Integrated reporting

An analysis of the extent of social, environmental and ethical matters in corporate reporting

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Declaration

I hereby declare that this research report is my own unaided work. It is submitted in partial fulfillment of the degree of Masters of Commerce by Coursework and Research Report at the University of the Witwatersrand, Johannesburg. It has not been submitted elsewhere for the purpose of being awarded another degree or for examination purposes at any other university.

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Abstract

Stakeholders are questioning the relevance and reliability of annual financial reports and their ability to provide sufficient insight to enable decisions about an organisation's ability to operate sustainably in the future. This is especially concerning given the increasing challenges, which include environmental disasters, extreme weather conditions, HIV/Aids, deplorable working conditions and human rights injustices. Standalone reports, like the sustainability report, have been criticised for, firstly, not fully reflecting *how* sustainability issues influence the organisation's operations and, secondly, for lacking a measure of integration with the strategic objectives of the firm and its financial performance. These corporate reporting challenges have highlighted the need for a more holistic, integrated form of accountability and business reporting model which merges financial and non-financial information in a meaningful, integrated manner.

This study concentrated on social, ethical and environmental disclosures (SEE). The integrated/annual reports of South African mining companies with a primary listing on the Johannesburg Securities Exchange (JSE) were analysed. Little by way of formal academic research on integrated reporting is evidenced by the call for submission of academic papers. Uncertainties in the area of integrated reporting range from understanding what the term *integrated reporting* means, to what a good integrated report looks like. This study therefore sought to provide an initial assessment of integrated reporting by examining the reports of a sample of listed South African mining companies.

Overall, the results indicated that most of the mining companies included in the study applied the principles of King III in relation to the issuing of an integrated report, despite certain reports being entitled an "annual report". The results indicate that the quantum of disclosures related to social matters had increased to a greater extent than environmental and ethical disclosures over the five-year period. There is currently a greater presence of social and environmental disclosures in more sections of the integrated reports, evidencing greater levels of integration. All companies, regardless of size, appear to be committed to the principles of integrated reporting. This process is, however, a journey that companies appear to be embracing.

Chapter 1 Introduction

1.1 Context of the research

In a context within which socio-economic and environmental challenges are increasing, many questions have been asked about the traditional shareholder-centric corporate reports, which place most of the emphasis on financial indicators and fail to make a clear link between financial, social, environmental and ethical matters (Cleverly, Phillips & Tilley, 2010). More specifically, stakeholders are questioning the relevance and reliability of annual financial reports and their ability to provide sufficient insight to enable decisions about a company's ability to operate sustainably in the future. This is especially concerning given the increasing challenges, which include environmental disasters, extreme weather conditions, HIV/Aids, deplorable working conditions and human rights injustices (Marx & Van Dyk, 2011; International Reporting of South Africa (IRSA): 2010; Druckman & Fries, 2010). Furthermore, the ongoing financial crisis has also highlighted the importance of holistic reporting by companies. Such reports should communicate not only financial performance metrics, but a number of non-financial measures that are relevant for assessing a company's ability to create and sustain value in the short, medium and long term.

Such challenges and a call for holistic reporting have provided the impetus for a stakeholder-orientated approach with a clear focus on integrated sustainability reporting (Marx & Van Dyk, 2011). While standalone reports, like the sustainability report, are commonplace, providing commentary on social, health and environmental matters (Adams, 2004), they have nevertheless been criticised for, firstly, not fully reflecting *how* sustainability matters influence the company's operations and, secondly, for lacking a measure of integration with the strategic objectives of the company and its financial performance (IOD, 2009). These corporate reporting challenges have highlighted the need for a more holistic, integrated form of accountability and business reporting model which merges financial and non-financial information in a meaningful, integrated manner (IRCSA, 2011; Solomon & Maroun, 2012; Eccles, & Armbrester, 2011).

The International Integrated Reporting Committee (IIRC) (2011) shares these views. The IIRC has noticed that, as a result of major changes in the manner in which businesses are run and their ability to create value is assessed by various stakeholders, a more dynamic, holistic form of reporting is needed.

An “integrated report” is defined as a report that “tells the overall story of the organization” (IRCSA, 2011, p. 6). More formally, it is described as a report addressed to stakeholders, discussing the strategy, performance and activities of the company, which enables the stakeholders to assess the company’s ability to create and sustain value over the short, medium and long term (IRCSA, 2011). Such a report provides a holistic approach that will enable investors and other stakeholders to understand how a company is really performing and makes a clear link between social, economic and environmental value (Druckman & Fries, 2010).

South Africa has taken a leading role in the drive for integrated reporting (Solomon & Maroun, 2012; Eccles, & Armbrester, 2011). The release of King III[1] in 2009 marked the introduction of the recommendation for local capital markets to embrace the adoption of integrated reporting. King III, recognising that annual reports were failing to provide decision-useful information to a wide body of stakeholders, encourages South African companies to report in a fashion that demonstrates the link between financial performance, on the one hand, and social, environmental, ethical and governance-related matters on the other (IOD, 2012; Deloitte, 2011). The incorporation of King III into the JSE Listings Requirements resulted in listed companies being required to report on the extent of their application of King III (IRCSA, 2011). This meant that listed companies could issue of an integrated report for the financial years starting 1 March 2010, or provide a valid justification for not doing so. To date, various publications have alluded to the premise that this incorporation made the preparation of integrated reports mandatory which makes South Africa the first country to effectively require[2]the preparation of integrated reports by companies listed on its securities exchange. This premise however may

[1]The King Committee on governance issued both the King Report on Governance for South Africa (the Report) and the King Code of Governance Principles in 2009 (the Code). Together these are referred to as King III.
[2]Section 8.63 of the JSE Listings Requirements refers to listed companies reporting on the application of the King Report and Code on Corporate Governance (2009).

not be entirely correct and is therefore identified as a limitation in this study addressed in Section 1.4.

The move towards integrated reporting is not, however, an easy one (IRCSA, 2011). There is limited guidance available for preparers (examples of guidelines include Discussion Paper on Integrated Reporting, 2011; PwC, 2010; Deloitte, 2010; E&Y, 2010; and KPMG, 2010). Annual reports with clearly demarcated sections and clearly defined financial metrics in the financial statements are well entrenched (Eccles & Armbrester, 2011; Jeyaretnam & Niblock-Siddle, 2010).Sustainability reporting on the other hand, deals with dilemmas and ethical matters on both an organisational and a societal level, is not as clearly defined and remains largely voluntary (Brugman, 2010; Eccles, & Armbrester, 2011). As such, achieving a measure of integration in reporting will require both a fundamental shift and a significant evolution in corporate reporting (Deloitte, 2011).

1.2 Research question

The following research question has been formulated:

To what extent have social, ethical and environmental matters been discussed in the integrated/annual reports of South African mining companies with a primary listing on the Johannesburg Securities Exchange (JSE) since the publication of King III?

The study concentrates on social, ethical and environmental disclosures (SEE) only. According to Solomon and Maroun (2012), Marx and Van Dyk (2011) and Leuner (2012), there is a growing awareness of the relevance of these issues for assessing the ability of companies to create and sustain value in the short, medium and long term. Going hand in hand with this is the emphasis placed by King III and the integrating reporting movement that calls for a clear focus on non-financial information to be presented as an integral part of the corporate reporting paradigm (IOD, 2012; Leuner, 2012).

It should also be noted that the purpose of this research is not to objectively quantify the relevance and reliability of SEE disclosures in the annual and integrated report. Instead, an interpretive technique is employed to provide an initial exploratory account of changing trends in disclosures in the South African mining industry. In doing so, the study offers additional evidence in support of the findings of Solomon and Maroun (2012), who state that while there have been some positive changes, there are a number of areas requiring improvement.

1.3 Purpose and relevance of the research

To date, an understanding of what an integrated report is and its potential impact on the reporting requirements of listed companies have not been extensively researched. Cheng (2010) notes that research in the field of integrated reporting should be high priority. Accordingly, the major audit firms have embarked on the publishing of guidelines on integrated reporting, as well as actively consulting in this area (see PwC, 2010; Deloitte, 2010; E&Y, 2010; KPMG, 2010). Despite a number of professional publications, however, very little is still known about how integrated reporting is being practically implemented and the nature and extent of changes to annual reports that have taken place following the release of the integrated reporting discussion papers by the Integrated Reporting Committee (IRC) and IIRC. This is largely due to the fact that there has been little by way of formal academic research on integrated reporting evidenced by the call for submission of academic papers (De Villiers, Unernam, & Rinaldi., 2012). This problem is compounded by the fact that much of the broader corporate governance research is often based in the United States and Europe, meaning that the operation of corporate governance systems in Africa has been largely neglected by the academic community (Brennan & Solomon, 2008).

Uncertainties in the area of integrated reporting range from understanding what the term *integrated reporting* means, to what a good integrated report looks like (De Villiers et al., 2012). In response, a special issue of the *Accounting, Auditing and Accountability Journal* has called for papers to debate various key issues around integrated reporting (De Villiers et al., 2012). Such key research issues include matters like the benefits and impediments of integrated reporting; various aspects of integrated reporting that need further exploration but which are limited by the lack of exemplars; and empirically based studies addressing internal mechanisms and disclosure innovations for early adopters (De Villiers et al., 2012).

Other research areas include the development of frameworks and tools to assess the level of integration in integrated reports; exploration of the role and effect of integrated reporting practices in fostering behavioural change at different levels of companies; and investigations into the role, influences and shape of information systems employed to record and report integrated information. In each instance, there is a recognised need to clearly establish the extent to which information, particularly non-financial information, is integrated in either annual or integrated reports (De Villiers et al., 2012).

