Diversity reporting and the performance of JSE-listed companies

Applied Research Project Proposal

submitted by

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Introduction

"*Diversity and inclusion make money!*". This was the opening line that Gibran Registe-Charles, CEO and Founder of Urban Edge Capital, a London-based hedge fund, gave at a keynote address to MBA students during the International Business School (IBS) module on 19 January 2022 (Registe-Charles, 2022). The main premise of his address, and that of his company, was to show the market that diversity and inclusion are no longer just a "Human Resource paper exercise", but a competitive advantage that can lead to increased performance and better returns for investors (Registe-Charles, 2022). This intriguing argument begs the question of how diversity and inclusion are reported within the South African market. This raises the question of whether diversity and inclusion shape company performance and if this information is available to investors. What information is available to investors who would like to focus their portfolios by including more diverse companies?

Recommendations set out by the JSE (Johannesburg Stock Exchange) are to get a range of views in setting up and prioritising goals for sustainability, diversity and inclusion (JSE, 2021). Taken in the context of diversity and inclusion, it is not just the Human Resources Department or Chief Diversity Officer responsible for proposing how diversity and inclusion should be measured.

In addition to reporting diversity and inclusion, there is a growing focus on socially responsible investing, which combines financial, social, environmental, and sometimes even political issues (Wallis & Klein, 2015). Investors are increasingly looking for organisations that have similar values to themselves. For example, companies, indexes, and hedge funds specialise in green energy, animal anti-cruelty, sustainable forestry, and social integration and are inclusive of diverse customers and workforce. According to Wallis and Klein (2015), investors are more educated and more concerned with investing in more sustainable companies. The nature of their business is not considered a 'sin-business' like alcohol, tobacco and gambling (Wallis et al, 2015).

There is limited research on how and why investors choose certain priorities, but institutional investors, or a collective of retail investors, can push organisations to report on and implement certain policies or report on metrics like diversity. These metrics are reported under the Environmental, Social and Governance criteria. Enforcing Environmental, Social and Governance criteria when making portfolio decisions will push organisations to improve their reporting and measures (Crifo et al., 2019).

Globally, companies have different motivations for focusing on diversity and inclusion. For some, it is corporate social responsibility, for others it is a legal compliance and for others a human resources or people management matter (Hunt et al., 2018). Diversity and inclusion often end up as the remit of Human Resources with their focus on hiring and promotion policies. In the case of South Africa, this includes complying with Broad-Based Black Economic Empowerment (BBBEE) regulations. South Africa's unique history of apartheid and its subsequent efforts in addressing employment equity first saw the introduction of with the introduction is the B-BBEE Act, No 53 of 2003.

Although diversity and inclusion are often used together, they are two distinct concepts (Turnbull et al., 2010). In 2007 Patrick Edewor described cultural diversity, including ethnicity as a growing trend, yet in 2022 we are still seeing issues related to minorities, and in the case of South Africa, majorities feel left out (Edwor,2007).

This study will attempt to answer the question of how diversity and inclusion are being reported by the Top 40 companies as listed on the Johannesburg Stock Exchange (JSE). As the JSE-listed companies are ranked by market capitalisation which is a size indicator, the Du Pont Return on Investment (ROE) measure will be used as a proxy for performance to rank the companies in terms of performance. This study does not measure performance but explores if companies with higher performance, as indicated by the Du Pont ROE, reported diversity and inclusion differently, what was reported and if the reported metrics of diversity and inclusion can be used to derive an assumption of better performance. To get started a common understanding of concepts of diversity, and inclusion and why these concepts are important to business, based on current literature, is required.

Literature review

Defining Diversity

The concept of diversity is defined as differences in age, gender, ethnicity, education, language or tenure in the organisation (Bassett-Jones, 2005; Bishop-Monroe et al., 2021;

Edewor et al, 2007; Porcena et al., 2021). Ethnicity is predominantly linked to the idea of race in the South African context. This is reflected in the literature. Diversity focuses on demographics or background, inclusion is more centred around how people feel, do they feel included and valued, do they fit in (Turnbull et al., 2010). There is not a mutually exclusive relationship between diversity and inclusion (Frei & Gino, 2022).

Defining Inclusion

Inclusion is defined as the degree to which an individual sees themselves as part of the organisation in which they work. This answers the question of whether they can be themselves, express their ideas and take part in the decision-making process of their daily tasks (Bishop-Monroe et al., 2021; Khoza et al., 2018). Turnbull et al describe the state of being fully inclusive as every individual must feel valued for what they bring to the team. Inclusion requires drawing on and valuing opinions that are different (Turnbull et al., 2010). This requires an organisation to have multiple cultures that co-exist within an organisation at any one time. The concept of multiculturalism focuses on accepting the values of each individual on both an organisational and personal level.

Edewor and Aluko, (2007) define a multicultural organisation as one that integrates minorities into the organisation (inclusive) on all levels and is accommodating of diversity. To be a multicultural or diverse and inclusive organisation, diversity and inclusion should be seen as an opportunity to learn new things from people with different experiences or backgrounds. This can be channelled to create a competitive advantage, such as targeting marketing efforts to different customer segments. Diversity and inclusion requires expanding an individual’s views, challenging beliefs, and traditions and learning from others (Frei et al, 2022).

Why diversity and inclusion matter in organisations

Importance of diversity to organisations

Johannesburg Stock Exchange (JSE) listed companies comply with the Global Reporting Initiative or GRI Standards (United Nations, 2016). This framework standardises the way companies report annual financial results, sustainability, social and environmental impacts. This includes principles of reporting (accuracy, balance, and verifiability), general disclosures and material topics. The JSE requires integrated reporting by using the Integrated Reporting Framework, providing specific guidelines on the metrics to be reported, GRI 405-1- and GRI 406-1-guidelines (JSE, 2021). The Integrated Reporting framework is provided by the Value Reporting Foundation and reports diversity measures based on the King IV Code which addresses ethical culture, good performance, effective control and legitimacy as the four pillars of organisational governance (*International <IR> Framework*, 2021; Meyer, 2021). Currently, these are guidelines and not regulations. GRI 405 set the requirements for Diversity and Equal Opportunity reporting (Global Reporting Initiative, 2021).

Listed companies have a reporting compliance which includes:

1. Board composition (gender, age and other – minorities or vulnerable groups) as absolute numbers as well as a percentage of total board members,
2. The percentage of employees per category (gender, age and other – minorities or vulnerable groups),
3. Pay equity for each employment category by significant location of operations (Global Reporting Initiative, 2021).

The first proposition of this study is that companies will fulfil the above minimum requirement and not report any additional information. Customers are demanding sustainability, diversity and inclusion and investors have criteria that portfolios are screened for when investing (Oikonomoua et al., 2018). Thus the company stakeholder (customers, investors, government, competitors, and other interested parties) will hold companies to account on anything that is being reported.

