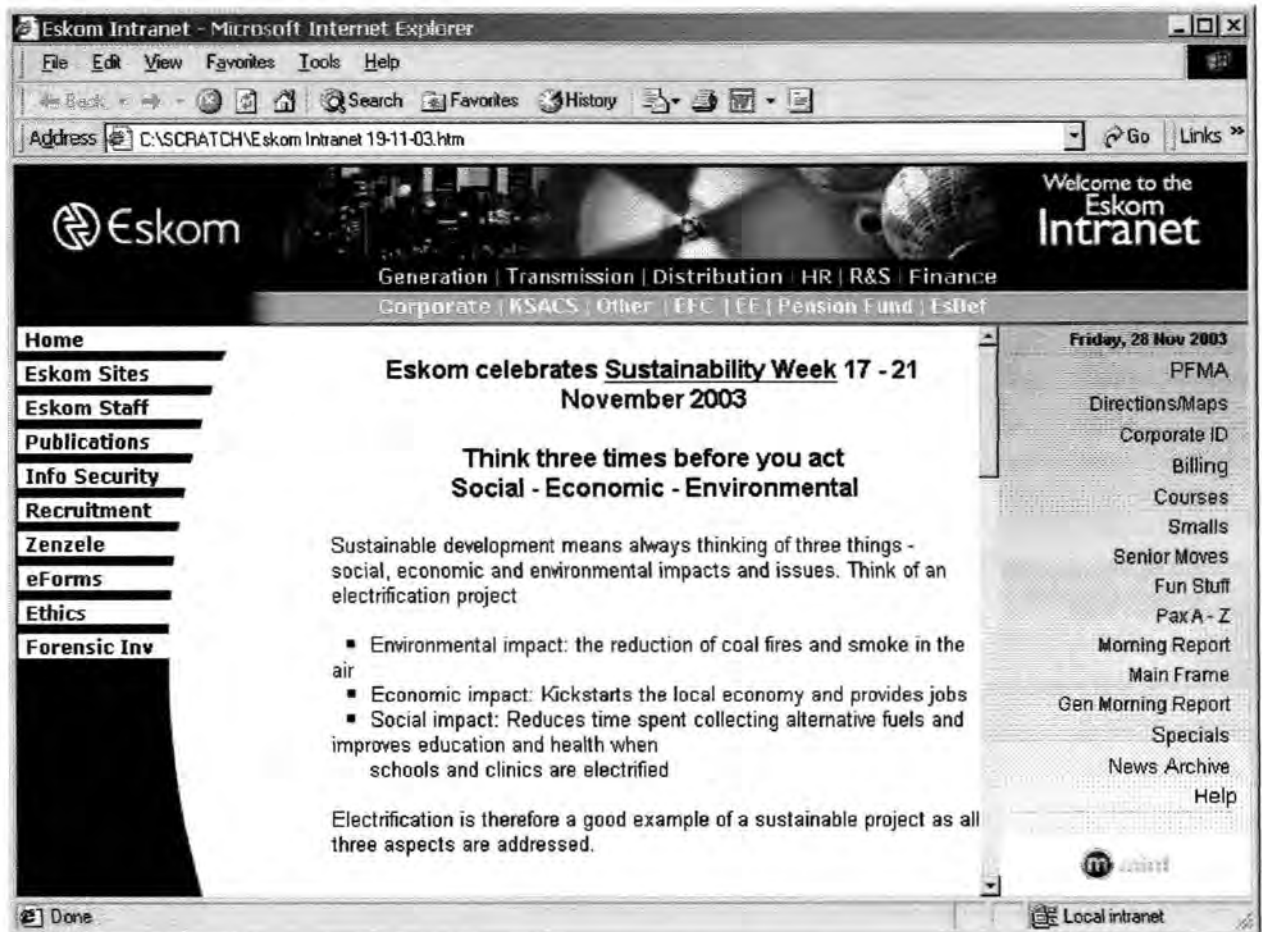


Figure 4.11 Example page of Eskom Intranet, Sustainability Week

(Eskom, 2003).