In view of this, this study seeks to provide an initial assessment of integrated reporting by examining the reports of a sample of listed South African mining companies. The aim is to provide a "snap shot" of the extent to which disclosure of SEE matters have changed over the period 2008 to 2012. In doing so, the research makes a valuable contribution to the corporate governance literature by providing one of the first detailed reviews of integrated reporting in a South African context.

The study simultaneously addresses the need for empirical evidence on changes in the disclosure patterns in annual reports, which has been identified by De Villiers et al. (2012) as an important starting point for more detailed interpretive and positivist studies on integrated reporting. Consequently, this research will be of value to preparers and users of integrated reports wanting to understand how the disclosure of SEE matters has changed since the release of the integrated reporting discussion papers (IRCSA, 2011). It will also provide a point of reference for future research on the effects of the current change in corporate reporting.

It should be noted that this study is heavily inspired by Solomon and Maroun (2012). These researchers use an interpretive text analysis to analyse the way changes have occurred in SEE reporting following the release of the integrated reporting discussion papers by the South African Integrated Reporting Committee (IRCSA, 2011). While providing valuable insights, a number of limitations are apparent. Most notable is the fact that the study concentrated on a relatively small sample of companies across multiple sectors and over a relatively short period of three years (Solomon & Maroun, 2012). To better understand how SEE-related disclosure in the mining sector has changed since the introduction of integrated reports in South Africa, an industry-specific study relying on a larger sample of annual/integrated reports is needed. This is especially true given the material contribution that the mining sector makes to the South African economy and the sector's large social and environmental footprint (Gasperini, Doni, & Pavone, 2012). In addition, recent concerns about the possible pollution of the country's ground water by the mining industry (*Bizcommunity*, 2012), the ongoing debates about the socioeconomic and environmental impact of fracking in the Karoo (*Economist*, 2012) and the outbreak of social unrest at certain of the country's platinum mines (*Reuters*, 2012) reaffirms the need for a detailed review of SEE disclosures by the country's leading mining groups.

In this context, a similar approach as that followed by Solomon and Maroun (2012) will be taken in this study. As will be discussed in Chapter 3, this will involve performing a detailed analysis of SEE disclosures discussed in the various sections of each mining company's annual report (e.g. directors' report, corporate governance, operating review). This should, in turn, shed light on the way the theoretical requirement for companies to provide a more integrated account of their business is being met and communicated to users of the annual reports.

1.4 Limitations of the study

A number of limitations have been identified in this study. Firstly, the reasons why listed companies prepare integrated reports have not been addressed in this report. It should be noted that even though various publications have alluded to the premise that the preparation of an integrated report is mandatory, listed companies can nonetheless choose not to do so, if valid justifications is provided. Where reference is made to a mandatory requirement to produce an integrated report, the reader is should bear this limitation in mind.

Secondly, only available annual/integrated reports were included in the scope of the study. Since the study took place in January/February 2013, the annual/integrated reports of companies with a December financial year end were not yet available.

Thirdly, the study only includes companies which have their primary listing on the JSE and are subject to report on the extent of applying King III principles with specific reference to the preparation of an integrated report. Large mining companies not listed on the JSE, or those with only a secondary listing, were automatically eliminated from the study.

As will be discussed in Chapter 3, this research does not use a scientifically rigorous method for assessing the SEE disclosures in integrated reports. Moreover, the study does not attempt to measure the quality of integrated reporting, nor does it attempt to find an optimal solution for better integration, as to do so would involve an element of subjectivity. Furthermore, taking the first limitation into account, companies preparing a report referred to as an “integrated” report has not been evaluated in terms of whether such preparation was done in line with any standards or guidelines.

Finally, the research focuses exclusively on SEE disclosures in the mining sector. As discussed above, this is due to the significant social and environmental impact the country’s large mining operations have, as well as their material contribution to South Africa’s gross domestic product. Dealing only with SEE disclosures also allows the research to retain focus while adding to the debate on a tendency for non-financial information to be overshadowed by a focus on a companies’ financial performance in isolation (Solomon, 2010). Consequently, a review of other disclosures identified in King III and by the IRC (2011), as well as an exploratory account of integrated reporting outside of the mining sector, is deferred for future research.

1.5 Report structure

The remainder of the report is organised as follows: Chapter 2 reviews the literature relevant to the evolution of corporate governance, the implications of the three King reports, sustainability reporting and the integrated report. Chapter 3 addresses the research methodology adopted in this study. Chapter 4 provides the research results, while Chapter 5 concludes the research report and makes recommendations for future research.

Appendix A provides a list of codes used in the coding instrument for this report. Appendix B provides a list of codes assigned to the various major sections in the annual/integrated reports, while Appendix C contains graphs which illustrate detailed findings on the level of integration of SEE disclosures in the various sections of the integrated/annual report on a company by company basis.

Chapter 2 Theoretical and practical research context

2.1. Literature review

In the introduction to a study undertaken by Tse (2011), he notes that in June 2009 more than 1000 MBA students from various top business schools signed an oath declaring their rejection of the shareholder-orientated business approach and vowed to give equal importance to shareholders, co-workers, customers and the society in which they operate. These actions speak to the condemnation currently articulated against the concept of running a business based on the shareholder theory approach. The shareholder theory has brought about discussion and critique in the light of various corporate failures, the current changes in corporate reporting, new corporate governance requirements, coupled with the depletion of the earth's natural resources and the associated sustainability issues. These issues therefore warrant further discussion. The following section will give a brief overview of shareholder theory.

2.2. Shareholder versus stakeholder theory

2.2.1. Shareholder theory

The shareholder theory asserts that the primary responsibility of the company is to maximise the wealth of its shareholders (Tse, 2011; Andreasson, 2011; West, 2006; Fontrodona & Sison, 2006; Smith, 2003). Shareholders voluntarily entrust their personal wealth to the care of managers on the basis of a set of contracting relationships which delineate the rights of the parties involved (Jensen & Meckling, 1976). Managers are then required to use these corporate funds only in ways that have been authorised by the shareholders (Smith, 2003). The result is that owners of the company require managers to operate exclusively for their benefit (Fontrodona & Sison, 2006). Friedman (1970) concurs with this, suggesting that corporate funds should not be spent on socially beneficial endeavours if such endeavours do not contribute to enhancing shareholder returns. The manager's primary duty, therefore, is to maximise shareholder returns (Smith, 2003). In light of this, this model needs to resolve the potential conflicts of interest between shareholders (principals) and managers (agents) (Andreasson, 2011).

Jensen and Meckling (1976) recognise that agents (managers) will not always act in the best interests of the principal (shareholder). For example, Smith (2003) notes that it is not in the best interests of principals when corporate funds are spent on decisions not authorised by shareholders. Therefore, according to this view, managers have a fundamental obligation to always return profits to shareholders. The existence of potential divergent views, as to what an optimal decision would be from the principal's viewpoint, may make it generally impossible to ensure that the agent will always make decisions that will maximise the welfare of the principal at zero cost (Jensen &Meckling, 1976). In essence, the divergence between the interests of the principal and the agent unavoidably generates costs (Fontrodona & Sison, 2006).

The size of this cost will differ from company to company and will be dependent on various considerations which, among others, include the style of management; the cost of measuring and evaluating managers' performance, and the cost of devising and enforcing specific behavioural rules and policies (Jensen & Meckling, 1976). These costs can, however, be minimised by incorporating appropriate incentives for the agent and by incurring monitoring costs, which should be designed in such a way that any decisions taken by the agent are consistent with the interests of the shareholders (Jensen & Meckling, 1976).

In essence, the substance of the agency theory is to devise mechanisms that will ensure an efficient alignment of interests between principal and agent and, in so doing, reduce agency costs (Fontrodona & Sison, 2006). Implementing such minimising measures does not, however, eliminate the divergence of interests between agents and principals. The nature of any principal–agent relationship and the problems associated with inducing an agent to behave as if he were maximising the principal's welfare, will exist in all companies and in all cooperative efforts (Jensen & Meckling, 1976).

2.2.2. Stakeholder theory

Smith (2003) notes that many observers claim that the scandals experienced in the United States at Enron, WorldCom and the like, serve as evidence of the failure of shareholder theory. Moreover, the decline of the major banks in the United Kingdom has also resulted in critics calling for shareholder theory to be rendered obsolete (Tse, 2011).

In light of this, a different approach to measuring corporate success has been considered, as it can no longer be limited to the creation of value for only one stakeholder group, namely shareholders (Perrini & Tencati, 2006). An inclusive approach that considers the relationships with all stakeholders to be of strategic importance for the long-term success of a company is said to be found in the stakeholder theory approach (Solomon, 2010; Rossouw, 2005).

In terms of stakeholder theory, in order to create value a company cannot ignore the context in which it operates (Perrini & Tencati, 2006). Stakeholder theory asserts that managers have a duty to all constituents (shareholders and others) that either voluntarily or involuntarily contribute to the wealth-creating capacity of a company and, in so doing, become potential beneficiaries of that company (Smith, 2003). A network of relationships connects a company to a vast number of interrelated individuals and constituencies. These influence the way a company is governed and, in turn, are influenced by the company's behaviour (Perrini & Tencati, 2006). The stakeholder approach gives rise to a type of corporation that is managed in a way that serves all contributors. This type of corporation will be required to have good relationships with various stakeholders, as failing to do so may give rise to certain financial repercussions (Tse, 2011).

