

**A CORPORATE SOCIAL REPORTING PRACTICES: THE
CASE OF COMPANIES LISTED ON THE NAIROBI
STOCK EXCHANGE.^**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

This project is dedicated to my husband for his great assistance and support throughout my study. To my daughter and son for they are my inspiration to read more and more.

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I am grateful to my supervisor Mr. Abdulatiff Essajee of University of Nairobi, Department of finance and accounting, for his critical and helpful comments and guidance from the initial draft to the completion of this project. I am also grateful to the Teachers Service Commission for granting me study leave to pursue this course. I am thankful to the Capital Markets Authority for giving me permission to use their library

ABSTRACT

This study aimed at examining the corporate social reporting practices of companies listed in the Nairobi Stock Exchange in the year 2006. To achieve this, the researcher set out to investigate the extent of social reporting, the guidelines used in preparing social reports and assessing the quality of the social reports.

The study was based on all the forty two companies that had been listed and were actively trading in the Nairobi Stock Exchange through out the year 2006. Primary data and secondary data were used to facilitate in the accomplishment of the stated objectives. Primary data was obtained through the use of questionnaires while secondary data was collected from the annual reports of listed companies. The extent and nature of corporate social reporting in annual reports was measured according to the number of sentences used. Corporate social reports disclosures were classified according to six key themes. The mode of presentation and the type of news disclosed were also investigated.

The research showed, in summative, that corporate social reporting in Kenya is of low quality and lacks completeness, uniformity and reliability. Most of the reporting is done in the annual reports in the corporate governance section. Only two companies prepared separate and stand alone reports. The reports primarily focused on education, health and social and charitable activities. All the information was good news and no bad news was disclosed. The study concluded that corporate social reporting should be encouraged through ethical considerations and social agreements and through external auditing of the social reports.

Auditing of the reports by specialized auditors and enactment of laws and ethical considerations will contribute greatly to the production of quality corporate social reports in Kenya

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LIST OF ABBREVIATIONS

1. CCG - Center for Corporate Governance
2. CMA - Capital Markets Authority
3. CSR- Corporate Social Reporting
4. FIRE - Financial Reporting Award
5. GRI - Global Reporting Initiative
6. ICPAK- Institute of Certified Public Accountants of Kenya.
7. NSE - Nairobi Stock Exchange.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background.

Published annual reports are used as a medium for communicating both quantitative and qualitative corporate information to present and potential shareholders and other users of accounting information. Although preparation of an annual report is a statutory requirement, companies normally voluntarily disclose information in excess of the mandatory requirements (Barako, 2006). This has been as a result of the unprecedented change on the corporate landscape where shareholders are demanding more transparency and accountability from companies.

Corporate Social Reporting (CSR) is part of the voluntary information that companies disclose. This area of corporate social reporting has generated interest well beyond the confines of accounting academics and professional accountants. Managers, the media, politicians and the public have noted environmental and, therefore, social problems which may be addressed, in part at least, by identifying, measuring and perhaps valuing the interactions between business, society and the environment (Mathews 1997).

CSR has grown considerably as business enterprises are under pressure from stakeholders to report to them as to what extent they have been successful in protecting their interests (Imam, 2000). Financial results alone are not enough to predict future performance and companies need to report performance in a holistic manner across multiple dimensions. These developments and

demands have made companies to increasingly recognize the importance of adopting a social, ethical, and environmentally responsible approach to business activity and entering into dialogue with all groups of stakeholders.

It is now clear that an entity that fails to make a positive contribution to society will be perceived as being socially irresponsible (Idowu and Towler, 2004). To demonstrate that they "care" about the people and environment they operate in, organizations have taken different courses of action. The Corporate Social Report is one such course. These reports are used to communicate how "caring" companies have been over the financial period that has just ended and how they intend to continue to be even more so in future periods. CSR assumes that the companies are to be socially conscious to discharge their social obligations for the well being of the society (Imam, 2000).

Corporate social reports have now become part of the annual report in addition to the traditional annual financial reports (Idowu and Towler, 2004). This has been the case in Kenya in the case of listed companies and multinational corporations. Some companies issue their social responsibility information either in a separate section called social responsibility, or in the board of directors' statement in the annual reports or in a separate stand-alone document called the corporate social responsibility report as was observed by Idowu and Towler (2004) in their study on companies in the United Kingdom. A variety of media can also be used to communicate a company's social performance such as the internet, intranet, internal newsletters, brochures covering specific issues, press releases, press conferences, videos and annual reports (Unerman,

2000). The format of presentation can be quantitative, qualitative, pictorial or a combination of the three

Companies, by embracing social reports, can increase their competitiveness, performance, and improve their image. For many companies, sustainability is becoming not just "a nice thing to do" but also a core requirement, enabling them to increase their value and sustain profitability in the long term (PwC, 2004).

Despite these developments, environmental and social reporting has remained predominantly a voluntary practice and is subject to senior management intervention. It has also been accompanied by a similar growth in confusion over terminology and, perhaps more pertinently, confusion over what a social report is intended to achieve (Gray, 2000).

1.2 Statement of the problem.

Corporate stakeholders have the right to know what contributions corporate entities are making to society (Idowu and Towler, 2004). The provision of information, which satisfies this need, is known as accountability. Existing methods of reporting company performance have proved inadequate in the provision of information that communicates all aspects of a firm's performance (Zairi, 1995). This has called for a need to decide on how to find a formula for implementing and communicating all aspects of firms' activities to their stakeholders.

The concept of social accounting involves evaluation, in monetary and non-monetary terms, of the impact of objectives, policies and procedures of a commercial organization, on different sections of society, as compared to the benefits derived by the society (Anshen, 1980).

The development of social and environmental accounting and accountability practices is still in its infancy. According to Nielsen and Thomsen (2007) the lack of an established framework and only guidelines, for how to communicate consistently about social activities, renders many organizations somewhat unprepared for the task. The lack of a common understanding and terminology in the area of CSR has made it difficult for organizations to develop consistent strategies for reporting on their social activities in terms of genres, media, rhetorical strategies, etc. These, coupled with the jungle of discourses, which reign in the domain of CSR, have caused the communication from many organizations to be rather inconsistent

Perera, PwC Managing Partner in Europe noted that what was lacking was a format. From the many reports he had read from all over the world he noticed that there was no uniformity. Perera found a lot of good intentions, but no standard were available that would help make the reports comparable within industries, geographies or even within companies (PwC, 2004).

This inconsistency on exactly what is required in a CSR is manifested in many ways such as disagreement on the number of words to be disclosed, the mode of presentation as to whether it should be pictorial, qualitative or quantitative. The lack of standards and the fact that the report has no defined audience but is aimed at the world at large has led to a wide variation in what is

reported. No conclusive attempt has been made to assess the quality of disclosure. The location in the annual report and document on where to make these disclosures is also controversial.