Likert scale responses

Employees and consumers were asked whether they thought it was important for companies to care about the environment (Question 27 a). Statistically there was no significant difference ($p = 0.900$) ($p > 0.05$) between employees and consumer responses to this question. Only 2 consumers were unsure and 1 out of the 104 respondents disagreed with this statement. It is clear that stakeholders feel that organizations should be responsible for the environment within which they operate.

Employees and consumers were asked whether they thought Eskom did not care about their consumers (Question 27 b). There was no significant difference between the responses of employees and consumers ($p = 0.540$) ($p > 0.05$). Most respondents of both the groups disagreed or strongly disagreed with this statement. In 2002, Eskom was rated as the most caring company by Corporate Care check and it is clear that the two stakeholder groups, employees and consumers agree with this award.

When Eskom employees and consumers were asked whether they think Eskom has a supportive HIV policy (Question 27 c, Table 4.7), a highly significant difference was found between the perceptions of consumers and employees.

Table 4.7 Perceptions of Eskom's HIV policy

	Consumer	% of Consumers	Employee	% of Employees	Totals
Strongly agree	7	8.14%	8	50.00%	15
Agree	17	19.77%	4	25.00%	21
Unsure	60	69.77%	4	25.00%	64
Disagree	1	1.16%	0	0.00%	1
Strongly disagree	1	1.16%	0	0.00%	1
Total	86		16		102

There was a highly significant difference between Eskom employee perceptions and the perceptions of the consumers of Eskom's HIV policy ($\chi^2 = 20.93$, $df = 4$, $p = 0.003$). The consumers were unsure about Eskom's policy on HIV, while employees agreed or strongly agreed that the HIV policy of Eskom was supportive. The

employees receive information on this policy through training, brochures and the Eskom intranet.

When asked whether they thought Eskom was a good company to work for, both the employees and consumers agreed that Eskom was a good company to work for (Question 27 d). No significant difference was found between the perceptions of consumers and employees ($p = 0.328$) ($p > 0.05$). Both groups agreed that Eskom was a good company to work for. Only 25% of consumers were unsure about this statement.

The statement was made that, "There is too much emphasis on the environment these days" (Question 27 e). Statistically no significant difference was found between the two groups of respondents, the consumers and the employees ($p = 0.680$) ($p > 0.05$).

In response to the statement whether Eskom showed a high level of social responsibility (Question 27 f) most of the respondents agreed with this statement. There was no significant difference between the two stakeholder groups ($p = 0.740$) ($p > 0.05$). Only 5.81% of respondents disagreed with this statement. In December 2003, Eskom was awarded the Community Development Programme of the year award at the Global Energy Awards in New York. Criteria for the award included the company's community development programmes in the community as well as employee participation (see Chapter 2).

Employees and consumers were asked whether they thought that companies should be forced to disclose damage to the environment (Question 27 g). Statistically, there was no significant difference between the responses of the two stakeholders groups regarding their attitude towards disclosure by organizations ($p = 0.125$) ($p > 0.05$). Both groups felt that environmental damage by companies, as a direct result of their actions, should be disclosed. Only one respondent out of 104 interviewed disagreed with this statement. Of all the respondents, 91,86% of consumers and 87,5% of the employees agreed that companies should be forced to disclose harmful practices.

Employees and consumers were asked whether social, health and environmental information would influence their attitude regarding a company (Question 27 h). No

significant difference was detected between the responses of the two groups ($p = 0.170$) ($p > 0.05$). Both groups agreed that social, health and environmental information would influence their attitude towards a company. Of the consumer group, 90,69% agreed or strongly agreed with the above statement compared to 25% of employees.

Respondents were asked whether they wanted to know what companies did for their employees regarding HIV/AIDS (Question 27 i, Table 4.9).