The above discussions demonstrate that there are clear differences between the shareholder and the stakeholder models. The different assumptions made by these models influence the way the company is viewed, that is, in terms of its purpose, its nature, and to whom it is ultimately responsible to (Andreasson, 2011; Massie, 2010). However, given the lifeless nature of the company, human intervention is required to direct actions that determine its identity together with its purpose (Deloitte., 2011). As mentioned earlier, the principal/agent relationship results in shareholders voluntarily entrusting their personal wealth to the care of managers who are required to use these funds as authorised by these shareholders (Smith, 2003). Directors are therefore entrusted by shareholders to commit acts in the name of the company, making them ultimately responsible for the functioning thereof (Deloitte., 2011). By law, however, these directors have a fiduciary duty to make appropriate decisions with due care, skill and diligence in the best interests of the company as its principal (IOD, 2012; Esser & Dekker, 2008).According to Esser & Dekker (2008, p.159) “directors must act in good faith in the interest of the company seen as the interests of the shareholders collectively.” Stakeholder theory highlights a wider variety of interests. The notion of corporate citizenship is evidenced by a broader stakeholder community taking interest in the way a company is managed by directors. The role of the company has evolved from being a vehicle generating benefit solely for its shareholders to one that plays an integral part of society at large and should therefore act responsibly towards its stakeholders (IOD, 2012).Good corporate citizenship is characterised by “being sensitive to the impact of the company’s decisions on the South African society” by requiring directors to blend the interests of all identified parties (Esser & Dekker, 2008, p.159-160).

Corporate governance has traditionally adopted a shareholder or agency theory approach, which gave rise to shareholder-centric definitions of corporate governance (Brennan & Solomon, 2008). Given that many corporate governance policies are based on the shareholder-orientated perspective, prior literature has highlighted various problems and criticisms associated with discharging accountability to shareholders in their role as primary stakeholders (Brennan & Solomon, 2008).

One of the criticisms of shareholder theory relates to its focus on the generation of benefit for shareholders only (Tse, 2011). In terms of this model, other constituents such as employees, suppliers, customers, the government and society as a whole are not being considered for their concurrent contribution to the success of any company (Tse, 2011). As noted above, in the wake of the major corporate failures and scandals in the recent economic crisis, shareholder theory appears to have been made the scapegoat. The reason for this is because it is considered to be a theory that has the potential to encourage managerial hubris, reckless decision making and the excessive use of leverage, thus raising questions about its value and validity (Tse, 2011).

Moreover, shareholder theory is perceived to encourage managers to “do anything you can do to make a profit” (Smith, 2003, p. 86). It would appear to be geared to short-term profit maximisation at the expense of the long run, and is viewed as prohibiting corporate funds from being spent on social responsibility endeavours such as charitable donations or investing in improved employee morale (Smith, 2003). These criticisms should not, however, imply that stakeholder theory is free from limitations.

Stakeholder theory is problematic as it lacks clearly-defined parties to whom the corporate owes a fiduciary duty making it difficult to define management's objectives, as well as to measure how well managers perform (Tse, 2011).

Another criticism is that the current conceptualisation of stakeholder theory does not meet the requirements of scientific theory (Belal, 2002). Key (1999) argues that no specific logic explains the relationship between stakeholders and the company, with the result that it lacks theoretical rigour (Freeman, 1984). Other problems associated with stakeholder theory are identified by Tse (2011). These include the challenge associated with identifying multiple stakeholders and managing multiple relationships with multiple goals. Related to this is the issue of how to practically implement a stakeholder-inspired management model. In addition, uncertainty regarding the actual scope of the stakeholder model and the actual manner in which value can be fairly distributed to the various constituents remains unclear (Tse, 2011). Gioia (1995), Kaler (2006) and Kochan and Rubenstein (2000) are cited as noting that the need to serve the interests of multiple stakeholders makes the framework difficult to implement and put into practice (Tse, 2011). Nevertheless, despite these criticisms, the stakeholder approach has received increased attention and is considered to be an appropriate and robust alternative model for explaining a company's behaviour (Belal, 2002). The importance of stakeholder relationships cannot be ignored and they are noted by Perrini and Tencati, (2006) as being critical for an entity to generate sustainable wealth over time.

Both stakeholder theory and agency/shareholder theory approaches have strengths and weaknesses. The debate as to which approach is superior has given rise to a converged shareholder–stakeholder approach, although further discussion of this is beyond the scope of this research. What is however relevant is that a converged perspective on corporate governance reiterates the need for companies to think more broadly about their impact on communities and the manner in which they create value. As Tse (2011, p. 60) notes:

> Without properly taking both shareholders and stakeholders into account in the pursuit of company goals, it is possible that improvement in corporate governance and social responsibility … could be impeded … [which could result in] another financial crisis occurring in the future.

This all-inclusive conceptualisation of the company under stakeholder theory is evident in the recent codes of governance which have taken into account the interests of a broader group of users (Andreasson, 2011). France, for example, requires listed companies to report on social and environmental matters that affect stakeholders, on a mandatory basis, which indicates the importance of such matters (KPMG, 2012). India, although in its infancy stage, has introduced a voluntary standard (i.e. Voluntary Corporate Social Responsibility Guidelines) which incorporates the element of “care for all stakeholders” (KPMG, 2012, p. 49). In addition, the United Kingdom’s AA1000, AccountAbility Principles Standard, which is based on three principles (i.e. inclusiveness, materiality and responsiveness), defines a company as being inclusive when it “accepts its accountability to those on whom it has an impact and who have an impact on it. Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability” (AccountAbility, 2008, p. 10).

South Africa is no exception. The inclusive approach to corporate governance was first introduced to the African continent in 1994 in the first King Report on Corporate Governance in South Africa (Rossouw, 2005). West (2006) notes that King II describes the approach to corporate governance as being inclusive, requiring all stakeholders to be considered when developing the strategy for a company.

This will be discussed in more detail in the next section.

2.3. The emergence of corporate governance reform: The King Reports

Three prominent corporate governance reports have been formulated by a voluntary committee chaired by Mervyn King. These are the *King Report on Corporate Governance* (King I) issued in November 1994; the *King Report on Corporate Governance for South Africa – 2002* (King II) issued in March 2002 (West, 2006); and the more recent *King Report on Governance for South Africa – 2009* (the Report) and the *King Code of Governance Principles – 2009* (the Code), referred to as King III, which was issued by the King Committee in September 2009 (IOD, 2009; PwC, 2009).

According to West (2006), the King I and King II reports initially arose out of the economic and political uncertainty in South Africa in 1994 followed by the widespread changes in corporate governance worldwide. South Africa's approach to corporate governance fits the traditional Anglo-American model of governance (Andreasson, 2011; West, 2006). This model is characterised as being shareholder orientated thereby prioritising shareholder interests (Andreasson, 2011). This would imply that corporate governance in South Africa represents an agency-theory construct with emphasis placed on value creation for shareholders. The first King report introduced the inclusive model of corporate governance (Rossouw, 2005; Cliffe Dekker Hofmeyr, 2002). Later, the second King Report was issued following advancements in the global economic environment together with legislative developments (Cliffe Dekker Hofmeyr, 2002). King II offered additional motivation for an inclusive approach, driven mainly by the country's socioeconomic conditions (West, 2006), taking into account the need for a corporate governance model that considers the context in which a company operates (Rossouw, 2005). Compared to King I, King II reflected a broader perspective by taking an inclusive approach that is, in essence, a form of stakeholder theory (West, 2006). The focus, however, was still primarily on the shareholder. West (2006, p. 441) notes:

> The existing corporate governance environment in South Africa, even taking King II's 'inclusive' approach into consideration, does not incorporate such moral imperatives but rather promotes the profit motive, and that at best, South African corporations adopt a weak form of responsibility towards development.

A shift in focus was therefore required. To highlight this shift and in light of the call to accommodate the new Companies Act 61 of 2008, King III was issued. King III is a report that builds on the pertinent issues raised by King I and King II, but also addresses the inclusion and a renewed emphasis on issues such as sustainability, governance, the role and function of the audit committee, stakeholder relationships, compliance with laws and regulations and integrated reporting (Deloitte., 2009; IOD, 2009).

King III became effective on 1 March 2010 and applies to all entities incorporated in or resident in South Africa, regardless of the form or manner of incorporation or establishment (KPMG, 2009; Cliffe Dekker Hofmeyr, 2009; IOD, 2009). By following an “apply or explain” approach, King III set an international benchmark (IOD, 2009; Cliffe Dekker Hofmeyr, 2009; IOD, 2012). This approach means that entities need not fully comply with King III when they, through an “application of the mind “, can justify their non-compliance (Cliffe Dekker Hofmeyr, 2009; IOD, 2012).

With a focus on entrenching a principle-driven approach to governance, the practising of and adherence to the principles set out in King III is expected to result in any entity exhibiting good governance (Cliffe Dekker Hofmeyr, 2009; PwC, 2009). King III also provides further guidance on various governance-related aspects. These include ethical leadership and corporate citizenship, boards and directors, audit committees, the governance of risk, the governance of information technology, compliance with laws, rules, codes and standards, internal audit, governing stakeholder relationships, integrated reporting and disclosure (Deloitte, 2009; KPMG, 2009).

The key aspects of King III that are relevant to the research topic at hand relate primarily to: (1) the general change in corporate governance reporting with a stricter emphasis on an inclusive/stakeholder approach; (2) the adoption of King III into the JSE Listings Requirements and its impact on listed company reporting considerations; and (3) the annual integrated report.

Even though sustainability reporting was recommended by King II, an extended and renewed focus was required (E&Y, 2009). This is evidenced by sustainability matters being integrated in various sections of King III, together with a separate chapter specifically addressing integrated reporting. The purpose of this research is, therefore, to explore the extent to which SEE matters have been discussed in the various major sections of the annual and integrated reports of mining companies since the publication of King III. Before doing so, however, it is also important to take a step back and review why these specific matters have become pertinent in today’s world.