It is easier to buy and sell shares with online platforms such as Easy Equities, IG and Satrix. Information is readily available on websites like “Yahoo Finance” and “Google Finance” where investors can find share price information and articles about company operations, mishaps, and scandals that might support or hinder investor sentiment. Ignoring diversity can adversely affect company performance, increase staff turnover and create customer loss as the company will be producing the wrong products and miss opportunities (JanJuha-Jivraj & Pasha, 2021).

Despite a drive from companies to show progress in diversity and inclusion (Frei et al, 2022), there are limited studies on the direct impact of diversity and inclusion of management, excluding board management, on the performance of companies. Although the Board sets the strategy for the company the Executive Managers or Senior Management is responsible for the day-to-day running of the company. The research by Frémeaux (2020) found that research related to diversity can be classified into three main research themes:

1. The regulatory frameworks instituted by government regulators,
2. Managing diversity by limiting challenges and maximising advantages to meet business needs and,
3. Making team members feel part of the team to maximise productivity (Frémeaux, 2020).

For listed companies, there is also the issue of investor movements via social media that needs to be considered, such as the Reddit revolt in January 2021 (JanJuha-Jivraj et al, 2021; Smith, 2021). This particular action was against hedge funds that tried to bet against brick-and-mortar gaming stores and were punished by a lot of retail investors acting as a collective to drive up the price of the shares. A well-placed tweet from an influencer like Elon Musk can turn several retail investors for or against an organisation that will directly impact the organisation's share price.

Porcena, Patboteeah and Mero (2021) found that companies that are serious about diversity management are more ethically oriented, and employees are more inclined to give back to communities by donations or volunteering. It is also a signal to external stakeholders like potential employees, investors, customers and suppliers that the company is committed to diversity, equity and fairness (Porcena et al., 2021).

As diversity is reported as part of sustainability it is part of the triple bottom line that investors and other stakeholders are interested in, it is not however specifically a point that companies are required to report on. Aust et al (2020) found four types of Sustainable Human Resources Management (HRM) that companies subscribe to:

1. Socially responsible HRM focuses on human capital conservations and reports according to the GRI guidelines. These reports include diversity management efforts like demographics of the organisation (gender, ethnicity, age), training, development, health and safety.
2. Green HRM is more focused on environmental sustainability and may report measures such as carbon footprint.

3. Triple Bottom Line HRM reports on economic, environmental and social measures. Most listed companies are within this category.
4. Common Good HRM is an approach that focuses on collective interests and tries to solve big societal challenges, like equity, climate change, and reducing unemployment (Aust et al., 2020).

Benefits of diversity and inclusion

The literature considering the benefits of diversity and inclusion addresses the improved creativity, innovation and better decision outcomes for companies (Bassett-Jones, 2005; Turnbull et al., 2010; Vlas et al., 2022). Bassett-Jones (2005) argues that high-performance teams are usually diverse as input in diverse teams may lead to better decisions and balanced risk tolerances (Armstrong et al., 2010; Bassett-Jones, 2005). Analysis further points out the benefits of diversity include increased sales, profits, market share, and financial performance (Armstrong et al., 2010; Bishop-Monroe et al., 2021; Frei & Gino, 2022). The position adopted by this literature is that diversity in existing operations may provide solutions to previously unsolved problems (Edewor & Aluko, 2007). Creating a multicultural organisation would also have the benefit of employees that are more culturally aware (Edewor & Aluko, 2007) and may attract more talent to the organisation (Porcena et al., 2021).

Becoming more ethnically aware can enhance the organisation’s understanding of diverse customers and assist in understanding the problems that the organisation can solve for these customers, what the customers value and how these values can be incorporated into the organisation. Cultivating a culture of culturally aware employees takes time. It starts with understanding one's own culture better and having a curiosity to learn about other cultures (Turnbull et al., 2010). The second proposition is that higher-performing companies are likely to report higher gender ratios than lower-performing companies.

Despite these benefits, diversity and inclusion is hard to implement as people are naturally resistant to change (Frei & Gino, 2022). The link between diversity management and company performance is context-specific and not general enough to apply to an industry or country (Armstrong et al., 2010).

Challenges of diversity and inclusion

In addition to the analysis that addresses the benefits of diversity for companies, there is research that points to the challenges of a lack of. or reduced communication, less effective decision making and poor outcomes (Edewor et al, 2007; Miller et al., 1998). This is of particular importance to organisations with low diversity. The argument is set out that by introducing more diversity among the employees in an organisation, this leads tohigher staff turnover, more conflict within teams and poor communication (Bassett-Jones, 2005). However, initial staff turnover when diversity is introduced may be worthwhile in the long run, according to Edewor et al, as the benefits lead to a better competitive advantage. The initial high staff turnover can be attributed to not everyone in the organisation valuing diversity and might see it as a threat to their existing position or just not like the changing of the status quo (Edewor & Aluko, 2007). If the values, attitudes, and behaviour of employees are not aligned with the values, attitudes, and desired, the behaviour of the organisation it is unlikely that trying to be more diverse and inclusive will succeed (Turnbull et al., 2010). Setting a culture that celebrates diversity in a homogeneous organisation might have to be the first step. This is, however, not a quick or painless process.

Transforming an organisation is not a once-off linear process that can be specifically timed (JanJuha-Jivraj & Pasha, 2021). It is a time-consuming process that is altered with every employee, stakeholder or customer entering, exiting, or doing business with the organisation.

A company's existing hiring practices may be susceptible to bias even if the hiring managers are not consciously aware of it (Bertrand & Mullainathan, 2004).. This was proven in the American labour market where researchers Bertrand et al sent random CVs with Caucasian and African American-sounding names to see who gets the most call-backs. One possible reason is that the hiring manager might auto-filter names that they are used to depending on their ethnicity which could explain why some companies will tend to have a larger proportion of employees from a specific ethnic background (Bertrand et al, 2004). If diversity is not managed and just ignored it can lead to some of the challenges explored above and lead to adverse performance outcomes (Armstrong et al., 2010).

One of the biggest challenges is the lack of a standard measure of diversity and inclusion which is particularly difficult for Multinational Corporations (Romansky et al., 2021).

Measures proposed like gender-pay gaps and retention rates might be the first step toward reporting (Mondal, 2021) and investors have the power to ask for this. The organisation can also start with existing data. Mondal proposes looking at the recruits and exits for the last 6 months to determine if there is a pattern. A pattern could indicate a problem in a specific area, department or group (Mondal, 2021).