Table 4.8 Respondents want information regarding HIV/AIDS policies of companies

	Consumer	% of Consumers	Employee	% of Employee	Totals
Strongly agree	66	76.74%	6	40.00%	72
Agree	17	19.77%	7	46.67%	24
Unsure	2	2.33%	0	0.00%	2
Disagree	1	1.16%	2	13.33%	3
Totals	86		15		101

A highly significant difference ($p < 0.05$) was found between the responses of employees and consumers regarding this statement ($\chi^2 = 13.03$, $df = 3$, $p = 0.004$). More consumers agreed or strongly agreed with this statement than employees. A possible interpretation could be that employees are already getting a lot of information regarding this through the intranet and training sessions.

Respondents were asked whether they wanted to know what companies did about the safety of their employees (Question 27 j, Table 4.10).

Table 4.9 Respondents want information regarding safety policies for employees

	Consumer	% of Consumers	Employee	% of Employees	Totals
Strongly agree	69	80.23%	6	37.50%	75
Agree	14	16.28%	9	56.25%	23
Unsure	2	2.33%	0	0.00%	2
Disagree	1	1.16%	1	6.25%	2
Total	86		16		102

A highly significant difference ($p < 0.01$) ($\chi^2 = 15.06$, $df = 3$, $p = 0.001$) was detected between the responses of consumers and that of the employees. The consumer group strongly agreed with this statement (80.23%) and only 37.50% of the employees strongly agreed that they wanted to know what companies do regarding the safety of their employees. This was a surprising result, as one would imagine that people working within an organization would be extremely concerned about their own safety.

Again, it could be interpreted that due to Eskom's safety training and campaigns, the employees feel that they are getting enough information. As they are employed by one company they do not necessarily want to know what other organizations do. If the agree and strongly agree categories are grouped together together, the difference is not so significant.

Employees and consumers were asked whether they wanted to know what companies do for the communities within which they operate (Question 27 k, Table 4.11).

Table 4.10 Respondents want information regarding what companies do for the communities within which they operate

	Consumer	% of Consumers	Employee	% of Employees	Totals
Strongly agree	60	70.59%	7	43.75%	67
Agree	24	28.24%	7	43.75%	31
Unsure	1	1.18%	0	0.00%	1
Disagree	0	0.00%	2	12.50%	2
Row	85		16		101

There was a significant difference between the attitudes of employees and consumers regarding the statement above ($p < 0.01$) ($\chi^2 = 13.33$, $df = 3$, $p = 0.004$). Only 43.75% of employees strongly agreed that they wanted to know what organizations did for the communities within which they operate, but 70.59% of consumers strongly agreed that they wanted to know.

Reliability and validity of the questionnaire

Reliability and validity analysis was only appropriate for the 11 items (question 27a to question 27k in the questionnaire). Cronbach's alpha gave a value of 0.6216. This value was considered satisfactory due to the diversity in the nature of the questions.

Chapter 5

Discussion and conclusions

The conclusions reached from the research study are summarized in this chapter. The main implications of the findings are discussed. Recommendations are provided for future research and to Eskom and the chapter includes a reflection on the research process.

5.1 Discussion

5.1.1 Sustainability reporting is becoming increasingly important to Eskom

Eskom's non-financial reporting increased drastically in 2000, with the category Corporate Governance continuing to increase in 2001 and 2002. It was expected that Eskom's 2002 annual report would have shown a response to the release of the King II report, as the 2002 annual report accounted for events from 1 January to 31 December 2002, and King II was released in March 2002. However, with the exception of Corporate Governance, none of the chosen categories showed a significant change from 2001 to 2002. Contrary to expectations, major changes in total non-financial reporting in all categories except HIV/AIDS took place from 2000 to 2001. There was either a lag between the release of King II and its effect on Eskom's annual reports (i.e. the effect of King II will only be visible in the 2003 annual report) or it could be argued that Eskom, as a leader in the field of sustainability reporting, anticipated the release of King II and proactively increased the non-financial content of its annual reports in 2001. Such speculation is not entirely unfounded: Eskom was involved in the review of the first King Report and drawing up of the recommendations for King II. The chairman of Eskom, Reuel Khoza was a member of the King Committee on Corporate Governance and Management Committee (King Committee on Corporate Governance (2002)).