2.4. King III and the integrated report

The first King report introduced an inclusive approach in response to the fact that evolving global economic challenges together with legislative developments had emphasised the need for a corporate governance model that takes into account the value system of the context in which it operates (Rossouw, 2005; Cliffe Dekker Hofmeyr, 2002). King II's focus was on the reporting of the so-called *triple bottom line* issues which encompassed reporting on SEE performance (PwC, 2009, IOD, 2002). Such reporting meant that companies needed to account not only for economic and financial issues, but also for social and environmental issues (Deloitte., 2009; IOD, 2002). The development in corporate governance standards reflects a shift in emphasis from a shareholder-profit-maximisation-only perspective (single bottom line), to a wider and inclusive triple bottom line (economic, environmental and social) approach to doing business (Marx & Van Dyk, 2011).

King III builds on King II's focus on corporate citizenship and integrated sustainability (Deloitte, 2009). Since 2002, growing challenges such as the global financial crisis, changing geopolitical trends, diseases like HIV/Aids and natural disasters have highlighted the need for a renewed focus on such pertinent matters (Marx & Van Dyk, 2011; IRSA, 2010; Druckman& Fries, 2010; IOD, 2009). King III's renewed focus and emphasis on sustainability matters is evident in the following statement:

> Sustainability is the primary moral and economic imperative of the 21st century and one of the most important sources of both opportunities and risks for businesses (IOD, 2009, pp. 11–12).

In addition, companies need to be responsible corporate citizens, that is, protecting, enhancing and investing in the wellbeing of the economy, society and the natural environment in which they do business (IOD, 2009, pp. 11–12). As noted previously, the activities companies engage in have an impact on the environment in which they operate and, therefore, King III states that "it is unethical for companies to expect society and future generations to carry the economic, social and environmental costs and burdens of its operations" (IOD, 2009, p. 3).

The integrated report is, therefore, a “tool” that will enable stakeholders to determine whether a company is acting responsibly and whether it has implemented adequate measures to address certain factors outside its own control which may have an impact on its value (IOD, 2009). The incorporation of King III into the JSE Listings Requirements resulted in listed companies being required to report on the extent of their application of King III (IRCSA, 2011). This meant that listed companies could issue of an integrated report for the financial years starting 1 March 2010, or provide a valid justification for not doing so. Voluntary disclosure (as noted by West (2006)) is now replaced with the “apply or explain” approach, a pioneering move on South Africa’s part which has resulted in investors, regulators, markets and other interested stakeholders showing increased focus on the integrated reports released by South African companies (PwC, 2012).

The integrated report provides stakeholders with information about the company’s operations and its financial results, together with its associated social, environmental and governance issues, in a holistic and integrated manner (IOD, 2009). King III notes that reports based largely on financial information and standalone sustainability reports have suffered weaknesses, usually appearing disconnected, and therefore do not enable stakeholders to form a comprehensive picture of the company’s performance and of its ability to create and sustain value, especially in the context of growing environmental, social and economic challenges (IRCSA, 2011). Understanding this context, namely, the growing environmental, social and economic challenges, is therefore imperative and is discussed in further detail in the next section.

2.5. The evolution of sustainability reporting

Environmental, social and economic matters are the three core components of sustainability reporting. Sustainability reporting dates back as far as the 1960s and 70s when reporting debates in the United States and Europe brought about a new awareness of the external responsibilities that were unfulfilled by governmental institutions as well as those that business needed to account for (Kolk, 2008). It was only in the 1990s, a decade that experienced a series of major incidents, that companies were forced to come clean and issue a comprehensive corporate sustainability report addressing environmental, social and governance (ESG) issues (KPMG, 2012; Kolk, 2008; Gray, 2001).

De Villiers et al. (2006) note that most literature addressing existing studies focuses on developed countries like Europe, the United States and Australia. In Australia, a number of studies addressing environmental responsibility disclosure have been examined by Deegan (1997).[3] Meanwhile, Gray, Kouhy and Lavers (1995a) note that for over 20 years empirical research investigating corporate social reporting has produced a broad range of literature that addresses different theoretical perspectives, different research methods and a wide range of research questions covering many different countries and time periods. In this regard, after recognising the increase in the practice of social and environmental reporting, Gray et al. (1995b) were motivated to develop a computer-readable database of various social and environmental disclosure practices in the United Kingdom.

These studies are broad and focus mainly on developed countries. Nevertheless, the mere existence and volume of current literature addressing this topic highlights its relevance and importance in a world where companies are integral to society and must therefore behave as responsible corporate citizens who protect, enhance and invest in the wellbeing of the economy, society and the natural environment in which they operate (Marx & Van Dyk, 2011).

It is without a doubt that ESG factors are of growing concern in today's world (Haboucha, 2010). According to Heaps (2010), the global economy has already overstepped the capacity limits of our planet's ecological systems. Approximately 60% of the ecosystems services that support life on earth are being degraded or used unsustainably. The 2012 Living Planet Report notes that humanity is placing tremendous pressure on our planet by using nature's services 50% faster than the earth can renew them. By 2030, even two planets will not be enough (Living Planet Report, 2012). Added to this, the human population of the world, which comprised over seven billion in 2011, is forecasted to reach over nine billion by 2050 (Living Planet Report, 2012). This is the driving force behind environmental degradation,

[3]These include Gibson and O'Donovan (1994), Guthrie and Mathews (1985), Guthrie and Parker, (1989), Kelly (1981), Trotman (1979), and Trotman and Bradley (1981).

which places even more constraints on natural resources (Living Planet Report, 2012).

The social realm, on the other hand, addresses matters such as education, loyalty, the expectations of employees, customers and local communities (Massie, 2010). In a South African context, social issues encompass additional matters such as transformation progress (e.g. employment equity and black economic empowerment), human capital development, and safety and health (with particular reference to HIV/Aids) (West, 2006). In South Africa's landscape, these social issues are becoming more and more pertinent to the sustainability of a company (Marx & Van Dyk, 2011). Accordingly, the importance of good employer–employee relationships and the impact they have on profitability became evident when an unexpected labour dispute presented a mining company with a significant challenge to repair and improve its labour relations (Reuters, 2012). It is therefore clear that environmental and social concerns have become much more prominent now that corporations have become larger and their effects more significant (Haboucha, 2010; Adams, 2004). The reporting on ESG issues has grown tremendously over the last five years as its effects are significantly influencing the sustainability of companies (Haboucha, 2010).

Given the rapidly changing economic, environmental and social environment, the world is considered to be facing a global financial crisis which is accompanied by a sustainability crisis (KPMG, 2012). Eccles & Armbrester (2011) considers that integrated reporting and the associated changes that have taken place in reporting, have come at the right time. Eccles (2011) also notes that integrated reporting is essential for a sustainable society and that the time to make it happen is now.

In theory, integrated reporting is not simply the integration of information from the sustainability department into the financial report or vice versa (IOD, 2009). Accordingly, an integrated approach should include reporting within the triple context of ESG issues (KPMG, 2012). However, it should be noted that the gathering of such sustainability information and the compiling of an integrated report will require substantially more effort and cost (Cliffe Dekker Hofmeyr, 2009), as an integrated report is required to reflect a deeper strategic analysis of the issues that have an impact on the company (Tilley, 2011). This analysis should be more detailed compared with the information provided in the current sustainability reports in order to explain the relationship between the company's short- and long-term business goals and its effect on ESG issues (IOD, 2009).

When providing sustainability information, various guidelines are available. A summary of relevant ESG-disclosure initiatives is provided in Table 2.1. KPMG (2012) recognises the international initiatives included in this table to be of reporting relevance:

Table 2.1: International initiatives and frameworks

No.	Frameworks and initiatives
1	UN Global Compact Principles
2	OECD MNE Guidelines
3	UNPRI
4	GRI G3 Guidelines
5	ISO 26000
6	CERES Principles
7	SA 8000
8	AA 1000APS
9	GHG – WRI/WBCD
10	CDP

Source: KPMG (2012)

These international initiatives are voluntary instruments which address sustainability reporting indirectly as they are seen to only promote or encourage sustainability reporting (KPMG, 2012). The Global Reporting Initiative (GRI) G3 guidelines are considered to be the most comprehensive guidance on sustainability reporting and are generally accepted as a tool for measurement and communication (KPMG, 2012).

King III recommends using the GRI G3 guidelines as a framework when producing an integrated report (IOD, 2009). These guidelines comprise a globally accepted framework that is transparent, credible and valid and which will allow companies to achieve transparent disclosure of sustainability issues as envisaged by King III (IOD, 2009). In addition, they have become the standard for sustainability reporting and have also been incorporated into various other frameworks (CERES, 2010). In light of this, the coding instrument discussed in Chapter 3 will incorporate the GRI G3 guidelines in developing the relevant codes (see Table 2.5 below).

It is, however, important to acknowledge South Africa's unique challenges in the realm of social, environmental and ethical issues. According to Solomon and Maroun (2012), South Africa's historical and social issues have been a driving force behind the evolution of corporate governance reform. This has made South Africa a pioneer in the area of stakeholder accountability and governance (see also West, 2006). When developing the coding instrument and in taking cognisance of this backdrop , the SustainabilitySA website was consulted in order to source the relevant standards and guidelines relating to sustainability reporting in a South African context. The following standards/guidelines were listed on the website (Retrieved: 27 February 2013).