Looking at measurements from a Multinational Corporation perspective there are several challenges:

1. How does diversity get measured? Is it up to Human Resources or do employees self-identify (Romansky et al., 2021)? What categories do they self-identify if that strategy is followed? What if the employees don't agree with the categories that HR placed them in?
2. Once data is available what is the target?
3. Inclusion is even harder to measure as it includes how employees feel. If they don't particularly feel included, they might not share their thoughts for fear of further exclusion.

How diversity and inclusion could be managed

Diversityand inclusion management in the context of this paper refers to the deliberate actions taken by managers to enhance the positive effects of diversity and inclusion and mitigate the negative effects of diversity and inclusion (Armstrong et al., 2010; Bassett-Jones, 2005; Porcena et al., 2021). Armstong provides a definition of diversity management that states the aim of diversity management is workplace equality and focuses on using differences rather than sameness and managing the difference to the benefit of the organisation (Armstrong et al., 2010). Making diversity management part of the strategic objectives and performance appraisal system yields better results as what gets measured gets managed (Edewor & Aluko, 2007; Liesch, 2021; Porcena et al., 2021; Vlas et al., 2022).

The same tactics have been deployed in most companies for decades and there seems to be little or no headway made in improving inequality (Liesch, 2021). Implementation of diversity programs has mixed results (Turnbull et al., 2010). Mandatory diversity training leads to contrary outcomes to the objectives of the initiatives as employees may rebel against mandatory training as an example (Khoza et al., 2018). Despite this, most literature suggests that diversity and inclusion training should be mandatory at least at a management level (Edewor & Aluko, 2007; Vlas et al., 2022).

Liesch (2021) argues that looking at every aspect of the organisation, from policies to products and services, culture and operations, and actively seeking opportunities to create equity and equality. There are three key steps to the process:

1. Acknowledge that bias, discrimination and inequality exist,
2. Ask how it shows up in the organisation,
3. Ask how they can improve or reduce bias, discrimination, and inequality (Liesch, 2021).

A natural fourth step is to implement the suggestions. Using feedback from employees and implementing suggestions will lead to more engaged teams, improved productivity, and higher shareholder value.

One particularly obvious way to manage diversity and inclusion is through management setting an example by treating everyone with respect, no matter what their circumstances, background or physical appearance (Edewor & Aluko, 2007).

Differences that matter in the workplace like a preference for being organised or being good in a particular skill like analysis or numerical or mathematical ability should not be attributed to a group with similar characteristics but rather be recognised, developed and rewarded by an individual level. Individual differences could be considered when setting up teams (Edewor & Aluko, 2007). This ensures the most varied and complementary skills are within the team and is most beneficial when done throughout the organisation. Any committees and social groups within an organisation could actively include feedback and representation from minority groups (Edewor & Aluko, 2007).

Turnbull et al (2010) proposed an Inclusion Skills Measurement Profile (ISM) to identify the gaps in the skill of organisational diversity. This tool provides a gap analysis similar to other business problem solving. The ISM Profile provides organisations with seven feedback areas: "*diversity sensitivity, integrity with a difference, interacting with a difference, valuing difference, team inclusion, managing conflict over difference and embedding inclusion*" (Turnbull et al., 2010, p. 3) by using a 360-degree evaluation approach. Gaps identified can be improved and managed if it is known. This might lead to improved ways of solving problems but also managing people to ensure their full potential is harnessed (Turnbull et al., 2010).

A suggestion offered by Armstrong et al. (2010) is to expand the existing high-performance work systems to include diversity and equality management systems. Small things can be done to improve inclusion, but it starts with knowing the difficulties that employees face, therefore, it starts with asking questions, being open and listening. An example of a small difference is working moms were not allowed to take office chairs home during the pandemic but did not have ergonomic chairs at home. Having a policy of not taking an office chair home might signal a lack of empathy for working moms and may make them feel excluded. The answer is not necessarily to send home all the office chairs, but something as simple as changing the policy (Frei & Gino, 2022).

Measures of diversity and inclusion

Although there are attempts to standardise diversity and inclusion measures, like GRI, there are currently no standard measures or metrics used by all organisations (Huber et al., 2020). Diversity and inclusion program elements that support diversity and inclusion initiatives in organisations are bonuses tied to diversity-related goals, internship programs, mentoring (Edewor & Aluko, 2007; Liesch, 2021; Vlas et al., 2022) and diversity-targeted recruitment programs (Porcena et al., 2021). These kinds of diversity programs often signal to prospective employees the ethical values that the organisation has without any direct communication (Porcena et al., 2021). A visual signal is the management structure often displayed on a company website – the more diverse the management, the stronger the signal that the organisation prioritises diversity.

Some authors point out that adding a Chief Diversity Officer to the executive suite signals that the organisation is serious about diversity (Bishop-Monroe et al., 2021; Porcena et al., 2021). The Chief Diversity Officer holds the responsibility to assess, measure, manage and communicate diversity initiatives for organisations wishing to keep a competitive edge (Bishop-Monroe et al., 2021; Porcena et al., 2021). A third proposition will therefore be that higher-performing companies are more likely to have a Chief Diversity Officer or similar position. The objective of the Chief Diversity Officer is a portfolio of implementing, measuring, and tracking diversity and inclusion initiatives. The prediction is that higher-performing companies will be more likely to have such a position than lower-performing companies.

Chief Diversity Officers interviewed by Bishop-Monroe et al (2021) revealed that there are no common metrics used to measure diversity, but the metrics used that were most effective were linked to the strategic goals of the company. Various researchers propose different metrics to measure diversity and inclusion.

Gartner's model identified 7 aspects of measuring inclusion: fair treatment, integrating differences, decision-making, psychological safety, trust, belonging and diversity (Fetcher, 2021; Romansky et al., 2021). They suggest creating a quick survey (pulse survey) that can be emailed to employees to get an indication of the status within the company. A potential pitfall indicated by this approach is a long delay between getting the information and doing something about it, not sharing the information with employees and expecting the results will indicate an action plan (Romansky et al., 2021). Getting employees from a variety of departments, skill levels, ages and backgrounds involved, creating a diverse group, might provide ideas on how diversity could be measured.

Disclosing pay gaps and retention rates, reporting on diversity targets and linking diversity-related goals will improve diversity management (Armstrong et al., 2010) and are commonly suggested metrics. Adding skills scores to key performance indicators and using 360-degree evaluation methods could improve management as well as reporting on Diversity and inclusion.

A holistic approach to look at diversity and inclusion could provide companies better results. Values, culture, policies, and procedures that do not lend themselves toward diversity and inclusion will hamper even the noblest intentions.