Since 2001 there seems to have been a shift from environmental reporting towards 'triple-bottom-line' reporting, as recommended by the King II Report. In this process, there seems to be a trade off between environmental, social and economic (financial) reporting (see chapter 2). Environmental reporting appears to be on the decline, and

social reporting does not seem to be rapidly increasing. Given that the category of corporate governance does not focus only on non-financial issues, it is difficult to establish the exact nature of this 'trade-off' in sustainability reporting.

This conclusion about the importance of sustainability reporting for Eskom, is supported by the findings of the KPMG 2001 Survey of Sustainability Reporting in South Africa who awarded a Sustainability award to Eskom (KPMG, 2001 and Visser, 2002). Annual reporting in Eskom is following "... an integrated approach towards sustainability reporting ..." (Eskom, 2002).

The increased importance of sustainability reporting, not only in Eskom, but also other South African companies, is confirmed by the sustainability scorecard rating of the KPMG 2002 Survey of Sustainability Reporting in South Africa (KPMG, 2002: 3). The top 5 sustainability report ratings were, in order: BHP Billiton, Hillside Aluminium, South African Breweries, Eskom and Old Mutual (KPMG, 2002: 3).

The growing trend in South Africa towards sustainability reporting can be attributed to international pressure, overseas customers, media pressure and legislation stipulating that all must have access to information to be able to protect their environment and well-being (Bennett, 1998).

5.1.2 There is a growing awareness amongst Eskom employees of sustainability issues and consumers seems unaware of Eskom's efforts at sustainability reporting

The consumers in the street do not seem to have much of an idea of what Eskom does apart from "Lighting up the country" and "putting in the meter boxes", as they responded in the structured interview. Awareness levels of the terminology 'sustainability reporting' were found to be extremely low in both employees and consumers, but when broken down into the separate categories of non-financial reporting, a slightly different and more complex pattern emerged. It was found that Eskom employees were much more aware of what the organization did regarding safety, HIV/AIDS and the environment than the public was.

Certain differences were found in the Likert scale responses between the employees and the consumers. The fact that consumers were unsure about whether Eskom has a supportive policy on HIV, while employees felt that the policy was supportive, was an expected response. The employees receive information on this policy through training, brochures and the Eskom intranet.

In response to the questions whether the respondents wanted to know what companies do regarding HIV and safety issues, there was a surprisingly significant difference between the responses of the employees and the consumers. The consumer group strongly agreed with this statement (80.23%) while only 37.50% of the employees strongly agreed with this statement (see chapter 4). One would anticipate that employees within an organization would be extremely concerned about their own safety. Again, it could be interpreted that due to Eskom's safety training and campaigns, the employees felt that they were getting enough information.

Employees interviewed seem to have a good perception of what Eskom is doing with regards to its employees, especially regarding safety and HIV/AIDS programmes. Most of the employees get their knowledge from the intranet that is available to them in the office. Most of the responses by employees indicate that they think Eskom cares and is a good company to work for.

Regarding the question on whether respondents wanted to know what organizations do for the communities within which they operate, it was found that only 43.75% of employees strongly agreed that they wanted this type of information, but 70.59% of consumers strongly agreed that they wanted to know. The non-employee group (consumers) clearly had a stronger feeling regarding the community issue, although the employees are also part of and live within the community.

Previous research done by De Villiers (1996), focusing on stakeholder awareness of environmental reporting, involved auditors and managers, and not the 'non-financial' stakeholders like employees and consumers (De Villiers, 1996). During the period of this study, no previous research has been found, comparing the sustainability reporting awareness between the two stakeholder groups, consumers and employees.