Table 2.2: SustainabilitySA's list of standards and guidelines

Standard or guideline description
Global Reporting Initiative (GRI)
United Nations Global Compact (UNGC)
The OECD Guidelines on Multinational Enterprises
International Organization for Standardization (ISO)
AA1000 Series
AA1000 APS
The Prince's Accounting for Sustainability Project (A4S)
Carbon Disclosure Project (CDP)
SEC Guideline on climate change disclosure
King Reports on Governance
Institute of Directors Southern Africa
Industry-specific and issue-specific Guidelines

Source: SustainabilitySA (27 February 2013)

In addition, Marx and Van Dyk (2011) recognise the following standards as having been well established by the literature over the years and have also recognised an authoritative book (*Green*) on sustainability and sustainability reporting practices worldwide, as well as by the South African Institute of Chartered Accountants.

Table 2.3: Global reporting standards

Standards and guidelines
The Global Reporting Initiative (GRI, 2002, 2005, 2006, 2010)
King Reports (IOD, 1994, 2002, 2009)
The United Nations Global Compact (UNGC, 2007)
The Organisation for Economic Co-Operation and Development (hereafter OECD) Guidelines on Multinational Enterprises (OECD, 2000)
The International Organization for Standardization (ISO, 2010)
The AccountAbility's Framework and Standards (AccountAbility, 2008)
The Prince of Wales Accounting for Sustainability Project (Accounting for Sustainability, 2006).
The Carbon Disclosure Project (CDP, 2011)
The Institute of Directors of South Africa's Sustainable Development Forum (IOD 2009; 2011)

Source: Marx and Van Dyk (2011)

What is evident from the various guidelines presented in Tables 2.1, 2.2 and 2.3 is that the literature reflects certain commonly acknowledged and accepted standards. A comparison of the recommended standards is illustrated in the table below.

Table 2.4: Comparison of the standards and guidelines addressed in the literature

KPMG (2012)	**SustainabilitySA**	**Marx and Van Dyk**
GRI G3 Guidelines	Global Reporting Initiative (GRI)	The Global Reporting Initiative
ISO 26000	International Organization for	The International Organization for Standardization (ISO, 2010)

	Standardization (ISO)	
AA 1000APS	AA1000 Series/AA1000 APS	The AccountAbility's Framework and Standards
UN Global Compact Principles	United Nations Global Compact (UNGC)	The United Nations Global Compact (UNGC, 2007)
OECD MNE Guidelines	The OECD Guidelines on Multinational Enterprises	The Organisation for Economic Co-Operation and Development Guidelines on Multinational Enterprises (OECD, 2000)
CDP	Carbon Disclosure Project (CDP)	The Carbon Disclosure Project (CDP, 2011)
	The Prince's Accounting for Sustainability Project (A4S)	The Prince of Wales Accounting for Sustainability Project
	King Reports on Governance	King Reports
	Institute of Directors Southern Africa	The Institute of Directors of SA's Sustainable Development Forum
	Industry-specific and issue-specific Guidelines	
UNPRI	SEC Guideline on climate change disclosure	
CERES Principles		
GHG – WRI/WBCD		
SA 8000		

2.5.1 Overview of standards and guidelines

From a South African standpoint, the inclusion of guidelines such as the A4S guideline, the King Reports, and the Institute of Directors (IOD) Southern Africa Sustainable Development Forum, evidences a focussed move towards integrated sustainability. One noteworthy consideration excluded from the above is that the JSE has also developed criteria to assess good practice in relation to ESG reporting. The JSE Social Responsible Index (SRI) was launched in May 2004 and was developed to measure the triple bottom line performance of companies in the FTSE/JSE All Share Index (JSE website: accessed March 2013). These criteria take into account South Africa's history and the country's peculiar issues, but is essentially based on a framework promoted by the UN Principles for Responsible Investment (UNPRI) (this is included in the KPMG (2012) list of guidelines, as indicated in Table 2.1 above).

King III specifically included the JSE SRI, which it regards as a framework that will aid in achieving the transparent disclosure of sustainability issues when producing an integrated report. This framework was therefore considered when developing the coding instrument (see Chapter 3, Table 3.2). The development of this coding instrument also included the broad-based socioeconomic empowerment charter for the South African mining industry (the Mining Charter). The Mining Charter (revised in 2011) creates a framework for the transformation of the mining industry and includes various targets that are required to be achieved by mining companies within a certain timeframe. In order to remain sustainable and given the importance of achieving mining rights, mines are forced to ensure that these targets are attained.

In summary, there are various standards and guidelines that exist both internationally and in South Africa. In light of the above literature, when developing the coding instrument applied in this research, the following standards and guidelines were employed: GRI G3 (with specific reference to the Mining Sector Supplement); AA1000 APS; the Carbon Disclosure Project (CDP); guidance provided by the King report; the Mining Charter and the SRI index. These are considered to be generally accepted standards that are internationally recognised, but which also apply to the South African context. When developing the coding instrument, these standards and guidelines brought to light various themes. The relevant standard and guideline, together with the relevant themes and codes, are illustrated in Table 3.2 and discussed in more detail in Chapter 3: Research method.

2.6. Summary

The world in which companies operate has changed significantly. The growing challenges such as the global financial crisis, various natural disasters, diseases such as HIV/Aids and significant environmentally damaging events have highlighted the need for an all-inclusive business model (Marx & Van Dyk, 2011). As noted by the IOD (2009, p. 3): “It is no longer sufficient to view the performance of a company only through the prism of profit.”

A shareholder-orientated business view is no longer relevant and companies have a responsibility to those who give them licence to operate, that is, stakeholders (Marx & Van Dyk, 2011). To reiterate, Tse (2011, p. 60) states the following:

> Without properly taking both shareholders and stakeholders into account in the pursuit of company goals, it is possible that improvement in corporate governance and social responsibility … could be impeded … [which could result in] another financial crisis occurring in the future.

South Africa’s stakeholder-orientated corporate governance style, as promoted by the King reports, has resulted in it being in the forefront of pioneering corporate governance reform. The “apply or explain” approach requires all listed companies to produce an integrated report or explain why this is not done. Producing such a report requires companies to undertake a deeper strategic analysis of the sustainability issues in relation to the company’s short- and long-term business goals together with its environmental, social and corporate governance effects. This requires an understanding that strategy, governance and sustainability are inseparable (IOD, 2009).

Chapter 3 Research method

3.1 Research design

3.1.1 Nature of the study

Accounting research has primarily been undertaken within three research frameworks namely mainstream accounting research, interpretative accounting research and critical accounting research (Ryan & Scapens, 2002). An appropriate framework for the research is determined by the research question and the nature of the research issue that is to be resolved (Coetsee, 2011). This study explores the topic of integrated reporting by questioning the extent to which social, environmental and ethical (SEE) matters are discussed in the annual reports/integrated reports of South African mining companies with a primary listing on the JSE.

The research is exploratory in nature and, consequently, employs an interpretative technique to identify changing trends in the disclosures of South African listed mining companies. To establish the appropriateness of applying this technique, the current chapter firstly discusses the positivist nature of mainstream accounting research. This is done to contextualise the merits of applying an alternate approach in the light of the research question (Section 1.2). In doing so, the discussion will briefly establish what positivist research entails and why, given the exploratory nature of the research, it would be less suitable to apply. The discussion will then address the nature of interpretative or critical accounting research, why it is appropriate in this study, and how it will be applied in the research instrument. Next, the population and sample size are discussed, which is then followed by a discussion on data collection and data analysis. Given the nature of the exploratory study, the manner in which the study establishes validity and reliability will then be set out. The chapter concludes by drawing attention to the assumptions and limitations of the study.

3.1.2 A positivist research framework

Mainstream accounting research is synonymous with a positivistic research approach (Coetsee, 2011). This approach has been referred to as the scientific, positivist, empirical science and post-positivist research method (Creswell, 2009). A positivist framework is grounded in objectivity, applying a clinical approach through the use of quantitative, statistical data analysis techniques (Maroun, 2012). These statistical techniques or measures are applied to an underlying phenomena to determine the causes that influence the outcomes of an objective reality that exists "at a distance" (Maroun, 2012; Coetsee, 2011; Creswell, 2009). In essence, the world is considered to exist independently from the researcher (Merkl-Davies, Brennan, & Vourvachis, 2011). The pursuit of objectivity is intended to maximise the chances of determining an ultimate truth that is not influenced by any perceptions, impressions, biases or human feelings that may exist (Coetsee, 2011; Leedy & Ormrod, 2010).

The positivist researcher embarks on collecting data that is tested, verified or refined to support or refute laws, theories or evidence that indicate a failure to reject a hypothesis (Creswell, 2009). The data collected is developed into numeric measures or by way of observation, describing and explaining but does not move into the realm of interpretation (Coetsee, 2011; Creswell, 2009).

In summary, the positivist research method objectively pursues the measurement of a phenomena to test, verify, support or refute a truth that exists independently from perceptions, impressions or biases or human feelings (Maroun, 2012; Coetsee, 2011; Merkl-Davies et al., 2011; Leedy & Ormrod, 2010; Creswell, 2009). This approach emphasises objectivity, reliability, validity and generalisability and is devoid of interpretation (Coetsee, 2011; Merkl-Davies et al., 2011).

3.1.3 The interpretative and critical research method

Social constructivism, commonly combined with interpretivism, is an epistemological approach which is based on the concept that truth is constructed by social actors (Coetsee, 2011; Creswell, 2009). Researchers using this approach believe that there is not necessarily a single, ultimate truth that is fixed, but that truth is subject to change over time (Coetsee, 2011; Leedy & Ormrod, 2010). The researcher's starting point is therefore not a theory (as in positivist research); rather its intent is to find meaning, make sense, interpret, find patterns, generate or inductively develop a theory (Creswell, 2009).