Importance of diversity and inclusion to investors

The purpose of investing is for the investor to generate an income from the capital invested, combining this with sustainability means that the income could be generated from the capital without using the capital or sustaining and enlarging the capital (Zink, 2014). It is therefore in investors' best interest to look at the sustainability measures of the companies that they invest in (Zink, 2014).. In the early 2000s, the term sustainability became embedded in company reporting based on the work of John Elkington which proposed that the public and private sectors work together to ensure sustainability in terms of environmental, social, and economic aspects resulting in the triple bottom line reporting that is generally accepted today (Elkington, 1998). The sustainability of social and environmental resources is dependent on human resources (JanJuha-Jivraj & Pasha, 2021; Zink, 2014) and Docherty et al, 2009 via Zink, 2014. The sustainability of human resources requires diversity to get all the previously mentioned benefits and inclusion enhances the organisation's ability to use diverse resources to sustain a competitive advantage.

The business case for diversity has been made (Cassell, 1997; Eastman et al., 2016; Parchment, 2016), yet the status quo remains, unfair promotion practices persist, racism persists, and biased hiring practices persist (Liesch, 2020). It has been proven that boards with three women on the board of directors outperform their counterparts by at least 3% (Eastman et al., 2016). Companies with younger board members also performed better than companies with a higher average board age (Taljaard et al., 2015). Proposition four is that companies that report greater age diversity of management excluding the Board perform better.

Taljaard et al (2015) also found that board diversity expands the external networks of the company. However, the board provides oversight, and the performance of the company is mainly attributed to the executive or senior management team that runs the company on a day-to-day basis. Unfortunately, there are no studies indicating the effect of a diverse management team on the performance of the company.

There has been a rise in socially responsible investments where investors both private and institutional screen investments based on certain criteria (Oikonomoua et al., 2018). Investors choose companies to invest in based on screening and value. Screening is when equities are selected when they meet certain criteria, for example, positive labour relations, pay equity or diverse culture (Renneboog et al., 2008). A possible screening method is the Environmental, Social and Governance ratings developed by Arese that correspond to five stakeholder groups or categories. The categories are Community and civil society, corporate governance, client and suppliers, shareholders and safety, hygiene and environment (Crifo et al., 2019). Companies are rated on a Likert scale and the ratings can be incorporated with other investment portfolio requirements.

Renneboog et al (2008) argue that it is possible for socially responsible investing (SRI) portfolios underperform traditional portfolios as it limits the options investors have to maximise the risk-reward trade-off and investors might be better off investing in higher-performing portfolios and donating money to the cause of their choice (Renneboog et al., 2008).

It does take companies a long time to build a diverse and inclusive employee base, and investors wishing to make an impact on diversity and inclusion would need to factor in the impact and timelines (Huber et al., 2020). According to Hunt et al diversity without inclusion will not improve the company culture or performance. Inclusion is closely related to employee engagement, which is in turn linked to performance, retention, and productivity (Hunt et al., 2020).

Methodology

This study assesses the difference in the nature of diversity and inclusion reporting as well as the level of detail reported in the annual report of the JSE top 40 (by market capitalisation) companies. The aim is to discover if there are differences in reporting of diversity and inclusion information and if this information is readily available to investors and interested stakeholders. A second aim is to discover if there is a difference in the reported diversity metrics within the companies themselves. Here the study looks at the reported metrics to determine if companies that report greater diversity do better as the literature states.

Ethnicity is not reported in annual reports and some of the companies are multinational making the ethnic diversity allocation more diverse so this study will not be focussing on ethnic diversity in the management team.

The JSE top 40 companies were selected as they span several industries and represent the top-performing companies within the South African market. These companies include local and multinationals and they publish integrated reports on an annual basis. Annual reports are based on the guidelines of the JSE. The annual reports are published on company websites and accompany the financial statements and are either published as separate annual documents or as part of an integrated report.

A list of the Top 40 companies as ranked by market capitalisation will be downloaded from *sharedata.co.za* as this is considered a reputable investor information platform. The annual reports for each company will then be downloaded for the financial year ending in 2021.

The reports for the period 2020 to 2021 will be used as the reporting cycles for companies differ and not all 2021 to 2022 reports are available. The 2019 - 2020 period has not been considered as the impact of the global pandemic is not within the scope of this study.

As the JSE Top 40 are sorted by market capitalisation the relative performance needs to be determined. This will be done by using common financial statement analysis performance evaluation criteria used by investors (Bodie et al., 2018) to compare listed companies. The Du Pont Return on Equity (ROE) measure will be used as a proxy measure to indicate company performance. This value takes into account figures from both the Statement of Financial Position as well as Income Statement. The Du Pont ROE is calculated using the below method:

$$\text{Du Pont ROE} = \text{Net Profit Margin} \times \text{Total Asset Turnover} \times \text{Equity Multiplier}$$

where:

$$\text{Net Profit Margin} = \text{Net Profit} \div \text{Revenue} \times 100,$$

$$\text{Total Asset Turnover} = \text{Sales} \div \text{Total Assets}$$

$$\text{Equity Multiplier} = \text{Total Assets} \div \text{Shareholder Equity}$$

The companies were sorted by Du Pont ROE from highest to lowest, with the highest value ranked as 1. This list was split into two: the top 20 performers and the bottom 20 performers. (The list is included in the Results and Discussion section). The top 20 will be referred to as the higher-performing group and the 20-40 will be referred to as the lower-performing group. As the companies represent the best-performing companies in the South African market this does not indicate that they are bad performers. There are four propositions, and each will be measured using data published on the company website and/or annual reports.

Proposition one: There is no difference in how the higher and lower performers report diversity and inclusion. The prediction is that diversity and inclusion will be reported in the Sustainability section of the annual reports as part of Sustainable Human Resources Measures. The GRI Guidelines recommend that companies report on:

1. Board composition (gender, age and other – minorities or vulnerable groups) as absolute numbers as well as a percentage of total board members. Here the prediction is to find the gender and age composition of the Board members. Board Member Gender will be recorded in a worksheet and categorised by male, female and other, Board Member Age will be categorised into age groups:

- Under 30 years old
- 31 to 40 years old
- 41 to 50 years old
- 51 to 60 years old
- 60 years and over

2. As the ‘other’ criteria include minorities and vulnerable groups there might be some variance in what is being reported depending on the company structure, size and whether or not it is a multinational corporation. The prediction is no or very little reporting in this category.
3. Reporting the percentage of employees per category (gender, age and other – minorities or vulnerable groups). Employee Gender and Employee Age will be recorded using similar groupings as Board Member Gender and Board Member Age.
4. Pay equity for each employment category by significant location of operations is a further recommended metric. Here the prediction is that each company will list their major operations by name and provide a percentage indicator of pay equity.

The analysis of integrated annual reports will be used to list the metrics reported, the statement or supporting data to the metrics, the level it is being reported to and the section of the financial statement it is reported in. This will then be compared between the top and bottom performers to see if there is a difference in the reporting.

