

**PRESENTATION BY JACOB MAROGA  
CHIEF EXECUTIVE  
ESKOM HOLDINGS  
SOUTH AFRICA**

**GLOBAL COMPACT LEADERS SUMMIT - SESSION 1**

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- **What has your experience been with implementation of the Global Compact and its principles? Has it added value? If so, how?**

The first response when we saw the principles, was that they resonated with what Eskom was committed to, and striving to achieve. It provides an essential framework under which to group our activities. The framework is also broad and voluntary. The voluntary nature of the compact makes it complementary to regulation, and more importantly where regulation is non-existent or insufficiently enforced, can provide key guidance.

Value has been gained from being a signatory as we have integrated the principles into the way we work. Our overarching strategies such as our sustainability strategy have included the Global Compact principles to provide key guidance to the organisation. Some other examples include our capacity expansion programme and procurement.

Eskom is embarking on a significant capacity expansion programme as the demand for electricity in South Africa increases. Taking guidance from the environmental principles we have devised a strategy to meet this demand, which combines the effective use of demand side management (DSM) and focused supply side options. To promote greater environmental responsibility, we have launched an extensive DSM programme which will see the accelerated roll out of load management and energy efficiency programmes on a national scale. The accelerated DSM programme aims to reduce demand by 3366 MW by 2012 and a further 5000 MW by 2025. One of the first steps we have taken in this regard is to launch an extensive solar water heating programme which will reduce the level of electrical water heating and contribute to the country's renewable energy mix. Eskom has also decided to investigate a funding mechanism in the form of an energy efficiency incentive to be rolled out over five years from 2007 - 2012. These programmes allow us to drive the Global Compact principles up the supply chain to the end consumers of electricity. Eskom also has an active internal energy efficiency programme – the Billion Kilowatt Hour savings project.

We also have taken the principle of encouraging the development and diffusion of environmentally friendly technologies a step further through the diversification of our supply side energy mix. Decisions taken in this regard include an investment decision on a 100 MW wind facility which will be southern Africa's largest. We have also built new gas plant and are investigating a large nuclear programme and clean coal technologies – driven by climate change considerations. This programme is thus broad based and many partnerships will be formed, both commercial and strategic.

The capacity expansion programme has afforded us the opportunity to communicate the Global Compact Principles with our suppliers. We have developed contractor safety forums where the fundamental principles of labour and human rights are operationalised as joint initiatives and partnerships are formed to ensure the safety of all people on our sites. We have also developed an ethics programme as Eskom conducts business on a daily basis with its customers, suppliers and communities, as well as with the state and other authorities. To reflect and foster Eskom's national responsibilities and enhance its reputation, employees have to be committed to maintaining the highest level of integrity and ethical conduct in their actions and relationships with all stakeholders in our business. This has been achieved through the development of a Business Conduct Policy, ethics pledges and a Code of Conduct for our suppliers. The principles set out in the Code of Conduct for suppliers, complement Eskom's current policies regarding gifts, hospitality and conflicts of interest. The code is designed to ensure that arrangements with suppliers are consistent with "Best Practice", and to inform suppliers of conduct which Eskom expects from them.

Eskom has also addressed the inequities of the past and in support of the human rights principles, through various employee programmes such as affirmative action, gender and disability equity and with our suppliers through Broad Based Black Economic Empowerment.

We have also found that today many rating agencies and lending institutions are also looking for companies' commitment to good corporate governance, corporate responsibility and sustainable development. The Global Compact provides a mechanism for companies to demonstrate this commitment and Eskom communicates our commitment when engaging with these important stakeholders.

Thus the compact provides an essential opportunity for networking beyond the traditional silos and allows companies to communicate and share best practice and innovative thinking and learn from other sectors and countries. This also allows us to showcase the excellent contribution South African companies are making. Eskom is always receptive to the forging of new partnerships and the identification of synergies and the Global Compact also allows this opportunity.

- **Looking into the future, what is your advice to improve the implementation and value of the Global Compact principles:**
  - **at the Corporate level?**
  - **through collaborative / partnership initiatives?**

In order to improve the implementation and value of the Global Compact Principles, we need firstly move from having a few companies subscribing to the principles to the majority of companies being signatories as well as other parts of civil society and government. It should be part of the way that we all do business and interact with one another.

In order for companies to join and practically implement the principles, companies need to see the value of the Global Compact in the plethora of initiatives and organisations to which companies belong. It should be emphasised and demonstrated that the Global Compact through its activities and programmes provides specific opportunities to address national, regional and international challenges such as weak human, institutional and physical infrastructure, governance and leadership gaps and poverty. The excellent library of case studies the Global Compact has compiled should be extended and deepened in order to further understand specific business drivers and lessons learnt. Improved mechanisms for

better communicating these case studies to both members of the Global Compact as well as non-members need to be found. This will encourage increased participation, as well as continual improvement.

Companies should also be encouraged to work with their suppliers to encourage them to join as strong corporate governance and continual improvement can be magnified when done in the context of a supply chain, rather than as individual companies. When companies can share risk and resource burdens with like minded companies they will see additional value to the Global Compact process and framework. Initiatives such as the Global Business Leadership Platform on Climate Change provide excellent platforms for collective action.

For companies based in developing countries, it can provide an internationally recognised framework, and can assist with reducing the “risk of working in developing countries” and provide a platform to identify programs related to business development and public-private partnerships.

The role of the regional networks are also key in order to engage local business and their suppliers and customers. These networks can also play a critical role in rolling out from individual projects to substantive collective action in order to progress and business plays a key role together with other stakeholders. The role of the networks needs to be extended in order to broaden participation and provide a platform for business dialogue, amongst themselves and with broader civil society. In South Africa we are fortunate to have the National Business Initiative as the local Global Compact Network Partner and having an organization such as this with strong links into business and other stakeholders has played an important role in promoting the Global Compact.