Public awareness of reporting issues has been growing internationally (Hackston and Milne, 1996), but according to many sources, South Africa is still behind the rest of the world (Bennett, 2003, Visser, 2000 and Naidoo, 2002).

5.1.3 Stakeholders are interested in non-financial issues and 'want transparency'

The fact that 91,86% of consumers and 87,5% of the employees felt that disclosure should be enforced, is a clear indication that stakeholders want transparency, especially about harmful practices. Stakeholders, whether employees or consumers, want to know what companies do regarding sustainability issues. They might not know what sustainable reporting is, but when elements of sustainability disclosure were broken down into categories, they strongly agreed that they wanted to know.

Sustainability reporting should be transparent and accountable, not only to the shareholder, but also to the other stakeholders (Bennett, 1998, De Villiers, 1996, Gray cited in Welford and Starkey, 1996, King Committee on Corporate Governance, 2002).

5.1.4 Global trends and fashion has an influence on the nature of sustainability reporting

This research project has found that the emphasis of reporting or the focus of reporting at a specific time, could be seen to be closely linked to what is seen as the current 'right thing to do' or the existing international and local trend. Aspects of sustainability reporting seem to be used selectively. This is shown by the earlier focus on environmental reporting in Eskom and by recent 'replacement' of this emphasis on sustainability reporting, even though the issues dealt with earlier, are still equally important.

The researcher agrees with Price who suggests that companies report on what is good publicity and on that which is a significant 'focus of the time' (Price, 2002). It is suggested that the 2001 Eskom annual report looks much different to the 2000 Environmental Report. The study done by Price (2002), suggests that the focus on the environment was a publicity strategy and "... that the change in international focus towards issues of immediate economic and national security and patriotism has meant that the environmental focus has been dropped" (Price, 2002: 81).

5.2 Methodological constraints and shortcomings

Certain challenges were experienced during the duration of this research project.

- Access to documents and Eskom employees:

Initially access to documents was a concern as this project would have been impossible without the relevant documents for analysis. Because the Eskom Annual reports are public documents, they were obtainable from the Eskom library and obtaining them did not pose a problem. Permission had to be acquired from regional and local Eskom managers before interviews could be conducted with the employees while on duty. Permission was granted and all staff members were extremely helpful.

- Classification of non-financial reporting into categories:

This challenge was dealt with by drawing from previous research studies and the recommendations of the King II Report in terms of non-financial/sustainability reporting (Hackston and Milne, 1996, King Committee on Corporate Governance, 2002 and KPMG, 2001).

- Understanding the cause-effect relationships found in the research study:

It was found that the employees of Eskom are more aware of what Eskom does regarding some non-financial issues like environment, HIV/AIDS and safety, than the consumers who are not employees. The researcher has concluded that this might be attributed to the internal awareness and training programmes that Eskom conducts for all employees.

- Explaining why the effect of King II recommendations is not yet evident in the non-financial/sustainable reporting pattern of Eskom after the release of King II in March 2002:

It can be speculated that a possible explanation for this could be that Eskom already started incorporating the King II recommendations in their reporting as early as 2000, due to the fact that the organization was involved with the drawing up of the recommendations as well as in preparation for the World Summit on Sustainable Development (Eskom, 2002 and King Committee on Corporate Governance, 2002). It might also be speculated that a one year post King II, is too soon for a pattern in reporting to change significantly.

No attempt was made in this research study to find direct causal relationships and the researcher can therefore only speculate on what the causal factors for the patterns found in the document analysis could be. It could be speculated that the sharp increase in sustainability reporting after 2000 occurred in anticipation of the WSSD, positive feedback after numerous rewards to Eskom, a change in management when Morgan was followed up by Gcabashe as CEO or due to global trends or fashions.

In terms of the validity of the perceptions of employees and consumers, differences and similarities were found between the two stakeholder groups. When broken down into sub-categories both groups were aware of some of the sustainability issues, it is important to the stakeholders and they want transparency. Black and coloured respondents surprisingly indicated that they are much less concerned about the environment than the white respondents (see chapter 4).