From all these it is clear that as far as social reporting is concerned, there are a number of contentious issues. Little is known of the actualities of corporate social reporting in Kenya. This study aims to move towards an appreciation of this neglected but important area. The study will confine itself to corporate social reporting practices in companies listed on the NSE in Kenya. It will focus on the annual reports of the listed companies.

1.3 Objectives of the study.

This study will aim at determining the following:

1. The extent and mode of social reporting adopted by the companies.
2. The guidelines (if any) commonly followed by companies in the preparation and presentation of the corporate social reports.
3. The quality of information disclosed in the corporate social reports.

1.4. Importance of the study.

There is currently no empirical evidence available on the extent to which listed companies in Kenya make available information over and above that which is mandated in the area of CSR, and whether there are variations in the levels of such disclosure

The motivation for this study is to examine the extent of voluntary disclosure in the area of corporate social reporting in annual reports and determine the corporate social reporting practices of companies in Kenya. The difficulties that companies are experiencing in the process of preparing the reports, if identified will facilitate in finding ways of eliminating them and consequently encourage improved reporting in this area in the future

This study will prove useful to the following groups of users:

a) Managers and Accountants

Managers and accountants will be able to appreciate the state of CSR and identify ways of bridging the present gap and inadequacies in its reporting.

b) Professional and Regulatory bodies

The study will serve as a point of reference for professional and regulatory bodies like the Institute of Certified Public Accountants of Kenya, Nairobi Stock Exchange, Capital Markets

Authority and Center for Corporate Governance in the development of guidelines to enhance the relevancy, reliability, comparability and understandability of the information provided in the corporate social reports

c) Investors

Investors need to access and evaluate all the information about a firm before making any investment decisions. This study will bring to light the extent and quality of corporate social reporting in Kenya. This will enable the investors make investment decisions with full knowledge of the extent and quality of the corporate social report availed to them.

d) Scholars and Academicians

The research will be a useful source of reference in the area of Social and Environmental Accounting Research (SEAR) for academicians and scholars.

CHAPTER TWO

2.0 LITERATURE REVIEW.

2.1 Conceptual Framework.

2.1.1 Social accounting

Social accounting has been variously defined and one typical definition provided by Gray (2000)

is:

"the preparation and publication of an account about an organization's social, environmental, employee, community, customer and other stakeholder interactions and activities and, where, possible, the consequences of those interactions and activities. The social account may contain financial information but is more likely to be a combination of quantified non-financial information and descriptive, non-quantified information"

Mathews (1993) defined social accounting as voluntary disclosures of information, both qualitative and quantitative made by organizations to inform or influence a range of audiences.

The quantitative disclosures may be in financial or non-financial terms.

The National Association of Accountants (NAA) Committee on accounting for Corporate Social Performance defined social accounting as the identification, measurement, monitoring and reporting of the social and economic effects of an institution on society (Epstein, 1977). It is intended for both internal managerial and external accountability purposes, and is an outgrowth of changing values that have led society to redefine the notion of a corporation's social responsibilities.

2.1.2 Corporate annual report

Stanton and Stanton (2002) defined a corporate annual report as a formal public document produced by public companies largely as a response to the mandatory corporate reporting requirements in existence.

2.1.3 Corporate social reporting (CSR)

Gray et al. (1987) defined CSR as the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. It involves extending the accountability of organizations, particularly companies, beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.

Perks (1993) defined corporate social reporting as the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders.

2.1.4 Accountability

Accountability is the duty to provide an account of action or reckoning of those actions for which one is held (Gray et al., 1996). Ijiri (1975) defined accountability as the relationship between

two parties, the accountant and the accountee, where the latter is accountable to the former for his/her activities and the consequences Rosenfield (1974) defined accountability as to report on the control and use of resources by those accountable for their control and use to those whom they are accountable.

2.1.5. Quality Report.

The Framework for the preparation and presentation of financial statements states that for a report to be of quality it should possess four characteristics. These are understandability, relevance, reliability and comparability (International Accounting Standards Board, 2007).

2.2 Development of corporate social reporting.

In the mid-1970s there was a change in corporate external reporting from a largely profit oriented perspective to a broader view encompassing a CSR perspective (Ramanathan, 1976). CSR originated from a growing public awareness of the role of the corporate in society. The corporate report (1975) was the starting point for the whole issue The corporate report was a discussion paper issued by the Accounting Standards Steering Committee of the Institute of Chartered Accountants of England and Wales. Its approach was to identify the users of financial statements and their information needs. It was proposed in the Corporate Report that there should be additional reports to satisfy the needs of other stakeholders. The primary stakeholder groups are investors, employees, suppliers, customers, wider and local community, competitors and the

government or state. This report emphasized the right to information to all the stakeholders but it was not followed by other similar effort (Deegan, 2002).

Many firms have as a result of these concerns increasingly adopted environmental and social reporting within the annual report. A study by on corporate social reporting in the United Kingdom by Idowu and Towler in 2004 found out that two distinct ways were commonly adopted when reporting social and environmental matters. Some companies issued separate reports for their activities whilst others devote a section in their annual reports for providing information on these activities.

Historically, the preparation of social reports has moved in different directions, from long narrative descriptions to precarious or disintegrated information as revealed by a report by PriceWaterhouseCoopers in 2004. Typically, these reports utilize a genuine desire of showing a social action. Unfortunately, the reports sometime look for notoriety, for marketing or to improve a company's corporate image.

Studies have emphasized that social corporate reporting is not systematic, because of the absence of regulation, and depends on the interest of stakeholders in the social behavior of a company. Thus, on the basis of this, companies produce social information in the form of voluntary documents (Gray et al., 1995). Many governments have not come up with any statutes regarding the preparation of this report. In the developed countries though, such as Italy (Beica, 1999; Chiesi et al, 2000), Germany (Schreuder, 1979) efforts in its legislation have been underway.

The British government also noted the importance of CSR reports when a minister for CSR was appointed in March 2000 (Idowu, 2004). In 2001, FTSE4Good index in United Kingdom was launched. Companies that were considered to have made progress in three main areas, namely, working towards environmental sustainability, developing positive relationships with stakeholders and upgrading and supporting universal human rights were selected for inclusion in the index.

2.3 Reporting framework.

Despite the increasing attention given to the problems of using profit as a measure of corporate performance with little regard to externalities, along with the heightened expectations of stakeholders regarding business growth and social responsibility, the development of CSR has been somewhat slow, piecemeal, reflective of a number of disparate positions, as well as lacking a clear theoretical framework (Gray et al., 1987). No legal rule codifying form and contents of the social report actually exist, neither at the community level nor at a national one (Cordazzo, 2005). According to Idowu and Towler (2004) firms are at will guided by various reference models on the preparation of social accountability reports which include:

- a) Global reporting initiative - GRI project, which was set up in 1997 by some European institutions and supported by companies, agencies and non-government organizations to provide direction towards the creation of a "sustainability reporting" system for companies producing voluntarily environmental and social reports. The GRI assists

organizations around the world define, measure and report their contribution to the environmental and social conditions and economic realities of their communities. It intends to make reporting on environmental and social performance as routine as reporting on financial matters

- b) Social Accountability 8000 - SA8000 standard, published in 1998 by CEPAA -Council for Economic Priorities Accreditation Agency, which refers to the certification of "social accountability", that is. the ethical level and social responsibility attained by a company. It was developed by an international coalition of businesses, trade unions and non-governmental organizations (NGOs) on the basis of International Labor Organization (ILO) conventions.