Companies will also be classified into three groups based on GRI reporting recommendations:

1. Not Reporting - if they don’t meet the minimum recommendations,
2. Some Reporting - if they meet the minimum recommended reporting requirements,
3. Detail Reporting - if they report more than the minimum recommendations.

These groups will be plotted to see if there is a marked difference between the higher and lower-performing groups of companies.

Proposition two: Companies in the higher performance group are likely to report higher gender diversity percentages in their annual reports. This will be a percentage of gender (male, female and other) reported in the annual reports for the total company. Where absolute numbers are reported they will be converted to a percentage. The prediction is that companies that report gender diversity as closer to a 50/50 ratio of males to females will be in the higher-performance group. Although a less binary gender categorisation is more appropriate most companies are expected to report gender in a binary way.

Proposition three: Companies with a Chief Diversity Officer perform better than companies without this position. This will be assessed by using the Executive Leadership Team section of the annual reports to see if there is a Chief Diversity Officer or similar role. This will be captured in a yes-no field and the higher-performing group will be compared with the lower-performing group to determine if there is a difference. The prediction is that more of the higher-performing group will have a Chief Diversity Officer role or similar roles.

Proposition four: The prediction is that companies whose composition includes greater employee age diversity may report better performance. The reported employee age distribution of the higher-performing group will be compared to the lower-performing to determine if there is a marked difference by using the interquartile range. The ages reported will be grouped the same way that Board Age is categorised.

To ensure the results are valid and reliable only officially published annual reports available on company websites will be used. All data recorded will be verified against the annual reports. As data sources are secondary there is a reliance on the accuracy of the reporting companies. Companies do from time to time retract their officially publish reports, but it does not happen often as it damages investor sentiment.
Ethical considerations for this study are the aggregation of data. No personally identifiable data will be recorded, and all data has been published and is available to anyone. As data will be grouped there is no foreseeable potential for harm.

Data and Results Discussion

This study follows a qualitative approach to answer the key question of what diversity reporting measures are reported by the top companies in the South African market. To answer this question, the reports for the year ending in 2021 for the JSE Top 40 companies are considered. The JSE Top 40 companies as ranked by market capitalisation were chosen as a sample of the South African market. These companies represent the very best listed companies that the South African market has to offer.

A list of the top forty companies was obtained from Sharedata (https://www.sharedata.co.za/v2/scripts/Shares.aspx) on 21 August 2022 at 13:06 GMT. A Du Pont ROE analysis calculation was done to re-rank the companies. The Du Pont ROE is used as a proxy for company performance. The sample is split into two groups, positions 1 to 20 form the higher-performing group and positions 21 to 40 form the lower-performing group.

Table 1 details the JSE Top 40 company list ranked by market capitalisation and then the ranking after the Du Pont ROE. See note 1 in the appendix regarding Sasol Ltd.

Position number	**Ranking based on Market Capitalisation**	**Ranking based on Du Pont ROE**	**Du Pont ROE**
1	BHP Group Ltd.	Sasol Ltd. (See Appendix Note 1)	2.017
2	Prosus N.V.	Kumba Iron Ore Ltd.	0.978
3	British American Tobacco plc	Capitec Bank Holdings Ltd.	0.789
4	Anheuser-Busch InBev SA/NV	Anglo American Platinum Ltd.	0.772
5	Glencore plc	Prosus N.V.	0.612
6	Naspers Ltd.	Impala Platinum Holdings Ltd.	0.545
7	Compagnie Financière Richemont SA	Northam Platinum Holdings Ltd.	0.518
8	Anglo American plc	Woolworths Holdings Ltd.	0.434
9	FirstRand Ltd.	Anglo American plc	0.431
10	Anglo American Platinum Ltd.	Sibanye Stillwater Ltd.	0.423
11	Standard Bank Group Ltd.	Exxaro Resources Ltd.	0.414
12	MTN Group Ltd.	Clicks Group Ltd.	0.383
13	Vodacom Group Ltd.	Vodacom Group Ltd.	0.299
14	Capitec Bank Holdings Ltd.	BHP Group Ltd.	0.262
15	South32 Ltd.	Discovery Ltd.	0.250
16	Sasol Ltd.	Shoprite Holdings Ltd.	0.229
17	Absa Group Ltd.	Gold Fields Ltd.	0.209

Position number	Ranking based on Market Capitalisation	Ranking based on Du Pont ROE	Du Pont ROE
18	Mondi plc	Reinet Investments SCA	0.189
19	Impala Platinum Holdings Ltd.	Naspers Ltd.	0.178
20	Shoprite Holdings Ltd.	Mondi plc	0.172
21	Kumba Iron Ore Ltd.	Compagnie Financière Richemont SA	0.169
22	Gold Fields Ltd.	Sanlam Ltd.	0.164
23	Sanlam Ltd.	The Bidvest Group Ltd.	0.161
24	Nedbank Group Ltd.	AngloGold Ashanti Ltd.	0.161
25	Sibanye Stillwater Ltd.	Absa Group Ltd.	0.161
26	Bid Corporation Ltd.	MTN Group Ltd.	0.148
27	AngloGold Ashanti Ltd.	Nedbank Group Ltd.	0.124
28	Discovery Ltd.	Standard Bank Group Ltd.	0.116
29	The Bidvest Group Ltd.	Investec plc	0.114
30	Pepkor Holdings Ltd.	Bid Corporation Ltd.	0.111
31	Exxaro Resources Ltd.	Glencore plc	0.109
32	Clicks Group Ltd.	British American Tobacco plc	0.107
33	Mediclinic International plc	Pepkor Holdings Ltd.	0.084
34	Remgro Ltd.	Aspen Pharmacare Holdings Ltd.	0.073
35	Northam Platinum Holdings Ltd.	Anheuser-Busch InBev SA/NV	0.068
36	Aspen Pharmacare Holdings Ltd.	NEPI Rockcastle S.A.	0.063
37	Investec plc	Remgro Ltd.	0.057
38	NEPI Rockcastle S.A.	Mediclinic International plc	0.028
39	Reinet Investments SCA	FirstRand Ltd.	0.019
40	Woolworths Holdings Ltd.	South32 Ltd.	-0.014

Table 1: Company Rankings by Market Capitalisation and Du Pont analysis (Source: Created by Author see appendix for List of Company Reports Used)

The first interesting observation is that ten of the top twenty companies, as ordered by market capitalisation, moved to lower rankings when ordered by Du Pont ROE and formed part of the lower-performing group. This ranking is only valid for the 2020-2021 financial year. During this period company performance may have been subdued due to the Covid-19 pandemic. As all companies were affected by the pandemic it is not considered a factor that impacts the findings of this study.