Considering whether it is valid to extrapolate from the Eskom case study results to other organizations, the researcher concludes that Eskom is an exception and more research is needed to check validity of results against other organizations. It is even risky to extrapolate beyond the Grahamstown sample, because the level of consumer awareness depend on people's exposure to the media and other social influences, 'sophistication' efficiency of local branch offices and even influences of leaders in the office. Case study methodology does not, however assume generalisation potential.

5.3 Recommendations and the way forward

5.3.1 Eskom is a public entity that has been involved with environmental reporting and lately sustainability reporting. The organization is already seen as one of the leading organizations in terms of certain of the non-financial issues, as can be seen from the numerous awards it receives annually. This research study could be repeated with other large corporations to determine whether Eskom is an exception and why. Smaller organizations, which might not be award winners in terms of Sustainability Reporting, should also be investigated in this manner. Research should be conducted over a longer period of time to establish longer term trends in non-financial reporting patterns.

5.3.2 More awareness campaigns on sustainability issues and Eskom's role in sustainable development, especially in community development, could be undertaken. This would have to take the literacy levels of relevant communities into account. The Eskom Intranet and training sessions that are being conducted for all Eskom employees seem to be an effective way of training and informing employees about sustainability issues. To educate stakeholders about the activities and performance of an organization or to change or manipulate the perceptions of stakeholders, are some of the strategies identified by Lindblom, which may be adopted by an organization when reporting (Lindblom, 1995).

The awareness campaigns that seem to work well for the employees could be taken further into the community albeit in a different form. A different type of awareness and public education campaign is needed for stakeholders like the consumers and general public, most of whom do not have the same levels of literacy or access to computers as Eskom employees. If Eskom values their stakeholders, as they claim they do, reporting has to be made more understandable, clear and accessible to those who do not or cannot read annual reports. Reporting has to be reliable, clear, relevant, comparable and timely and accessible to the public at large (King Committee on Corporate Governance, 2002).

5.3.3 This research project was restricted to only some stakeholders, the consumers of electricity that is supplied by Eskom and distributed through the municipality and the employees of Eskom in Grahamstown. This project concentrated on one Public Entity only, Eskom and focused on Grahamstown only. Future research could be done to include other stakeholders such as the major customers of Eskom (the bigger municipalities), suppliers, Unions and Government, to establish whether other stakeholder groups have the same perceptions and awareness of sustainability issues. This research could also be conducted in other geographical areas. Opinions could be monitored if the same questionnaire is administered to a different, but similar group of participants at regular intervals. As sustainability reporting is a relatively new topic, there is a strong possibility that opinions and awareness of sustainability reporting will change over time.

5.3.4 This report recommends that companies take a pro-active approach to corporate governance and sustainability reporting, taking note of the desire of consumers and employees to be informed about non-financial issues.

5.4 Conclusion

To remain competitive in a changing world, corporations have to be innovative and have to adapt their corporate governance practices to meet new demands and make use of new opportunities. Sustainability will only be achieved by changes in practices and performance and not merely by new policies and systems.

Rousseau quotes Arthur Levitt, the former chairperson of the United State Security and Exchange Commission:

If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. It is therefore clear that investors are looking to companies to adopt sound accounting and reporting practices that underlie good corporate governance (Rousseau, 2001:1).

Successful governance in the 21st century needs an inclusive approach, with greater emphasis on the non-financial aspects of performance. Principles of fairness, accountability, transparency and responsibility towards all stakeholders should apply (Rousseau, 2001).

South African companies, in their reaction to the King II Report should realise that it is the "... more empowered investors who will determine which companies and which markets will stand the test of time and endure the weight of greater competition" (Levitt cited in Rousseau, 2001: 6). No markets can claim the only right to investors' capital and therefore "... sound corporate governance is therefore essential to stay in the race for global investment" (Rousseau, 2001:6).