- c) AccountAbility 1000 - AA1000 standard, developed in 1999 by the Institute of Social and Ethical Accountability (ISEA), which aims at improving social accountability and performance through dialogue and integration with stakeholders. This framework provides a standard for social and ethical accounting and auditing. It includes mandatory external verification and stakeholder engagement

- d) The Good Corporation developed by the Institute of Business Ethics This covers fairness to employees, suppliers, customers, equity and loan creditors, contribution to community

and protection of the environment. The framework provides that an independent verifier should assess the company performance annually.

- e) The Universal Declaration of Human Rights and the UN convention on the Rights of the Child. This standard focuses on child labour, forced labour, health and safety, working hours, discrimination, discipline, free association and collective bargaining.

2.4 Background of Regulatory framework in Kenya with respect to corporate reporting.

Like most Commonwealth countries, the Kenyan Companies Act (Chapter 486, Laws of Kenya), is based on and is substantially the same as the UK Companies Act of 1948 (Ogola, 2000). The Kenyan Companies Act sets the general framework for financial accounting and reporting by all registered companies in Kenya and stipulates the basic minimum requirements with regard to financial reporting. The Sixth Schedule of the Act sets out the disclosure requirements in respect of the balance sheet and the profit and loss account.

Due to the limited details of the Companies Act, financial reporting and regulation is supplemented by the pronouncements of the Institute of Certified Public Accountant Kenya (ICPAK), a body established through the Accountants Act. The Act also resulted in the formation of the Kenya Accountants and Secretaries National Examinations Board (KASNEB) and the Registration of Accountants Board. ICPAK is responsible for the development and implementation of accounting and auditing standards and has been engaged in the setting of Kenyan Accounting Standards since the early 1980s. In 1998 ICPAK decided to adopt

International Financial Reporting Standards (IFRSs) without any modification and as a result from 1999, financial statements for all companies in Kenya have been required to comply fully with IFRSs (Barako, 2006).

In order to enforce adherence to the highest standards of financial reporting, ICPAK maintains a close working relationship with regulatory institutions such as the Central Bank of Kenya (CBK) and the Capital Markets Authority (CMA). ICPAK is also represented on the Disclosure and Standards Committee of the CMA (Barako, 2006). NSE like many other stock exchanges maintains listing rules for all listed companies across the Main Investment Market Segment, the Alternative Securities Market Segment and the Fixed Income Securities Market Segment.

Corporate governance has also gained prominence in Kenya, as is the trend in other countries (CCG, 2004). An important player in developing the appropriate corporate governance framework in Kenya is the Centre for Corporate Governance (CCG) Kenya, an affiliate of the Commonwealth Association for Corporate Governance (CACG). In November 1999, the CCG developed principles for Corporate Governance in Kenya to be adopted voluntarily by companies. This document substantially constituted the draft Corporate Governance Practices for Listed Companies in Kenya (2000) issued by the CMA, which subsequently in 2002 became a mandatory guideline for all listed companies in Kenya (Barako, 2006).

In 2005, in line with the emphasis on the need to improve the quality of financial reporting and governance by Kenyan companies, the CCG issued a draft Corporate Governance Guidelines on Reporting and Disclosures in Kenya. The emphasis of the draft guidelines was on non-financial disclosures, such as ownership, board composition, qualifications, committees, meetings auditor independence and corporate social responsibility (Barako, 2006).

The disclosure requirements for non-financial information are voluntary and there are no clear authoritative statements as to the format, content, document to be contained in and the regularity of disclosure. There is minimal legal backing in Kenya for access by shareholders and other interested parties to corporate information particularly with regard to non-financial performance of companies (CCG, 2004). CSR in Kenya is guided by the "Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya", Gazette notice number 3362 under the Capital Market Act Chapter. 485 Section A. (Barako, 2006).

The Corporate Governance requirements in Kenya are that the objectives of the enterprise should be disclosed. While traditionally the primary corporate objective has been to maximize the long-term return to shareholders, this view is changing to one of "promoting the success of the company for the benefit of its members as a whole". Enterprises in Kenya are encouraged to adopt the triple bottom line approach of reporting that encompasses the economic, environmental and social performance of a company. The company's policy and performance in connection with social and environmental responsibility should be disclosed together with the impact of this

policy and performance on the firm's sustainability. The report should delineate the extents of its ethical, social, safety, health and environmental management policies and practices (CCG, 2004).

The growth of numerous award schemes and forums that recognize importance of social responsibility has further demonstrated interest in this area in Kenya (PwC 2004). The Financial Reporting (FiRe) award is noteworthy. This is an annual event organized by the Institute of Certified Public Accountant of Kenya (ICPAK) that brings together over 65 companies to recognize best practices in financial reporting. Companies that have embraced this award scheme have gone beyond the core purpose of raising standards of financial reporting to reporting on corporate governance, environmental prudence and corporate responsibility.

East African Business Summit, a regional forum conducted by PricewaterhouseCoopers, urges Corporate Executive Officers (CEOs) to address environmental degradation, corporate governance and the frightening ravages of HIV/AIDS (PwC 2004). Also conducted by PricewaterhouseCoopers is the East African Most Respected Company survey. Based on peer reviews amongst CEOs, the survey assesses corporate reputation based on a number of attributes including social and environmental responsibility. As a result of these events, company executives have begun to address sustainability issues and incorporate non-financial disclosure in their annual reports (PwC 2004). It is in this background that CSR in Kenya is carried out.

2.5 Empirical researches.

The number of companies reporting their social performance has grown sharply over the last year, reports the Social Investment Research Analysts Network, but there is still a long way to go in the quality of existing reports (CSRwire, 2006). In a study of 115 South African companies by Savage (1994) it was observed that approximately 50 per cent of companies made social disclosures with human resource (89 per cent) as the main theme. Typical human resource disclosures included, pay, working conditions, compensation and equal opportunities. Other social disclosures included community involvement (72 per cent) and environmental disclosures (63 per cent). This study aimed at finding out the content of social reports of listed companies in Kenya.

Singh and Ahuja (1983) studied 40 annual reports of public sector companies in India for the year 1975 to 1976. It covered 33 social disclosure items including social overheads, environmental control measures, charitable activities and community involvement. The study examined the extent of CSR in India and the relationship between CSR and company age, size, profitability and industrial grouping. The study indicated that approximately 40 per cent of the companies disclosed more than 30 per cent of the total social disclosure items included in the survey

Hegde et al. (1997) made a case study of the Steel Authority of India Limited (SAIL), a public sector company. They observed that SAIL prepared a social balance sheet and an income

statement. In addition, it made extensive human resource disclosure. It also included a value-added statement in the annual report.