In finding pattern of meanings, the aim of the research is to understand how social order is produced or reproduced (Merkl-Davies et al., 2011). The premise of this research approach is that meanings are constructed by human beings as they engage with the world that they are interpreting (Creswell, 2009). The interpretative or critical approach therefore moves away from the objective, clinical, physical realm of positivist research towards a social realm that acknowledges that human actors play a significant role in research (Coetsee, 2011). This human factor has resulted in the approach being criticised for introducing an element of heightened subjectivity. Maroun (2012) describes interpretative and critical research styles as having a higher degree of subjectivity. According to the Unerman (2000), an element of subjectivity should not cause insurmountable problems as long as the research question and data analysis allow for subjectivity. However, subjectivity can be minimised by making a concerted effort to acknowledge any biases or expectations in the study at hand (Leedy & Ormrod, 2010).

Despite the challenges associated with subjectivity, the use of an interpretative style of research, within the accounting realm, is considered to have merit. Such merit was highlighted in a 2006 debate on the application of interpretative research in accounting (Coetsee, 2011). The participants in this debate noted that interpretative research can contribute to the knowledge of accounting practice (Scapens, 2008).

This is supported by Cooper (2008) who recognises that interpretative research will broaden the skills set of academic researchers allowing them to broaden their research focus (Coetsee, 2011). In addition, Maroun (2012) contributes to the debate by noting that interpretative research offers the potential to interact with the practical implications of accounting and management systems which can present an opportunity to engage with practitioners. This research approach can also provide information that may or may not be accessible by other methods (Smith, 2000). This is echoed by Maroun (2012), who notes that interpretative research has the ability to address aspects of a phenomenon that a scientific, quantitative approach is unable to explore.

Finally, the third research framework referred to at the outset of this chapter is the critical research approach. Critical research entails the identification and removal of dominating and ideological practices (Merkl-Davies et al., 2011). It is an approach that is based on the premise that there is no absolute truth, which therefore allows social actors to criticise what is presented as truth (Coetsee, 2011). The aim is to critique an established theory with the objective of changing the existing social structure (Coetsee, 2011). Further discussion of this paradigm is beyond the scope of this research.

3.1.4 Research framework applied in study

The objective of this study is to determine the extent to which social, environmental and ethical matters have been discussed in the annual reports/integrated reports of South African mining companies since the publication of King III (Section 1.2). In doing so, the aim is to explore the changes in disclosure in order to assess the increase in the quantity of reporting as well as to identify possible trends. As such, an interpretative approach is followed (see also Solomon & Maroun, 2012).

The application of a scientific approach in the study would not be appropriate, as the research does not aim to objectively and definitively “quantify” the level of integration in annual and integrated reports. In addition, this study does not attempt to draw conclusions about a company’s disclosure compliance with respect to guidelines/frameworks in order to rank the company from best to worst against a generally accepted set of criteria (see Beck, Campbell, & Shrives, 2010). This study does not attempt to measure the quality of integrated reporting nor does it attempt to find an optimal solution for better integration nor does it include any hypotheses. Instead, it is an exploratory effort that entails the analysing of reports by interpretatively drawing out items of social, ethical and environmental information through a process of reading and re-reading the reports of the sample of companies selected to gain insights, meanings and themes (adapted from Solomon & Maroun, 2012).

The practice of accounting is regarded as a social science which is socially constructed given its effects on social issues such as the distribution of wealth, social justice, political ideology and environmental degradation (Coetsee, 2011). Non-positivist approaches recognise that social and cultural interconnections influence the subject matter and therefore cannot be ignored (Maroun, 2012). This study concentrates specifically on SEE disclosures given their relevance as established in Chapter 1. The purpose of this research is not to objectively quantify the relevance and reliability of SEE disclosures in the annual and integrated report. Instead, by employing an interpretative technique to obtain an exploratory account of changing trends, the paper will offer the opportunity to gain new insights. As noted by Smith (2000), unexpected information may be brought to light by using interpretative techniques. This is echoed by Maroun (2012) who notes that interpretative research allows the researcher to explore a phenomenon from a different angle to that used by a quantitative researcher. This research approach is also supported by the fact that the area of study being researched is limited, therefore warranting an exploratory endeavour. The current study will involve the research of an emerging area in an attempt to draw out patterns, or gain new insights into a specific area, thus making a more qualitative approach more appropriate as compared to a clinical/mechanistic approach in terms of which words, sentences or paragraphs are counted, as this would be a positivist methodology. The aim is to become immersed in the data, which is why the written material is read several times (Elo & Kyngäs, 2008).

3.2 Research approach

Given the non-positivist approach taken in this study, the researcher chose a flexible text analysis approach grounded in an interpretative epistemology (Merkl-Davies et al., 2011). This makes use of corporate narrative reports (the annual or integrated reports of a company under review) as a source of data. These reports are then subject to review by the researcher who identifies major themes or concepts. These are then aggregated manually to allow additional analysis of the corporate reports under review.

Corporate narrative reporting represents a means of communication used by companies to communicate information to a relevant audience. The predominant method used to research corporate narrative reporting is content analysis (Merkl-Davies et al., 2011). Content analysis has been used for many years in accounting research (Beck et al., 2010). Milne and Adler (1999) note various studies addressing social and environmental disclosure using content analysis,[4] while Leedy and Ormrod (2010) describes content analysis as a qualitative research method entailing a detailed and systematic examination of the contents of a particular body of material

[4] These studies include, Abbot and Monsen(1979); Bowman and Haire (1976); Belkaoui and Karpik(1989); Burritt and Welsh (1997); Cowen et al. (1987);Deegan and Gordon (1996); Gibson and Guthrie (1995); Gray et al. (1995a); Guthrie and Mathews (1985); Guthrie and Parker (1990); Hackston and Milne (1996); Neuet al. (1998); Wiseman(1982); ZeÂghal and Ahmed (1990).

for the purposes of identifying patterns, themes or biases. Smith (2000) defines it as a technique used to extract desired information from a body of material by systematically and objectively identifying specified characteristics of material. These descriptions highlight certain keyword words, that is, detailed and systematic examination as well as systematically and objectively identifying, which makes it evident that content analysis supports a more positivist research approach.

Content analysis is, however, viewed within two broad categories, namely, form-orientated and meaning-oriented methods (Merkl-Davies et al., 2011). Beck et al. (2010), on the other hand, distinguish between mechanistic and interpretative content analysis studies. Various phrases such as form-orientated, mechanistic or scientific phrases make reference to the same approach. This method draws on a positivist research epistemology, entailing a detailed a priori coding scheme and coding form (i.e. word or concept lists), measuring inter-coder agreement (Merkl-Davies et al., 2011). It is an approach that follows a rigid set of procedures (Merkl-Davies et al., 2011). Beck et al. (2010) identifies various mechanistic studies[5] which entail word counts (e.g. Campbell, 2003), sentence counts,[6] (summed) page proportions,[7] frequency of disclosure,[8] and high/low disclosure rating.

On the other hand, the meaning-oriented content analysis approach is described as being similar to interpretative and critical text analysis given that the boundaries between these two approaches are blurred in practice (Merkl-Davies et al., 2011). The social constructivist (interpretative) and critical text analysis approaches do not rely on “the scientific method” (Neuendorf, 2004). These studies typically attempt to capture meaning by disaggregating narrative into its constituent parts and then describing the contents of each disaggregated component[9] (Beck et al., 2010). In social constructivist and critical text analysis the researcher serves as the measurement instrument and therefore plays an integral part in the data collection and analysis phase of the study (Merkl-Davies et al., 2011). As per Leedy and Ormrod (2010) in the context of qualitative analysis, the researcher is an instrument

[5] Include Adams, Coutts, and Harte (1995); García-Meca and Martinez (2005); Roberts (1991).
[6] Studies include Buhr(1998); Patten and Crampton(2004); Perrini,(2005).
[7]E.g. Gray, Kouhy, and Lavers (1995b); Unerman (2000).
[8]Including Cowen, Ferreri, and Parker (1987) and Ness and Mirza (1991).
[9]Popular studies include Cormier and Gordon (2001); Milne, Tregidga, and Walton (2003); Raar(2002); Wiseman (1982).

in much the same way as an oscilloscope, a sociogram or rating scale is an instrument. This is highlighted, for example, in a study by Mir and Rahaman (2011), who undertook an in-depth case study of an Australian energy company using an interpretative content analysis approach. In this study, careful analysis of documents collected underwent an examination by using codes that allowed them to draw out major themes captured in the data (Mir & Rahaman, 2011). The researchers acknowledged the important role they played in the research process which involved a process of back-and-forth movement between transcripts, as well as the capturing and comparing of themes until no new insights were gained (Mir & Rahaman, 2011).

Being an integral part of the research process, the researcher's active role results in the process being labour intensive (Fairclough, 2003). As a result, the research process can only be productively applied to small samples of text (Fairclough, 2003). Large sample sizes and/or representative sampling – as is the case in the positivist/scientific paradigm – are not required in social constructivist and critical text analysis approaches to achieve generalisation (Maroun, 2012; Merkl-Davies et al., 2011). The choice of text is driven by the research question (Fairclough, 2003) and generalisation is not an issue as each case is expected to provide unique insights (Merkl-Davies et al., 2011). A detailed account of this study's population and sample size considerations are provided in Section 3.3 below. Before embarking on these considerations, a brief look will be taken at other studies that have applied this research approach.

Beck et al. (2010) note that it is evident from prior literature that in the past mechanistic/scientific approaches to research were preferred to research adopting an interpretative approach (see also Maroun, 2012). Nonetheless, an interpretative research style has been employed in various studies. De Villiers et al. (2006), for example, investigated the average disclosure of industrial companies and all mining companies in South Africa over a period of nine years. By using a checklist, the content of annual reports were analysed and coded to determine a trend in environmental reporting over a period. Similar to the present study, De Villiers (2006) did not count the number of sentences or words in the content under review, nor was the quality of the reporting evaluated.