The 2003 KPMG Survey on Integrated Sustainability Reporting in South Africa, released at the end of October 2003, indicated that 77% of the top 100 companies listed on the Johannesburg Stock Exchange reference an internal code of conduct or code of corporate conduct. The KPMG survey shows that the increased emphasis on transparency, together with the recommendations of the King II Report and the general trend of increased corporate governance, has resulted in sustainability reporting becoming a mainstream practice for most of the listed companies. Although many companies have begun incorporating the recommendations of the King II Report, there is still room for detailed disclosure in accordance to the code (Mokgoathheng, 2003).

Previous surveys of KPMG focussed on general sustainability reporting, but the latest 2003 survey focuses on the incorporation of the recommendations of the King II Report. The survey proves that " South African companies are taking serious steps to improve the quantity and quality of information that is presented to stakeholders" (Mokgoathheng, 2003: 12). Naidoo, the director of sustainability services at KPMG said that

... there is a clear link between good management and business performance. It is also becoming of increasing value to companies to be able to demonstrate responsible behaviour through transparent and credible reporting. As the practice of disclosing non-financial performance continues to evolve, it is becoming more common for key stakeholders to demand that companies provide some level of third party assurance on their social, economic and environmental performance (Naidoo, cited in Mokgoathheng, 2003: 12).

In view of the above, this research study highlights the 'non-impact' of sustainability reporting (in the form of annual corporate reports) amongst employees and consumers (two stakeholder groups).

- Employees don't know the term sustainability reporting;
- Consumers don't know the term sustainability reporting;
- Employees seem to know a lot about sustainability issues resulting from Intranet communication and training;
- Consumers do not know much about sustainability issues in Eskom, which means that the annual reports are not effective in reaching the consumers as stakeholders;

- Consumers however want to know about sustainability issues; even more so than employees. (See question 27 h, i and j in Chapter 4).

It would therefore seem that innovative strategies of annual reporting (which don't rely on the corporate report) must be used to communicate within non-shareholder stakeholder groups such as consumers and employees.

This research corroborates the hypothesis that there is evidence of a change in the patterns of sustainability reporting in Eskom's reporting over the last 5 years. Evidence has also been found that even though stakeholders do not know the terminology 'sustainability reporting', both groups have some knowledge on the sustainability issues when the term is broken down into categories. The employee group was much more aware of what Eskom did regarding these issues than the consumer group was. Organizations should keep this in mind if they really want stakeholders to understand sustainability issues and sustainability reporting instead of just reporting to satisfy shareholders and legal requirements.

Appendix 1. Global Reporting Initiative Guidelines Summary

The Global Reporting Initiative (GRI) Guidelines describe the benefits of sustainability reporting as:

- To maintain trust in the community and other stakeholder groups;
- To link the functions of finance, marketing, research and development and operations departments of organizations into a more strategic vision and operation;
- It allows trouble spots and opportunities to be identified;
- It allows to assess and measure the true value of sustainability practices in the organizations business strategy; and
- Reduces share price volatility.

The GRI is unique as the only reporting framework based on global and multi stakeholder processes. The guidelines are summarized below:

- **Transparency:** Full disclosure of all processes and procedures are essential in report preparation;
- **Inclusiveness:** All stakeholders should be part of preparing of the reports;
- **Auditability:** All reports should be audited to verify that reporting is accurate;
- **Completeness:** The report should contain all material information;
- **Relevance:** When determining the degree of information for reporting, the organizations should keep in mind the degree of importance that the report users give to the particular information;
- **Sustainability context:** An organization's reports should place its performance in the wider context of ecological, social and other issues;
- **Accuracy:** Reports should be accurate and with few errors to enable report users to make decisions with confidence;
- **Neutrality:** Reports should not be biased in the selection of information to present. Reporting should give a balanced view;
- **Comparability:** Reports should be written in such a way that readers would be able to compare reports to reports of comparable organizations;
- **Clarity:** Information should be understandable by a maximum number of users, while still containing enough detail and

- Timeliness: Reports should provide information on a regular time schedule.