A study by Imam (2000) revealed that most of the listed companies in Bangladesh did not provide any information regarding human resources, community, the environment and consumers in the year 1996 to 1997. Though some progressive companies disclosed some information, that information was not at all adequate in discharging social responsibilities. All the information provided by the companies studied was qualitative in nature, positive and the disclosure level was very poor.

Belal (2001) on a study on Bangladesh Companies noted that mandatory as well as non-mandatory disclosures were made. Ninety-seven per cent of companies made some voluntary disclosures. The disclosures made voluntarily were mainly descriptive statements, subject to certain exceptions. The voluntary information was located in different parts of the annual report. A large number of voluntary disclosures were either included in the directors' report or in the chairman's statement. The volume of information disclosed was very poor. While ninety-seven percent of companies attempted to make voluntary disclosures, in most cases, it was purely descriptive statements giving "good" news only. In no cases, subject to one exception, were attempts made to give "bad" news as well. Also in no cases were the social disclosures made independently verified. Therefore, the credibility of the disclosures made may be open to question.

Wiseman (1982) examined the quality and accuracy of social disclosures made in corporate annual reports in Canada. The study revealed that corporate social disclosures were incomplete when compared to a firm's actual social performance. This study aims at finding out the level of completeness and quality of social disclosures made by listed companies in Kenya

Tsang (1998) made a longitudinal study of CSR in Singapore over a 10-year period from 1986 to 1995. He covered 33 listed companies and found that 17 (52 per cent) companies made social disclosures. The study observed a steady increase in social disclosure during the late 1980s and then a stable pattern since 1993. The study concluded that the quantity of information disclosed was very low. The nature of disclosure was mainly descriptive. The reasons for this phenomenon may be attributed to the lack of statutory requirements, the presence of very few organized social groups and less social awareness, an under-developed corporate culture and the relatively new stock market.

In a study of 22 large multinational companies in Nigeria, Disu and Gray (1998) noted that all companies included in the survey made some mandatory disclosures such as charitable donations, employment data, pensions, employee consultation, employment of the disabled, health and safety and corporate governance. The samples also made some voluntary disclosure predominantly in the area of employee reporting.

A study of four companies in Uganda by Kisenyi and Gray (1998), observed that none of the companies made any environmental disclosure. All the companies made employee-related disclosure and two of them gave information on customers and community involvement. The study tentatively concluded that social and environmental disclosure in Uganda was scarce, low grade and of little importance

A study on CSR in Irish financial institutions by Douglas et al (2004) found out that corporate social reporting was a limited response to stakeholder needs. Reporting standards were derived inside the organization and there was no external auditing or verification of social reporting. Corporations either failed to report completely or their reports were too weak to be considered useful. They chose which information they wanted to reveal, ignoring issues such as public complaints received, legal challenges engaged in, and employee satisfaction. In addition to these problems, looking to the corporate sector for a voluntary sense of social responsibility in the form of rights and obligations was unlikely to be met with a positive response.

A paper on CSR presented by Gathinji N, chairman of the NSE and chief executive of East and Central Africa Federation of Accountants in a United Nations Conference for Trade and Development workshop in October 2003, pointed out that CSR in Africa was yet to be integrated into the corporate cultures of businesses and had largely been confined to the making of philanthropic gestures. Most companies did not provide disclosure on environmental and social issues addressing the following issues; acknowledgement of responsibility towards society, specific company policies towards the environment and actions taken to safeguard and improve

the environment, staff welfare, training and development, and responsible corporate conduct in the market place. The study revealed that of the 50 companies studied only 6 disclosed some information however minimal about their social activities

A study in Kenya on factors influencing voluntary corporate disclosures revealed that only 6% of the 24 listed companies had a report on their social activities (CCG, 2004). FiRe Awards of 2005 noted that many companies did not present a separate social and environmental report and the information was not adequate. This was attributed to lack of specifics to support generic statements.

The voluntary nature of the report leads researchers to question why it occurs. Studies have revealed that there are a variety of motivations for managers to voluntarily report on their social activities. Such reasons include the desire to comply with legal requirements, borrowing requirements and community expectations (Deegan, 2000) and effort to access cheaper sources of finance (Wagacha, 2001). Other reasons were "Economic rationality" considerations, that is, there might be business advantages in appearing to do "the right thing" and this might be the key motivation rather than any acceptance of any social responsibilities of business (Friedman, 1962), a belief in an accountability or responsibility to report, there could be a view held by managers that people have an inalienable right to information that should be satisfied (Hasnas, 1998). While others report as a reaction of certain threats to the organization's legitimacy in such cases, reporting might be a response to negative media attention, particular environmental or

social incidents, or perhaps as a result of poor rating being given by particular ratings agencies (Patten, 1992).

Other studies have revealed the reasons for reporting as an attempt to manage particular, perhaps powerful, stakeholder groups (Ullman, 1985). According to Deegan and Blomquist (2001) some organizations prepare these reports to forestall efforts to introduce more onerous disclosure regulations. Evidence shows that one of the reasons that the Australian Minerals Industry introduced its code of environmental conduct, which requires external environmental reporting, was a fear that government might take the matter further and instigate the development of regulation.

Lastly, companies report on their social activities so that they can possess a better public perception and win particular reporting awards (Barako, 2006). There are a number of social, and sustainability reporting awards being offered within numerous countries throughout the world. Many organizations put a great deal of effort into winning these awards and receiving the associated positive publicity such awards generate. Winning an award might in turn have positive implications for the reputation of the company (Deegan and Carrol, 1993).

A study on Qatari companies by Al-Khater (2003) indicated that companies were not currently reporting such information due to administrative difficulties and management did not appreciate its social responsibility. The study indicated that the objectives of any company emphasized on its economic rather than social performance. The study revealed that lack of legal requirements

provided companies with little incentive to disclose corporate social responsibility information. Other reasons were lack of knowledge about this type of information, the cost of disclosing the information outweighs the benefits and lack of demand for this type of information.

On the disclosure format, a study on corporate social reporting in Bangladesh by Imam (2000) found that all the companies that made social reporting made qualitative disclosure. In all cases, disclosures were descriptive and positive. No attempt was made to quantify the disclosures although quantification could have easily been made in many cases. Trotman (1979) found that about half of all disclosures in Australian companies were qualitative in nature, while in 1980, Guthrie (1983) found that 60 per cent of all disclosures made by Australian companies were non-quantitative though 24 per cent gave some non-monetary quantification.

In Bangladesh, a study done in 1996 to 1997 revealed that 12 companies out of the 52 studied reported social and environmental matters in the chair's statement or directors' report and 40 companies in the notes to the accounts section. Not a single company disclosed social and environmental information in separate sections (Imam, 2000). Chiong et al (1993) in a study on Singapore moreover, found that information was generally reported in an ad hoc manner with most companies (62 per cent) using the chair's statement to communicate such information.