The prediction from proposition one is that there are no differences in what is being reported between the higher- and lower-performing groups. Diversity reporting is expected to be reported in the sustainability section of the integrated financial reports or the ESG (Environmental, Social and Governance) report if that is published separately. This proposition is not correct. Some companies do have diversity and inclusion in the ESG report or Report to Society but most companies report diversity metrics under a "People" section of the integrated annual report, while the ESG report is reserved for environmental and social issues only. Some companies merely mention diversity and inclusion as a commitment and report nothing in their report but have a status tracker or statistic on their website.

Diversity and inclusion are reported in differ in manners, report sections and levels of detail for every company. For some it is mentioned in the CEO or Chairman's letter, for others a single paragraph in the "Our People" section and for others a statistic in a dashboard-like table. The People section also contains a statement about the commitment of the company to diversity and inclusion, pay equity, gender equality and inclusion. The structure of the reporting varies substantially, some companies present the data in a table, some present the data in graphs and some narration only. There is no standard section where the data is reported and reports have to be thoroughly read to find the correct information. This is a time-consuming process that retail investors might not have the capacity for.

Some social issues like education, gender-based violence and modern slavery are also discussed in the People section, to report on progress made on diversity and inclusion and the importance thereof to shareholders and stakeholders. Some companies report these issues and their strategies to address the issues and link them to female empowerment, which is then reported under the banner of diversity and inclusion. The strategies to address these issues are mostly creating awareness, which makes sense considering that these are much broader societal issues.

Most multinational corporations report more metrics due to regulations enforced by other stock exchanges or legislative requirements from governments. For example, all companies that are listed on the London Stock Exchange need to report male vs female employee gender composition and pay equity.

Overall, there is not much difference in the metric reported by the two groups, in general, gender diversity is low for board members and employees, pay equity is not widely reported and the minimum number of male board members is substantially higher than the minimum number of female board members. The below table summarises some of the high-level overall findings.

Metric	**Higher Performing Group**	**Lower Performing Group**
Board under 30	0.00%	0.00%
Board Age 31 to 40	0.83%	4.45%
Board Age 41 to 50	17.77%	19.03%
Board Age 51 to 60	38.02%	38.06%
Board Age over 60	43.39%	38.46%
Chief Diversity Officer or similar	10.00%	30.00%
Employee per gender and age reported	20.00%	20.00%
Detailed GRI Reporting	3	3
Some GRI Reporting	15	15
None or Very Little Reporting	2	1
Min Female Board Members	1	2
Max Female Board Members	7	6
Average Female Board Members	4.65	3.89
Min Male Board Members	4	6
Max Male Board Members	13.0	16.0
Average Male Board Members	7.85	9.37
Reporting % of Employees by Gender	85%	70%
Reported Pay Equity	15%	15%

Table 1: High-Level Study Findings (Source: Created by Author see appendix for List of Company Reports Used)

None of the companies studied has board members under 30. The higher-performing group's highest concentration of board members' age was above 60. Of the higher-performing group, 10% have a position in the C-suite titled Chief Diversity Officer or something similar. Thirty percent of companies in the lower-performing group have a role specifically dedicated to diversity, Both groups are very similar in reporting GRI recommendations. The higher-performing group has a wider range of minimum and maximum board members than the lower-performing group. More companies in the higher-performing group report the percentage of male and female employees. Both groups have a low reporting rate of pay equity of 15% (see Table 1: High-Level Study Findings).

The most widely reported metrics are board of management (more commonly referred to as board) composition metrics which are reported as per the GRI Guidelines. As board composition is specified in the GRI guidelines most companies (93% or 37 of the 40) report board composition. This includes board member age, gender, race, experience, educational background, and board tenure. Most multinational companies also report board member nationality.

None of the companies specifically reported on minorities and vulnerable groups under the board or employee composition which matches the prediction. In the context of South Africa, gender and race can be considered vulnerable groups which renders the requirement unnecessary.

Some companies report gender by region or territory. Companies also report having awareness campaigns on diversity and challenges for women and employees with disabilities. These statements are mostly mentioned in narratives with no metrics or specific strategies to either report more or improve the situation. Commentaries from the board members and CEO review letters refer to these issues and imply that it is also of importance to employees, shareholders and stakeholders. There is no indication of how these conclusions were derived.

Only 20% of the companies report the age composition of their employees (see Table 1: High-Level Study Findings). Gender composition is reported more widely with 85% of the higher-performing group reporting gender composition and 70% of the lower-performing group reporting gender composition. The racial composition of employees is reported by nine (23%) companies. Of the nine companies that report racial composition four are in the higher-performing group and five are in the lower-performing group.

There is no standard way in which age categories are structured or in how the reporting is done. Some report absolute numbers and some percentages. Some companies group ages by under 30, 31-39, 40-49, 50-59 and 60+, others 2-4 broader combinations of these categories.

Pay equity is either reported as a single figure or not at all. A total of six companies reported pay equity. Five of the companies that report pay equity do not report by operation on the company as a whole. Only one company reported pay equity by operations as it has listings on multiple stock exchanges. Pay gaps when reported are reported in the form of a narrative. Proposition two expected that the higher-performing group would be more likely to report employee gender composition and report gender composition closer to gender parity. Most companies have targets to increase the number of women in the workplace set to get to gender parity.

All gender-related reporting is reported in binary gender terminology only, this includes the board, employee, and management levels. This was expected and none of the companies had other or non-binary reporting categories in any section of the reports.

Of the higher-performing group, 85% reported employee gender, the lower-performing group only reported 70% of companies reported employee gender. On average companies have reported that 42% of employees are female and 57% of employees are male. Higher-performing companies reported that 39.31% of employees are female and 58.62% are male. The lower-performing group reported 46.05% of employees are female and 53.95% are male. In the higher-performing group, the company with the smallest female employee contingent is 11% and the highest is 71% for males the lowest is 29% and the highest is 89%. The lower-performing group has similar results with the lowest female contingent being 12% and the highest at 75%. The smallest male contingent is 25% and the largest is 88%. Companies within the mining sector have a lower female employee base due to historic barriers. These companies all commented that they started on a low base to improve their female employee contingent. The retail sector, on the other hand, seems to have more female employees on average. Industry analysis is out of scope for this study but could prove to contain some additional insights.

Proposition three expected companies with a Chief Diversity Officer or similar title to perform better. Only 6 of the 40 (15%) companies have a Chief diversity officer or similar position, two of which were in the higher-performing group, and four in the lower-performing group. Titles to the position include Director: Talent Culture and Inclusion; Chief People Officer; Chief People and Culture Officer; Chief Transformation Officer. Most of the functions of this might be under a Human Resource Executive role in other companies as statements around diversity are reported in “People”, “Human Capital”, “People and Culture”, and “Strategic Report”. These sections have been found both in Sustainability and as standalone sections.