The GRI Guidelines also suggest that sustainability reports contain the following 5 sections:

1. Vision and strategy of the organization: The CEO statement and the organization's sustainability strategy;
2. Profile: The organization's operations, scope and stakeholders should be described in the profile;
3. Governance Structure and Management Systems: The structure, policies and management systems must be described;
4. GRI Content Index: A cross-referenced table should indicate specific information to compliance with the GRI Guidelines; and
5. Performance Indicators: economic, social and environmental performance indicators should measure the performance of the reporting organization.
(Global Reporting Initiative, 2004).

Annexure 2. Guidelines for Structured Interview

Structured interview: Customer awareness and attitude towards non-financial reporting

1 Place of interview

Town	Township	Other
1	2	3

2 Are you a customer or employee?

Customer	Employee	None
1	2	3

3 How old are you in years?

4 Gender

Male	Female
1	2

5 Race group

African	Coloured	Indian	White	Other
1	2	3	4	5

6 What is your nationality?

South African

Other

Please specify

1
2

7 What is your highest level of education?

- None
- Some junior school
- St 5
- Some high school
- St 10
- Some training
- Some Technicon or University training
- Completed University degree

1
2
3
4
5
6
7
8

8 What is your home language?

- Afrikaans
- English
- Xhosa
- Other
- Specify

1
2
3
4

9 How many people live in your household?

--

10 What is the main source of income in your household?

.....

11 What is your household income per month?

- Less than R500.00
- R500.00 - R1000.00
- R1000.00 - R3000.00
- R3000.00 - R10 000.00
- More than R10 000.00

1
2
3
4
5

12 Which is true for your household?

We do not have enough money for food

1

We do not have enough money for food and clothes

2

We have enough for food and clothes, but short other things

3

We have enough money for extra things like holidays

4

13 Do you have electricity in your house?

Yes	No
1	2

14 Who pays for your electricity?

.....
.....

15 Where do you think the electricity comes from?

.....

16 How do you pay for your electricity?

Coupon	Account
1	2

17 How much did you spend on electricity, the last month?

.....

18 How much did you spend on paraffin, gas or wood the last month?

.....

19 I know what sustainable/non-financial reporting is

YES	NO	UNSURE
1	2	3

20 If YES, please explain.

.....
.....

21 I heard about this word in

.....
.....

22 I will consider switching to Eskom's competition once it becomes available.

YES	NO	UNSURE
1	2	3

23 Reason for switching would be:

YES	NO	UNSURE
1	2	3

24 I am aware of Eskom's projects focusing on Health and safety

Please explain

.....

25 I am aware of Eskom's projects focusing on the Environment

YES	NO	UNSURE
1	2	3

Please explain

.....

26 I am aware of Eskom's projects focusing on Social issues and the community

YES	NO	UNSURE
1	2	3

Please explain

.....

27 Please read each question and select the most appropriate choice.		strongly agree	agree	unsure	disagree	strongly disagree
It is important for companies to care about the environment		1	2	3	4	5
Eskom does not care about their customers		1	2	3	4	5
Eskom has a supportive HIV policy		1	2	3	4	5
Eskom is a good company to work for		1	2	3	4	5
There is too much emphasis on environment these days		1	2	3	4	5
Eskom shows a high level of social responsibility		1	2	3	4	5
Companies should be forced to disclose damage to the environment		1	2	3	4	5
Social, health and Environmental information will influence my attitude regarding a company		1	2	3	4	5
I want to know what companies do for their employees with HIV/AIDS		1	2	3	4	5
I want to know what companies do about the safety of their employees		1	2	3	4	5
I want to know what companies do for the communities within which they operate		1	2	3	4	5

Comments:

THANK YOU VERY MUCH

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