In conclusion it is apparent that CSR in most countries is done in an ad hoc manner in terms of the contents of the reports, the mode of presentation and the location of the report. This study hoped to explore the CSR practices adopted by companies listed in the NSE in Kenya.

CHAPTER THREE

3.0 RESEARCH METHOD.

3.1 Research design.

The study was a census and was exploratory in nature. It was intended to find out the practices followed in the preparation of corporate social reports by companies listed in the Nairobi Stock Exchange, Nairobi Stock Exchange (NSE) in Kenya. It engaged the use of both primary and secondary data. Descriptive research techniques were used to analyse the data. This approach was appropriate since the study was exploratory in nature. In the analysis of data both qualitative and quantitative techniques were used.

3.2 Population

The population of the study comprised of all the companies listed in the NSE and were actively trading from the first day of January 2006 to the last day of

2006, which represented the study period. The number of companies that were listed on the NSE since the first day of January 2006 to the last day of the year was forty two (42).

The choice of listed companies was preferred because; firstly, these companies are believed to make improved disclosures because of their investor orientation. Secondly, the reports that they produce are available to the public. Thirdly, these companies are expected to make non-financial disclosures because of the stakeholders' expectations.

The study period was selected since the vast majority of the companies started this informational practice in the first half of the 2000. Secondly, this period is close to when the Capital Market Authority (CMA) came up with guidelines on corporate governance that incorporated issues on financial and non-financial disclosures (CCG, 2004).

Although there are a number of other ways like the internet, press reports and interim reports, through which CSR may be made, this study considered disclosures made in the corporate annual reports only. Annual reports are regarded as important documents in CSR due to the high degree of credibility they lend to information reported within them (Tilt, 1994), their use by a large number of stakeholders as the sole source of certain information (Deegan and Rankin, 1997), and their widespread distribution. It is believed, therefore, that by focusing on the annual reports, it is possible to understand the CSR in Kenya. The exclusive focus on annual reports, however may lead to an incomplete picture of CSR practices (Unerman, 2000 and Robert, 1992).

3. 3 Sampling Plan.

In view of the fact that the study was a census, all the 42 companies that were listed during the study period were studied.

3. 4 Data Collection.

Secondary data was collected from the selected companies' annual reports. The names and physical addresses of the listed companies in Kenya were obtained from the NSE website. The

research method involved a rigorous examination and analysis of the annual reports to observe the incidence of CSR keeping in mind the stated research objectives. For this purpose, all sections of the annual report were carefully examined to note the presence of any corporate social disclosures. The content and format were thoroughly analysed using content analysis method. Content analysis is defined as a technique for gathering data that consists of codifying qualitative information in subjective and fictional form, into categories in order to derive quantitative scales of varying levels of complexity (Abbott and Monsen, 1979).

Primary data was collected through the administration of a five page questionnaire to the executives of the listed companies. The questionnaires were given to the Chief Executive Officers or other senior executive personnel who, by virtue of their positions have sufficient knowledge of CSR activities in their sector. The questionnaires comprised of structured and close-ended questions for easy analysis and classification of results. The questionnaires were divided into two sections, A and B Section A comprised of questions aimed at eliciting information on the extent of reporting and establishing the standards used in the preparation of the social reports. Section B aimed at eliciting information and gaining an insight on the reporting arena in Kenya. The respondents were required to give their opinions on a five point likert scale in terms of "strongly agree to strongly disagree", "most important to least importance" and "most effective to least effective". The questionnaire were administered using the drop and pick method. This approach was used since it was considered appropriate because it gave the respondents adequate time to complete the questionnaire and gave the researcher an opportunity to review the questionnaire before picking to ensure completeness in the responses.

3.5 Analysis of Findings.

The reports were analysed to find out what they disclosed, how the information was presented and the guidelines followed in the preparation. The themes of the reports were also analysed and put into categories. The extent of reporting was analysed by comparing what they disclosed in comparison with the corporate social activities they engaged in.

The quantity and nature of social disclosures was measured using content analysis, a technique widely used in CSR studies (Gray et al., 1995). Quantification of information collected took the form of the number of sentences, devoted to different categories or themes of social disclosure. One of the key assumptions underlying all quantitative content analysis studies is that quantity of disclosures within a category signifies the importance of that category.

Quality of the evidence collected from the sampled annual reports was assessed by, first, analyzing the type of statements made, whether quantitative, financial or other numeric, or declarative and, second, the type of news conveyed by the statements, whether the events reflect well, badly or neutrally on the reporting entity.

Data collected from the questionnaires was analysed using qualitative and quantitative techniques. Using qualitative techniques, information gathered was studied to establish the reporting guidelines adopted when preparing the corporate social reports and the extent of

reporting The extent of reporting was analysed in terms of what social activities the companies engaged in and what they reported in the corporate annual reports. These findings were presented in the form of tables for ease of reference The Scientific Package for Social Sciences (SPSS), a statistical and data management package for analysts and researchers was used to analyse the data

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Primary data was to be collected from 42 listed firms. Out of the 42 targeted firms, 12 declined to receive the questionnaires for various reasons like confidentiality of the information, authorisation would be required from management to complete the questionnaire, the information would be leaked out to competitors and their workload was too much to spare time for a questionnaire. 30 questionnaires were administered out of which 21 companies responded and 9 were unable to return them on grounds that they were lost or whoever was to answer them was away or on leave. This represents a response rate of 50% which is considered significant enough to provide a valid conclusion regarding the corporate social reporting practices adopted by companies listed in the NSE in Kenya Table 4.0 below illustrates this data Secondary data was available for all the 42 companies.

Table 4.0 Overview of data collected

Population	No. of firms	Sample	Undistributed Questionnaires	Distributed Questionnaires	Returned Questionnaires	Not Returned
54	54	42	12	30	21	9

Source: Research Data

4.1 Meaning of corporate social responsibility

All the firms had a clear and acceptable understanding of corporate social responsibility. They all stated corporate social responsibility as activities of a firm that are engaged in pursuing and

fulfilling the objectives of the society and protection of the environment. In their definition all the firms included society as part of corporate social responsibility while 71.4% included both society and environment. None of the firms mentioned environment alone. 28.6% included social activities alone. Table 4.1 below illustrates this data.

Table 4.1 Meaning of corporate social responsibility

	Meaning of corporate social responsibility	Frequency	Percent	Cumulative Percent
1.	Social only	9	28.6	28.6
2.	Environmental only	0	0	28.6
3	Social and environmental	15	71.4	100.0
	Total	21	100.0	

Source: Research Data

4.2 Inception of reporting and engaging in social responsible activities.

Most companies started this reporting practice fairly recently with 38.1% of them reporting for the first time in 2004. This is despite the fact that they started engaging in social responsibility activities way beyond the year 2002. 9.5% started reporting before 2002, 9.5% in 2002 and 28.6% in the year 2003. 14.3% of the companies that responded had not yet started reporting on their corporate social activities. Table 4.2 below illustrates this data.