In another study, Smith et al. (2000) applied a mix of both types of content analysis. Meaning-orientated or interpretative content analysis was applied to identify apparent themes emerging from the chairman's statement (Smith et al., 2000). In addition, Smith et al. (2000) also applied a form-oriented approach (i.e. counting of words) and found that the results from adopting a supposedly less subjective word-based content analysis approach are very similar to a theme-based or interpretative methodology. The nature of these studies warranted the use of interpretative, critical or meaning-orientated research.

3.3 Population size and sample

3.3.1 Pre and post King III considerations

With the incorporation of King III into the JSE Listings Requirements, listed companies are required to report on their application of King III recommendations. The issuing of an integrated report for financial years starting 1 March 2010, or explain why they are not doing so, will now have to be accounted for (IRCSA, 2011). The study aims to look at reports pre and post King III. Pre King III reports are therefore all companies whose financial year end was prior to 1 March 2010. If companies had produced an integrated report prior to the "apply or explain requirement date of 1 March 2010, this report will be considered to fall into the pre-King category. To ensure comparability and consistency, these pre-adopted integrated reports will be considered to be an annual report falling into the pre-King timeframe. Post King III reports are the integrated reports produced by companies whose financial year started from 1 March 2010.

3.3.2 Population and sample

The study specifically focuses on the disclosure of SEE factors provided by South African mining companies with a primary listing on the JSE. Every research endeavour is faced with the decision as to whether the research should address the entire population or whether a sample should be tested. Where the population is less than 100, it is recommended that the entire population be selected (Leedy & Ormond, 2010). Given the qualitative nature of the study, coupled with the fact that data is mainly in the form of text and images, smaller sample sizes are appropriate (Merkl-Davies et al., 2011). As noted above, in social constructivist and critical text analysis approaches large sample sizes and/or representative sampling is not required to achieve generalisation (Maroun, 2012; Merkl-Davies et al., 2011).

For the purposes of this study, all mining companies with a primary JSE listing in January 2013 formed part of the population. After careful consideration, it was decided that the total population would be tested. These primary listed companies should have consistently published an annual or integrated report over the five-year period under review. In other words, companies should have been listed prior to 2008 and would therefore have issued an annual report in the 2008 review period. Dual-listed mining companies that are not primarily listed on the JSE are not required to produce an integrated report (Solomon & Maroun, 2012). These companies have been excluded from the study.

The availability of reports was also taken into consideration. Only reports available at the time that the research was conducted were included in the population. Taking this into account the following table illustrates the results of the population tested. Table 3.1 shows that a total of fifty-six mining companies were listed on the main board at the beginning of January 2013. Of these companies, twenty-two were found to be dual listed and seventeen had South Africa (JSE) as their secondary exchange of listing. The remaining five dual-listed companies had South Africa as their primary exchange of listing. These companies had a December 2012 financial year end and therefore had not published their annual/integrated report at the time that the research was conducted. In addition, twelve companies had not issued their report publically, either because its listing was suspended, the release of reports was delayed or the company had a December 2012 financial year end. Six companies were listed on the JSE between 2008 and 2012, which resulted in these companies not having consistently issued annual reports for the full period under review. One company was no longer actively engaging in mining activities even though it remained listed on the JSE. Therefore, a total of 15 companies qualified to be tested, which resulted in 75 reports being analysed.

Table 3.1: Population tested

Consideration	No. of companies
Total number of mining companies listed in January 2013	**56**
Dual-listed mining companies with JSE as secondary listing	17[1]
Primary-listed companies – reports unavailable	5[2]
Reports unavailable at time of testing	12
Companies not listed prior to 2008	6
Company no longer actively trading	1
Companies qualified for testing	**15**

Notes:

[1] Companies not primarily listed on the JSE are not required to produce an integrated report (Solomon & Maroun, 2012).

[2] These companies have a December 2012 year end resulting in the reports not being available at the time of conducting the research.

3.4 Sources of data

The source of data for the purposes of this research is the annual reports (pre-King III) and integrated reports (post-King III) published by the listed companies that satisfied the qualifying criteria discussed above. These reports have been extracted from the company's official website.

3.5 Data collection and analysis

The data collected was extracted from the annual and integrated reports of the qualifying companies. The reports were analysed with the use of codes that were derived from the literature discussed in Chapter 2. When developing the coding instrument, these standards or guidelines brought to light the following themes (see Table 3.2):

Table 3.2: Coding themes

Social	Code symbol[10]	Standard/guideline
Labour/employment	Ë	GRI G3, SRI, M&S, King III
Safety issues	Ş	GRI G3, SRI, M&S, MC
Employee health issues	Ħ	GRI G3, MC, M&S, SRI
Employee development	Đ	GRI G3, MC, M&S
Employee transformation	Ť	GRI G3, MC, SRI, M&S
Human rights	ђ	GRI G3, M&S
Compliance	ç	GRI G3, M&S,MC
Community development	Ђ	GRI G3, SRI, MC, M&S
General social matters	Ю	GRI G3, AA1000, King III, SRI,M&S
Environmental		
Compliance	çė	GRI G3, SRI, M&S
Energy	Ę	GRI G3, M&S
Emissions/Air pollution	Ā	GRI G3, CDP
Water	Ŵ	GRI G3, M&S
Waste	Щ	GRI G3, M&S
Rehabilitation	ф	GRI G3, M&S
Initiatives	ї	SRI, M&S,MC
Transportation	т	GRI G3, M&S
General environmental issues	Юė	GRI G3, SRI, MC, M&S
Ethical		
Integrity/ business integrity	≈	King III, M&S
Accountability	∂	AA1000, King III, M&S
Transparency/openness	∫	King III, M&S
Responsibility/responsible employer	◊	King III, M&S

[10] The symbols applied to the relevant themes are not derived from the literature but are rather a means of reference for the researcher.

Anti-bribery and corruption	@	King III, SRI, M&S
Ethical standards/corporate citizenship	**Ω**	King III, M&S
Abbreviations: standards and guidelines		
AA1000APS	AccountAbility Principles Standard	
CDP	Carbon Disclosure Project	
MC GRI G3	Mining Charter Global Reporting Initiative	
King III	King Report on Governance for South Africa–2009	
S&M	Solomon and Maroun (2012)	
SRI	JSE Social Responsibility Index	

The codes, as they appear in Table 3.2, were applied in the process or reading and re-reading to the items extracted from SEE matters. Thereafter, simple measures together with graphical representations were used to determine the extent of SEE matters discussed in the various sections of the respective reports.

According to Elo and Kyngäs (2008), there are no systematic rules for analysing data when applying the qualitative content analysis method used in this study. Using a coding instrument, the analysis involved interpretatively drawing out items of SEE information as reported by the qualifying companies. In doing so, a number of steps were carried out. Firstly, the data was organised into smaller manageable units. As noted above, each company's report was saved in a designated folder for ease of reference and identifiability. The analysis began by perusing each report several times in order to get a sense of how and where SEE information was disclosed. Since the reports were in an electronic format, any preliminary thoughts or initial impressions were inserted using the "insert comment" feature. The title of each report was then noted to determine whether the companies referred to their reports as an "integrated report" or an "annual report". The table of contents was transcribed to determine the change in the number of sections reported by each company over the period under review.

In order to determine the extent to which SEE matters appear in the major sections of these reports, the contents page of each report was transcribed with each major section being allocated a code. For example, the chairman's statement was coded "CS", while the CEO's report was coded as "CER". Overall, most companies' reports contained similar major sections, such as the corporate background or history, an operations review, the CEO's and chairman's report, corporate governance and the company's and/or consolidated annual financial statements. Where companies had added unique sections, these would be allocated a unique code. Furthermore, where sections in the reports of the different companies included in the sample had different headings, but represented the same topic, these were consolidated. For example, certain companies disclosed a remuneration report separately from its corporate governance report. In such cases, these two sections were consolidated into one section referred to as "CGR", that is, the corporate governance review. Furthermore, sections that were headed, for example, "People summary" formed part of the "HCR" section, which refers to "human capital review". A detailed list of codes is included in Appendix B.

Once every section in the table of contents had been allocated a code, the detailed analysis commenced.

The analysis of the data entailed a process of reading and re-reading to identify certain words and phrases that represent a code within the coding framework. Coding represents the process of organising material into segments of text before bringing meaning to information (Creswell, 2009). The coding framework was derived from the literature discussed in Chapter 2. Prior literature has highlighted various guidelines, generally accepted frameworks and standards that have been adopted by both international and national institutions.

The relevant standards and guidelines that were applied in the development of the coding instrument for this study include the following: GRI G3 (with specific reference to the Mining Sector Supplement; AA1000 APS; the Carbon Disclosure Project (CDP); guidance provided by King III; the Mining Charter and the JSE's SRI Index. These are considered to be generally accepted standards or best practice guidelines which are internationally recognised but which also relate to a South African context. After conducting the literature review pertaining to sustainability reporting, a list of themes became apparent. Every theme was then allocated a symbol to represent that category. The themes extracted from the guidelines are illustrated in Table 3.2.

These themes represent the pertinent sustainability areas of concern as identified by the literature. In the development of these themes and the associated codes, careful consideration was given to the aspect of validity. To increase the validity of the research findings and to aid in the discharging of one of the study's purposes, the coding instrument used by Solomon and Maroun (2012) was used in addition to the literature addressed in Section 2.5. Given the nature of the research method employed in the study, due consideration was given to the importance and relevance of achieving an acceptable level of validity and relevance. This is discussed in Section 3.7 below.