Proposition four predicted that companies with greater age diversity to perform better. From a board age diversity perspective, the higher-performing group has a slightly younger board. Thirty-seven of the forty companies (92.5%) reported board age composition. There are only 8 of the 37 companies that reported having board members younger than 50 years old. Three are in the higher-performing group and 5 in the lower-performing group. As can be seen in Figure 1: %of Board members aged 51and over, most board members (79%) fall into the 51+ age group. This was expected due to the experience required to be a board member, investors expect board members to have significant experience. Most companies also report board skills or experience diversity. The number of board members per company ranges from 5 to 20.

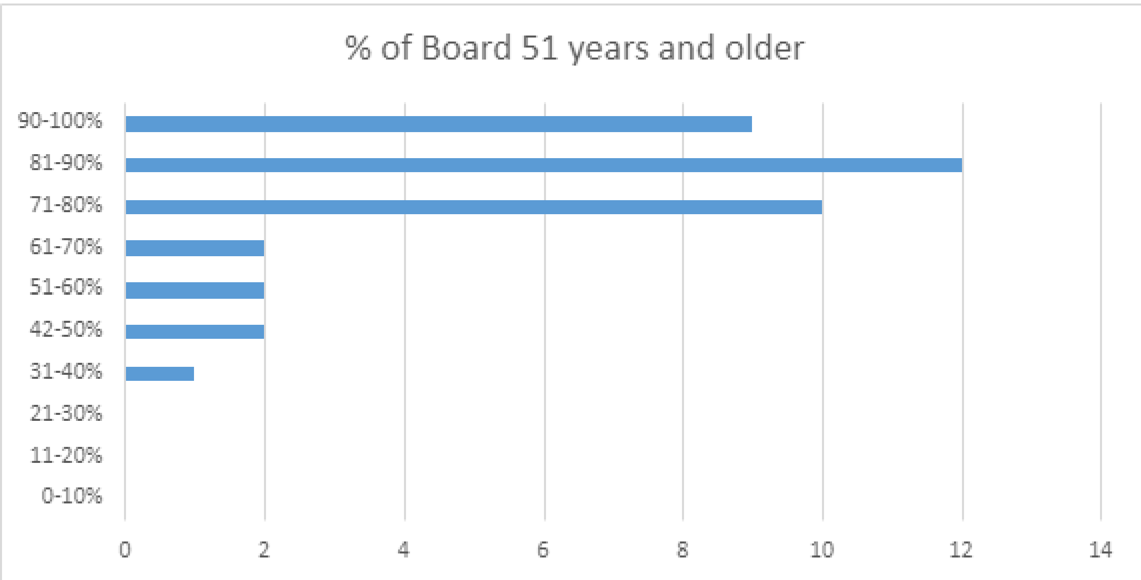

Figure 1:% of Board members aged 51 and over (Source: Created by Author see appendix for List of Company Reports Used)

Only eight of the forty (20%) companies reported employee age composition. Of the companies that reported employee age composition, four are in the higher-performance groups and four are in the lower-performing group. Due to the lower-than-expected employee age reported, findings for proposition four are inconclusive and it does not seem that a lot of focus is on reporting this age diversity.

An aspect that is also reported is people living with disabilities. This was not covered by any of the literature studied under the umbrella of diversity, but initiatives in the sphere are widely reported by companies as part of diversity. The companies that reported disability metrics have a disclaimer that the company is aware of under-reporting. One explanation provided in the reports for the lack of performance metrics around disabilities and the under-reporting thereof is the stigma around disabilities and mental disorders that persists. The report further states that this leads to people hiding mental and physical disabilities as much as possible. To address this companies have various approaches to assisting people with disabilities including programs to help learners with disabilities, scholarships, training programs and working with charities.

Most companies have a statement to support their commitment to diversity and inclusion, but there are very few metrics to support this. Companies set targets for senior management gender diversity, board gender and race diversity and employee diversity by gender and region and women in succession planning. And some include the current state of these targets but most only publish a commitment to reach the target by some future date. Board gender and race diversity is also the primary focus of a lot of companies.

There are still large disparities between the number of male and female board members; the board with the least number of female members has only one female board member but the board with the lowest number of male board members has four males. The average board female target is set between 30% and 40% of the total number of board members. This could be an application of the research (Eastman et al., 2016) suggesting that companies with at least three female board members outperform their peers.

Most companies follow a top-down approach to instituting diversity policies by starting at the board level and linking targets of the board, senior management and employee diversity by gender and race to executive remuneration.

The reports do provide examples of various measurement practices. Surveys are being used to measure the diversity and inclusion of employees, sense of belonging, and psychological safety. Workforce analysis focusing on gender and race is a common theme in the reports. Using an employee Net Promoter Score (eNPS) is a common strategy. Very few of the results from these efforts are however reported and the reporting is limited to what strategy was used in an attempt to measure diversity and/or inclusion.

There are some very good examples of easy-to-read one-page dashboards that have diversity metrics, retention rates, talent management, targets set by the board and current progress alongside other metrics that are valued by investors like operations expansions, new customers acquired, inclusive mindset and changes in shares. Dashboards are used to manage succession planning, staff departure risk, track unconscious bias training and diversity e-learning. These dashboards may also include workforce diversity profiles using the Department of Labour guidelines which include the gender and race profile of employee groups based on the organisational hierarchy. These profiles have a breakdown of the number of employees per race and gender of top management, senior management, professionally qualified, experienced specialist and mid-management, skilled technical and academically qualified workers (junior management, supervisors foremen and superintendents), semi-skilled and discretionary decision makers, unskilled and defined decision making. These are published per territory or per country.
Stakeholders are also targeted in feedback surveys, these stakeholders include vendors, customers, investors and service providers. Again, none of these metrics is reported, the approach is more to report what has been attempted.

As for strategies to improve diversity, there are various approaches. Training for unconscious bias specifically for hiring teams, and targeted employee groups is a strategy followed by a few companies, reporting however seems to be focused on hiring teams and management. It is unclear from the information in the reports if training efforts are rolled out company-wide, some of the narratives suggest it is.

One company has created a seven-step foundation to improve its diversity and inclusion. The steps are to reaffirm zero tolerance for gender-based violence, develop and update gender diversity and inclusion policies, provide a reporting system for any issues, unconscious bias training, pulse check surveys to gain feedback, build an inclusive physical environment, and supply personal protection equipment designed for women. This is the most comprehensive approach detailed in the reports and covers a wide range of aspects starting with the foundation of policies and procedures.

Other strategies employed are cross-regional employee enrichment opportunities by sending employees to work in another country or region for a while, female empowerment programs, LGBTQIA+ networks and awareness programs, self-education intranet sites, parental leave policies and addressing remuneration policies. The support of LGBTQIA+ employees is only available in countries or territories where it is legal and stated explicitly in reports. Strategies also seem to be similar and limited to employees sharing their own experiences in company-provided forums and marches during Pride month.