Table 4.2 Inception of reporting

	Inception of reporting	Frequency	Percent	Cumulative Percent
1.	Before 2002	2	9.5	9.5
2.	2002	2	9.5	19.0
3.	2003	6	28.6	47.6
4.	2004	8	38.1	85.7
5.	2005	0	0	85.7
6.	2006	0	0	85.7
7.	No disclosure	3	14.3	100
	Total	21	100.0	

Source: Research Data

4.3 Office responsible for Corporate Social Reporting

The responsibility of corporate social reporting for 90% of the firms was under the Corporate Affairs department and 10% is under the Finance and Accounting department. This explains why the reporting is not done as per the required guidelines since the Corporate Affairs department is not staffed with accountants. Table 4.3 below illustrates this data.

Table 4.3 Office responsible for Corporate Social Reporting

	Office responsible for Corporate Social Reporting	Frequency	Percent	Cumulative Percent
1.	Finance and accounting department	2	9.5	9.5
2.	Corporate affairs	19	90.5	100.0
	Total	21	100.0	

Source: Research Data

4.4 Location of the report

81% of the companies included in their annual reports information about corporate social responsibility. This was done in the chairman's statement, director's statement (14.3%) or in the corporate governance section (38.1%). The corporate governance section was the most popular section for disclosing corporate social reports. Only two companies prepared separate annual stand alone social reports. Table 4.4 below illustrates this data

Table 4.4 Location of the report

	Location of the report	frequency	Rank	Percentage	Cumulative Percent
1	separate booklet	2	5	4.8	9.5
2	corporate governance section	16	1	38.1	42.9
3	directors', ceos' or chairman's' section	6	4	14.3	57.1
4	Separate section called corporate social report	10	2	23.8	81.0
5	not available	8	3	19.0	100.0
	Total	42		100.0	

Source: Research Data

4.5 Reporting guidelines

All the firms that reported about their corporate social activities in the annual financial reports did not follow any specific international guidelines. The corporate governance guidelines were the ones that were adhered to. These guidelines state that the board's policies and performance in connection with environmental and social responsibility are to be included under non financial

disclosures. The companies with stand alone reports attempted to use the GRI guidelines and AccountAbility 1000 but did not fully comply. Table 4.5 below illustrates this data.

Table 4.5 Reporting guidelines

	Reporting guidelines	Frequency	Percent	Cumulative Percent
1	GRI & A1000	2	4.8	4.8
2	corporate governance	32	76.2	81.0
3	no disclosure	8	19.0	100.0
	Total	42	100.0	

Source: Research Data

4.6 Benefits of reporting on the social activities.

The questionnaire contained a section about the potential benefits of engaging in corporate social reporting. The respondents were given a list of potential benefits that could be obtained from disclosing social responsibility information and asked to express the level of agreement with each of these benefits. Acceptances by society, improvement on the reputation of the firm and provision of information to stakeholders were the 'most agreed' benefits. The respondents gave little support to the proposal that disclosure of corporate social activity information in the annual report was made to avoid penalization and assist investors in making investment decisions. Facilitation in accessing capital, assisting society to judge the company and enhancing the share price were also considered as benefits for disclosure. Table 4.6 below illustrates this data.

Table 4.6 Benefits derived by the firm from making corporate social reports

	Benefits of reporting	Mean score	Std deviation	Rank
1.	Facilitate access to capital	2.29	0.644	4
2.	Enhance share price	2	0.775	3
3.	Improve reputation of company	1.19	0.405	1
4.	Be accepted by society	1.19	0.680	1
5.	Provide information to stakeholders	1.95	0.218	2
6.	Avoid being penalized by CMA	4.95	0.218	7
7.	Assist investors in investment decisions	3.38	1.024	6
8.	Assist society to judge company	2.57	0.926	5

Note Mean score values 1=Strongly agree; 5=Strongly disagree.

Source: Research Data

4.7. Motivation for reporting.

The respondents were asked to express their opinion about issues that motivate the disclosure of social responsibility information. What attracts one's attention is that the respondents agreed with almost all the proposals given in the questionnaire, except the proposal that large corporations have no social responsibility but to make profit for their shareholders. The highest level of agreement among the respondents was around the proposals that large companies should bear some sort of social responsibility to justify their existence within the society and large companies should be viewed as social organizations and their existence is justified as long as they satisfy the objectives of the society. Table 4.7 below illustrates this data

* *HUM**

Table 4.7 Motivation for social reporting

	Motivation for reporting.	Mean score	Std deviation	Rank
1	Companies have to bear some social cost to justify their existence in the society.	2.52	0.814	1
2	Companies are viewed as social organizations and their existence is justified as long as long as they satisfy the objectives of the society.	2.19	0.814	3
3	Decision makers within the company appreciate the concept of social responsibility and its importance to the organization.	2.05	0.59	4
4	Decision makers within the company understand how to adopt social responsibility within the organization.	2.43	0.87	2
5	Improve the reputation of the company	2.00	0.58	5

Note Mean score values 1=strongly agree; 5=strongly disagree.

Source: Research Data

4.8 Reasons for non-disclosure

The respondents were given a list of reasons that might prevent the firms from reporting on their social activities. The respondents agreed that almost all listed reasons prevent companies from disclosing corporate social responsibility information. The respondents, however, believed that companies are not currently reporting such information due to administrative difficulties and management does not appreciate its social responsibility. They also indicated that the objectives of the company emphasize its economic rather than social performance. They also believed that lack of legal requirements provides companies with little incentive to disclose corporate social responsibility information. This outcome is expected to assist policy makers in Kenya in formulating sensitizing companies on the significance of corporate social reporting. Table 4.8 below illustrates this data.

Table 4.8 Reasons for not disclosing social activities

Reasons for non-disclosure		Mean	Std Deviation	Rank
1.	Do not believe it is of any benefit to the company.	4.5	0.707	4
2.	The cost of adopting corporate social reporting is prohibitive.	3.00	0	3
3.	Shareholders have not demanded corporate social reports from the board.	3.5	0.707	2
4	It is a voluntary disclosure and we have a choice to disclose it or not.	2.5	0.707	1
5.	Companies have no social responsibility but to make profits.	2.5	0.707	1
6.	Administrative difficulties and management does not appreciate its social responsibility	4.5	0.707	4
7.	Lack of knowledge about this type of information prevents our company from disclosing it.	3.5	0.707	2
8.	The public lacks knowledge on the importance of social responsibility information.	3.5	0.707	2
9.	This type of information is sensitive	4.5	0.707	4

Note: Mean score values 1=strongly agree; 5=strongly disagree.

Source: Research Data

4.9 Level of completeness

Level of completeness was low with 61.9% of social activities not reported in the annual reports but in other media like company bulletins and magazines, press releases and newspapers. None of the activities though went completely unreported Only 38.1% was reported in the annual reports. All activities reported were positive and there was no mention of negative activities.

Table 4 9 below illustrates this data

Table 4.9 Media for reporting

	Media used for reporting	Frequency	Percent	Cumulative Percent
1	Annual report	8	38.1	38.1
2	Other media	13	61.9	100.0
	Total	21	100.0	

Source: Research Data

4.10 Ways of enhancing Corporate Social Reporting

The respondents were given four different approaches to enhance corporate social disclosure and were asked to indicate the degree of the effectiveness of each of them. The respondents supported the more liberal approach to introducing corporate social reporting in Kenya. The strongest support was given to the proposal that corporate social responsibility disclosure should be encouraged, rather than enforced by law. The respondents also showed a high degree of agreement with the view that the social responsibility report should be verified by external auditor after being certified by the director and chief executive officer. All the firms agreed with enactment of relevant laws as a most effective way of enforcing compliance. Certification by the CEO and the Finance Director of the accuracy of the social report contained in the annual report was rated as effective Table 4.10 below illustrates this data.

Table 4.10 Ways of enhancing Corporate Social Reporting

	Ways of enhancing Corporate Social Reporting	Mean	Std deviation	Rank
1.	A review by the company's external auditors of the company's compliance statement on corporate social report together with their confirmation whether the statement reflects a true and fair view of the status of corporate social practices in the organization.	2.33	0.577	2
2.	Certification by the CEO and the Finance Director of the accuracy of the social report contained in the annual report.	3.43	0.746	4
3.	Corporate reporting should be encouraged through enactment of relevant laws	2.52	0.512	3
4.	Corporate reporting should be encouraged through ethical considerations and social agreements.	1.90	0.995	1

Note Mean score values 1=Most effective, 5=Least effective

Source: Research Data

4.11 Themes of the Corporate Social Reports

The 34 companies that had social reports had themes which fell under the various categories. Education (64.7%) was the most predominant theme followed by Health (58.8%) and social activities and charity (47.1%). Health focused mainly on Acquired Immune Deficiency Syndrome (AIDS) and malaria cure and prevention. Environment and actions taken to safeguard and improve the environment had a score of 35.3% and Water and sanitation, 17.6%. Staff welfare, training and development (11.8%) were the least featured. Table 4.11 below illustrates this data.

Table 4.11 Themes of the Corporate Social Reports

Themes	Frequency	NO of companies	Percent	Rank
1 Education	22	34	64.7	1
2 Water & sanitation	6	34	17.6	5
3 Environment	12	34	35.3	4
4 Social & charitable activities	16	34	47.1	3
5 Employees	2	34	11.8	6
6 Health	20	34	58.8	2

Source: Research Data

4.12 Mode of presentation

Most companies (50%) presented the information in qualitative form, some (38%) in both qualitative and pictorial while 32 % used qualitative, pictorial and quantitative form. None presented the information solely in quantitative form. Table 4.12 below illustrates this data, which was collected from the 34 companies that had social disclosures in their annual reports.

Table 4.12 Mode of presentation

	Mode of presentation	Frequency	No. of companies	Percentage	Rank
1.	Qualitative	17	34	50	1
2.	Qualitative and pictorial	13	34	38.2	3
3.	Quantitative, qualitative & pictorial	11	34	32.4	2

Source: Research Data

4.13 Quality of the reports

Evaluation against the quality of information was carried out by assessing the four principal qualitative characteristics of accounting information. These principals are, understandability, relevance, reliability and comparability, as provided for by the Framework for preparation and presentation of financial statements. In terms of understandability the reports were understandable with simple and clear narratives. Pictures where possible were availed. The information captured was relevant but not reliable. This unreliability was as a result of lack of proper guidelines on what was to be disclosed, media to be used and lack of an audit by specialized accountants.

Relevance of the information was tolerable. This was because the information they contained was capable of influencing the economic decision of the users by enabling them to evaluate the firms past, present and future social performance. Comparability of the reports was not possible due to lack of uniformity in presentation of the reports. The reports were in conclusion of low quality.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The study revealed that the level of corporate social reporting in Kenya is low and that the reports were of poor quality. The inadequacy of corporate social reporting could be attributed to its voluntary status. The study revealed considerable discrepancies in corporate social reporting, in terms of the location of the social information, the contents disclosed and the mode of presentation.

The social reporting that existed in the annual report appeared to be primarily influenced by legislative requirements of the CMA under the corporate governance requirements and shareholder concerns. Any voluntary social reporting undertaken was minimal, with little quantifiable information being provided. The study revealed that the corporate social information found in the annual reports was as a limited response to stakeholder needs.

Reporting standards were derived from inside the organisation and there was no external auditing or verification of social reporting except for the two firms that had stand alone reports. Companies either failed to report completely or their reports were too weak to be considered useful. The companies were at will to choose the information they wanted to reveal and which not to reveal. All the information revealed was positive in nature and no negative information was disclosed.

5.2 Conclusion

The most noticeable feature of the annual reports was their lack of full disclosure regarding the companies' social impacts. The reports omitted details of all the companies' activities and reported only what reflected positively to the companies' image. This degree of incompleteness would not be tolerated in financial reporting. There was no coverage of negative impacts, insufficient evidence that the companies accept their social responsibilities, and a lack of completeness. The reports provided insufficient information on the reporting process and governance structures in place with respect to social reporting. The guidelines on social reporting were voluntary and no authorities could enforce compliance.

An external audit is no guarantee that reports are complete and of good quality. For external audits to add value from a stakeholder perspective, they must be conducted by appropriately qualified people who both understand the audit process and accept the social responsibilities of companies. They must also be carried out using generally accepted auditing guidelines and, crucially, the criteria for qualification of the audit report must be clear. At present there are no guidelines that adequately cover the social audit process. This explained why the stand alone reports though externally audited and attested were still incomplete and low in quality.

5.3 Limitation of study

This study was conducted on a one year period and was based on corporate annual reports. For a more accurate picture of corporate social reporting to be captured a longitudinal study would

have to be carried out. In addition other documents used in disclosing social information should be studied.

5.4 Recommendations

This study recommends that for corporate social reporting to achieve its objective of communicating corporate social information effectively the following measures should be instituted,

1. Companies should come up with a uniform way of reporting. This will be possible if regulatory and professional bodies engage in an open forum with the companies and the stakeholders on what and, how to report and when to report
2. Independent auditing and attestation of the corporate social reports should be carried out by specialized professionals.

5.5 Suggestions for further research

To date, little research has been undertaken on the corporate social reporting aspects of accounting in Kenya, and in this respect the main aim of this paper was to depict and evaluate Kenya's corporate social reporting practices. To explore this area exhaustively further research is necessary to examine the various dimensions of social reporting, especially:

1. The factors determining ways in which corporations disclose their corporate social information.
2. Other documents used for disclosure besides the annual financial reports should also be studied.