Various companies compare their gender and race metrics to the averages in their respective industries. Business partner forums are used as a platform to share diversity targets, strategies, and challenges and create awareness.

Some indexes and awards track diversity and inclusion efforts around the world. Multinationals listed on the London Stock Exchange report their successes against the Hampton-Alexander Review. This is an initiative where companies strive to meet 33% female board representation voluntarily. The Hampton Alexander Review is a report published annually to track the FTSE top 250 companies in metrics like board gender diversity, as well as employee diversity metrics. New appointments of male vs female employees and women in leadership roles are tracked. A similar initiative is the Parker review which tracks the diversity of board members. With companies in South Africa already tracking and reporting the metrics it would be a case of compiling the information and publishing it.
There is also the global REFINITIV Diversity and Inclusion Index. Although mostly populated by American companies this list features 5 South African Companies. This index has a list of twenty-four metrics that companies are ranked by.

Companies are also creating attrition programs to focus on specific groups. Although not specified in great detail there are also partnership programs with the Department of Labour. Targeting people that live in a specific area. Targeted employment strategies to recruit diverse talent are also common strategies. These include setting an age-related target like recruiting employees younger than 35 years old or focussing on recruiting women. Studying the reasons why talented individuals or targeted employees are leaving could provide great insight into diversity and inclusion policy changes that are required.

There are also some topics raised under the banner of diversity and inclusion that might be more social issues like youth unemployment, student training programs, personal development and gender-based violence. These issues are linked to diversity in the sense that it creates barriers for female employees to contribute meaningfully to the labour market and is addressed by most companies by creating awareness.

Diversity and inclusion are very broad topics and a lot of the discoveries from this study need further investigation. Some further research suggestions are:

1. Tracking the companies over 5 or more years to see if there is a marked improvement not only in the reporting but also in the diversity metrics.
2. A wider study comparing a larger group of listed companies on the reporting of employee age and diversity metrics.
3. Other diversity and inclusion categories such as disability, sexual orientation, and political affiliation.
4. Customer diversity and the impact on an industry or sector. An interesting subject reported under diversity was customer diversity, this does seem to be a focus for the financial industry but may be of interest in other industries.
5. How to embed diversity and inclusion in a company's culture.

Conclusion

Currently, JSE-listed companies are only required to include high-level metrics such as board composition, the percentage of employees based on gender, age and minority or vulnerable groups and pay equity for each employment category, but these are recommendations only. Although important, the board is accountable, but the executive team is responsible for ensuring value is created. For this reason, reporting executive and middle management diversity may give investors better information as this is where the day-to-day decisions get made.

The benefits of diversity and inclusion indicate that it could have a marked performance impact, but it needs to be managed correctly. Measuring diversity and inclusion is a challenging task but there are some recommended metrics. Gartner's Inclusion Measure model is an excellent start for companies. Metrics need to be linked to the strategic goals of a company. Suggestions are reporting gender pay gaps. employee retention rates and diversity targets. This will not only help to improve diversity in the company but also provide information to investors and create much-needed awareness.

This study found that all of the Top 40 JSE-listed companies follow the GRI guidelines. Making the progress and data available to investors can provide investors with an idea of the intent of the organisation. It also creates a signal to broader market stakeholders that the organisation is making progress, which might win not only additional investors but also customers, suppliers and future employees. Organisations that make diversity and inclusion part of their strategy, decide on measurements to track and have a transparent process to track it is predicted to perform better and provide investors with more information. The study found that companies that reported diversity and inclusion measures or status, linked diversity and inclusion to strategy and are attempting to track the measurements.

A second finding is that higher-performing companies are not more likely to report greater gender diversity ratios than lower-performing companies. Although higher-performing companies are more likely to report gender diversity the reported diversity metrics for higher and lower-performing companies are very similar. Gender and race are metrics that are easy to track, hence the high concentration of companies setting targets towards these metrics. This is also a great place for companies with no diversity and inclusion tracking to start. Setting targets and linking them to executive remuneration is also a great way to ensure that the strategy gets management's attention.

A third finding is that very few companies have a Chief Diversity Officer or similar role. Only 10% of higher-performing companies and 30% of lower-performing companies reported this role. Building a diverse organisation that is equitable and inclusive takes time. There might be a trade-off in the performance of companies that focus on diversity and inclusion, but there is no guarantee that the trade-off is lasting. Companies are taking diversity and inclusion seriously by appointing Chief Diversity Officers and ensuring that they have policies in place but as this is a relatively new issue that they need to report on and manage it seems mostly like trial and error.

Finding four is that few companies report age diversity and less have any reported strategy to manage generational diversity. Reported strategies focus on learnership programs or bursaries to attempt to assist with youth unemployment.

Investors have the power to ask for diversity and inclusion reporting to be specific and transparent. The current way of reporting does not provide investors with enough information to make a solid decision as there is very little reporting on diversity and inclusion. The format that information is in is not standardised, found in the same sections in all reports and has a hidden quality to it. All of this makes it very hard for a retail investor to get the information. It is also a time-consuming endeavour to get the information from the reports.

Even institutional investors with a team of financial analysts will have to contact companies and have the companies present their strategies to gain diversity and inclusion insights. companies could improve investor relations when they take into account that both the retail investor groups and investor activism are growing. The more investors care about diversity the more attention it will receive from businesses as investors have the power to vote with their money. Diversity and inclusion do not have to be the only criteria in an investment portfolio but can be included in the criteria.

Making information easier to find and analyse will not only attract investors but also provide all stakeholders with a better understanding of where the company stands on diversity and inclusion. Data needs to be presented in a user-friendly way, quick callouts, charts and stats stand out. An investor with little time should be able to scan through the report, pick up some interesting statistics and then read through the rest.

Companies are very aware but, as the literature suggests, diversity programs take time to come to fruition. There is a higher focus on starting the diversity journey with the Board and then letting it trickle down through the company.

Although it is a very debated business topic there are a lot of research possibilities within this topic. The impact of a diverse and included management team on company performance is a topic that needs a wider study over a longer period. More studies are needed on metric to measure diversity and inclusion. There are numerous studies that look at the board management composition and the board metrics are widely reported, the same studies and metrics need to be applied to the management of the company as they are responsible for the day-to-day management of the company and have a more direct impact on company performance. Management is also more capable of making adjustments to teams and may have a more direct impact on diversity and inclusion.

Appendix

Note 1

Although Sasol Ltd has the highest Du Pont ROE the value does not quite make investment sense due to the negative Equity that Sasol held for its financial year. For this study, the value is noted but does not impact or influence the results unduly.

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