3. A longitudinal study would also add value to this area so as to establish the trend of corporate social reporting in Kenya

Such further understanding of corporate social accounting will contribute to the development of accounting in fulfilling its role as a more meaningful communication process and representation of corporate accountability, not only to the financial interest parties, but also to the wider community. It is only by grounding the development of accounting in relation to its social as well as economic context that its full potential as an instrument of social communication and development can be realised

APPENDIX 1: QUESTIONNAIRE

This questionnaire is intended to elicit information that will facilitate the understanding of corporate social reporting by listed companies during the period 2006 in Kenya

You are humbly requested to answer the questions outlined here below as accurately as you can. Please be assured that the information submitted will be treated in strict confidence

Name of your company;

Nature of its business;

Date of Incorporation;

Your job title in the company;_

SECTION A.

Q1 What do you understand by the term corporate social responsibility?

Q 2 When did you start engaging in social responsibly activities? Tick as appropriate

PRIOR TO YEAR	YEAR 2002	YEAR 2003	YEAR 2004	YEAR 2005	YEAR 2006
2002					

Q3 Which office in your company has been assigned the responsibility of corporate social reporting (Please tick).

1 FINANCE DIRECTOR		COMPANY SECRETARY		OTHER (Please specify)		NONE	
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Q4 Does your company include in its annual report to shareholders and stakeholders a statement on the company's corporate social responsibility? If the answer is no, please go to **Q.9.**

YES		NO	
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Q5 When did your company start reporting to its shareholders on its corporate social activities? (Please tick).

PRIOR TO YEAR 2002	YEAR 2002	YEAR 2003	YEAR 2004	YEAR 2005	YEAR 2006
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Q6. Please state which of the following guidelines on corporate social reporting your company has selected to guide its corporate reporting practices. (Please tick)

GRI		AccountAbility 1000		CMA		OTHER (Please specify)	
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SECTION B.

Q7 Please indicate the benefits you believe are likely to accrue to your company from reporting to the shareholders and other stakeholders on the corporate social activities of your company. Please tick as appropriate (use the aspects indicated below and the scale provided 1-Very strongly agree 2-Strongly agree. 3- Agree 4. Disagree 5-Strongly disagree).

		1	2	3	4	5
(i)	Facilitate access to capital for your company					
(ii)	Enhance the share price of the company					
(iii)	Improve the reputation of the company					
(iv)	To be accepted by the society					
(v)	Avoid being penalized by regulators such as Capital Market Authority/Nairobi Stock Exchange					
(vi)	Provide information to the stake holders.					
(vii)	Assist investors in making investment decisions.					

Q 8 What is the motivation for you company's social responsibility reporting? Please tick as appropriate (use the aspects indicated below and the scale provided 1-Most important.2-More important. 3-Important.4-Less Important. 5-Least important).

	1	2	3	4	5
Companies have to bear some social cost to justify their existence in the society.					
Companies are viewed as social organizations and their existence is justified as long as long as they satisfy the objectives of the society.					
Decision makers within the company appreciate the concept of social responsibility and its importance to the organization.					
Decision makers within the company understand how to adopt social responsibility within the organization					
Improve the reputation of the company					

Q9. If you answered No to Q4 here above because your company does not report to its Shareholders and stakeholders on its corporate social practices please indicate why it does not do so Please tick as appropriate (use the aspects indicated below and the scale provided 1-Very strongly agree. 2 -Strongly agree 3-.Agree 4-Disagree 5-Strongly disagree).

	1	2	3	4	5
Do not believe it is of any benefit to the company.					
The cost of adopting corporate social reporting is prohibitive					
Shareholders have not demanded corporate social reports from the board					
It is a voluntary disclosure and we have a choice to disclose it or not.					
Companies have no social responsibility but to make profits.					
Administrative difficulties and management does not appreciate its social responsibility					
Lack of knowledge about this type of information prevents our company from disclosing it.					
Not required by the International Accounting Standards or International Financial Reporting Standards.					
The public lacks knowledge on the importance of social responsibility information.					
This type of information is sensitive.					

Q10. Provide a list all the social activities that your firm was engaged in during the period 2006 and state whether they were reported in your CSR report, another media or not reported at all.

Activity	Reported in annual report	Reported in other media (please name the media).	Not reported at all.

Q11 This question requests your views on measures that could be considered for further enhancement of corporate social reporting practices in Kenya. Indicate whether you would support the introduction of the following additional measures in your organization to further

enhance its corporate governance practices. Please tick as appropriate (use the aspects indicated below and the scale provided 1-Most effective 2.Fairly effective 3.Effective 4 Less Effective 5-Least effective).

	1	2	3	4	5
A review by the company's external auditors of the company's compliance statement on corporate social report together with their confirmation whether the statement reflects a true and fair view of the status of corporate social practices in the organization.					
Certification by the CEO and the Finance Director of the accuracy of the social report contained in the annual report.					
1 Corporate reporting should be encouraged through enactment of relevant laws					
Corporate reporting should be encouraged through ethical considerations and social agreements.					

Q12. What difficulties and challenges do you encounter in the preparation of your corporate social reports?

Q13. Please make any other comments you consider would assist in the improvement of corporate social reporting in Kenya in

APPENDIX 2: LIST OF SAMPLED COMPANIES

AGRICULTURAL

- 1 Unilever Tea Kenya
- 2 Rea Vipingo Ltd
- 3 Sasini Tea & Coffee Ltd
- 4 Kakuzi Ltd

COMMERCIAL & SERVICES

- 1 TPS (Serena)
- 2 Car & General Ltd
- 3 CMC Holdings
- 4 Kenya Airways
- 5 Marshalls (EA) Ltd
- 6 Nation Media Group

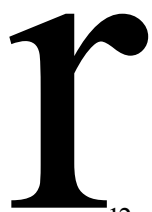
FINANCE & INVESTMENT

- 1 National Industrial Credit Bank Ltd
- 2 Pan Africa Insurance Holdings Ltd
- 3 Housing Finance Ltd
- 4 Barclays Bank of Kenya Ltd

- 5 CFC Bank Ltd
- Standard Chartered Bank Ltd
- Diamond Trust Bank of Kenya
- 8 ICDC Investment Company Ltd
- 9 Jubilee Insurance Co Ltd
- 10 National Bank of Kenya Ltd
- 11 Kenya Commercial Bank Ltd

INDUSTRIAL AND ALLIED

- 1 Athi River Mining
- 2 Bamburi Cement Ltd
- 3 British American Tobacco (K) Ltd
- 4 Crown- Berger (K) Ltd
- Olympia Capital Holdings
- 6 E A Breweries Ltd
- E A Cables Ltd
- 8 E A. Portland Cement Co. Ltd
- 9 Sameer Group
- 10 Unga Group Ltd
- 11 Mumias Sugar Co.



12. Kenya Oil Ltd

13. Total (K) Ltd

ALTERNATIVE INVESTMENT MARKET SEGMENT

1 A Baumann and Company Ltd.

2 City Trust

3 Standard Group Ltd

4 Eaagads Ltd

5 Express (K) Ltd

6 Williamson Tea Kenya Ltd

Kapchorua Tea Company Ltd.

8 Limuru Tea Ltd

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