Within every theme, certain key words and phrases were identified and assigned a code which represented an aspect of relevance and importance within that theme. For example, the "Labour" theme consisted of nine different codes. These codes made reference to indicators such as total labour force by type; employee turnover; number of strikes; absenteeism; retrenchments and union representation. The "Safety" theme included indicators such as number of fatalities; number of lost time injuries; lost time injury frequency rate; number of safety initiatives; and so forth. A code was also applied to more general comments such as discussions addressing the level of safety; the safety principles applied; considerations given to the employee's or management's attitude to safety and so forth. A detailed breakdown of the codes that represent the themes, together with the applicable literature, is provided in Appendix A.

The coding instrument developed was used to analyse the reports. In doing so, the reports were coded through reading and re-reading, which entailed a descriptive evaluation. When reading the sections of the reports, the codes were used as a basis for identifying the number of times SEE matters were addressed in each of the main sections of the annual and integrated reports. To determine the frequency of SEE disclosures over the period under review, on a company by company basis, the count function was employed. Accordingly, each company's total SEE disclosure level for each year was determined. This information was used to identify a trend in disclosure levels over the five-year period for each company. Graphs were used to present the findings and to illustrate any trends identified in each social, environmental and ethical category (refer to Section 4.3).

To determine the extent of SEE matters addressed in the various sections of the reports, a frequency count of such matters was carried out for every section for all years under review. Using this information, a consolidated report was generated, showing the count for every section, per company and per year. After careful consideration, to illustrate where the changes in the SEE matters were being addressed in the reports, both pre and post King III, it was concluded that the total per section (representing all companies included in the study) would more appropriately illustrate these changes, as opposed to illustrating them on a per-company basis. The analysis of the change in sections on a per-company basis has therefore been included in Appendix C. The graphs included in this appendix illustrate the change in sections over the period under review for every SEE category on a company-by-company basis. Graphs were employed to illustrate the change in the frequency of SEE matters for all sections over the review period (refer to Section 4.5). Furthermore, the percentage change of SEE disclosures per year was determined to support the determination of the level of integration of such matters in the integrated report post King III. The average disclosure per section over the five-year period was also calculated to assess the change pre and post King III.

The descriptive evaluation process adopted also entailed the identification of trends and patterns in the information being disclosed by the sample of companies included in the study.

3.6 Data management

The annual/integrated report of all the companies were extracted from the company's official website and saved in a designated folder which was clearly marked to ensure accuracy. Careful consideration was given to the company's financial year-end as this would be an indicator of the availability of the reports. This was also done to ensure that reports were appropriately classified for both the pre and post King III periods. One Excel workbook, per company, was used to capture the data extracted from the qualifying reports. Each one of the companies workbook contained five worksheets each representing a financial year end. These workbooks were managed by storing them on a laptop and backing them up on an external hard drive.

3.7 Validity and reliability

A positivist/scientific approach establishes reliability by means of a detailed coding scheme together with the measuring of inter-coder agreements (Merkl-Davies et al., 2011). The coding system used in this type of approach is based on a priori empirical studies which are used as a basis to establish the codes. According to Coetsee (2011), validity in positivist research depends on the appropriateness of the development of the hypothesis, the research model, the research question and the research instrument together with the research data. Appropriate statistical analysis is then applied to verify the outcome. Creswell (2009) describes validity as the process of checking the accuracy of the findings by employing certain procedures. These procedures should be employed objectively in such a manner that will ensure that the experiment can be re-performed and still achieve similar results (Maroun, 2012; Creswell, 2009). Reliability and validity can be achieved by using instruments that allow for valid inferences to be made and that are replicable (Beck et al., 2010; Guthrie, Petty, Yongvanich & Ricceri, 2004; Milne & Adler, 1999).

Given the nature of the study at hand and the current context, a positivist/scientific approach to validity would not apply. In terms of a qualitative research approach, words such as *credibility*, *trustworthiness*, *confirmability*, *verification* and *transferability* are used to make reference to validity (Leedy & Ormond, 2010). As mentioned above, in interpretative and critical text analysis approaches, the researcher serves as the measurement instrument. Reliability is therefore achieved by means of an iterative process of moving back and forth between data and analysis (Merkl-Davies et al., 2011). To increase the reliability of a study it is necessary to demonstrate a link between the results (Elo & Kyngäs, 2008). This is achieved by providing a detailed and transparent documented account of the data analysis, the data collection process, the analysis of prior literature, and a detailed description of the findings and results – as many details as possible which will allow the readers to assess the arguments and reach their own conclusions (Maroun, 2012; Coetsee, 2011; Elo & Kyngäs, 2008).

Merkl-Davies et al. (2011) note that credibility is achieved by a prolonged engagement with the text by means of repeated close readings and familiarisation with the surrounding context. The approach and the coding system applied follow that of Solomon and Maroun (2012), a recent study which similarly explored various aspects addressed in the topic at hand. As a further validity check, the coding system has undergone a piloting process to ensure that it is appropriately calibrated – this contributes to increased reliability.

In summary, reliability and validity are not achieved by applying a clinical approach as is the case in a positivist research framework, but rather by the appropriateness with which the research process is documented, explained and applied in order to create valid research output (Maroun, 2012; Coetsee, 2011).

3.8 Assumptions and limitations

This study assumes that all the information in the annual and integrated reports is valid, accurate and complete. However, a number of important limitations were identified for this study.

Firstly, the exploratory nature of this study could give rise to the challenge of retaining focus. According to Elo and Kyngäs (2008), many interesting points that are not related to the topic at hand often come up when analysing the data. In that case, keeping the research question in mind is an essential aspect of content analysis (Elo & Kyngäs, 2008). This limitation will be mitigated by going back to the research tasks and focusing only on categories that are of relevance (Elo & Kyngäs, 2008).

Other limitations include time and budgeting constraints. A detailed plan setting out achievable milestones, within the given timeframe, has been compiled. All resources will be used efficiently. The nature of this type of research requires a more open-ended research method which by default results in the report being infinitely more subjective. According to the Unerman (2000), an element of subjectivity should not cause insurmountable problems as long as the research question and data analysis are framed in such a way as to allow for subjectivity. Subjectivity will, however, be minimised by making a concerted effort to acknowledge any biases or expectations in the final report (Leedy & Ormrod, 2010). Duriau, Reger, and Pfarrer (2007) note that a qualitative research approach can offer significant advantages that outweigh the potential limitations.

Chapter 4 Research Results

4.1. Chapter outline

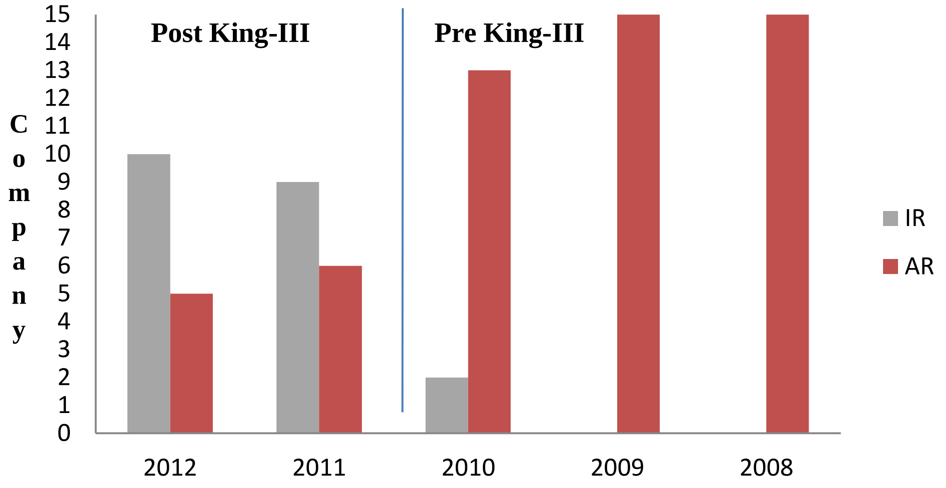
This section is split into two parts: Firstly, a descriptive review will be presented of the extent of social, environmental and ethical (SEE) matters addressed within the various sections of both the annual reports and the integrated reports for the 2008 to 2012 period. In doing so, the sample is initially assessed to determine the extent of the application of the King III requirement related to the issuing of an "integrated report". This is followed by a graphical analysis of the overall change in the level of disclosure for every grouping of SEE categories. The level of integration within all major sections of the analysed reports is depicted by mean scores over the period under review. These simple measures are used to determine how the quantity of SEE matters has changed since the implementation of King III.

Secondly, a brief discussion of the similarities or themes in the disclosure practices of the mining companies included in this study, which became apparent from reading the reports, is undertaken. As discussed in Chapter 3, in this analysis the interpretative research approach adopted in this study does not follow a scientific or a calculative approach. Consequently, this analysis does not provide statistical measures, nor does it give an account of the number of words, sentences, paragraphs or phrases reported in each section. By contrast, a series of SEE reporting items were extracted from the various sections of the annual and integrated reports.

4.2. Application of King III

As noted in Section 2.3, the incorporation of King III into the JSE Listings Requirements resulted in the requirement for all listed companies to report on their application of King III. Listed companies by "applying" would then issue an integrated report for financial years starting 1 March 2010, or would "explain" why they have not done so. The following graphs illustrate the extent to which companies issued "integrated annual report", over the period under review.

Figure 4.1 - Level of application



The majority (i.e. 60%) of the companies included in the study had a June financial year end, while the financial year of the remainder was either March or February. The study expected that all companies included in the sample would issue their first integrated report in the 2011 period in order to apply the King III requirements as referred to in the JSE Listings Requirements. The graph in Figure 4.1 shows that certain companies adopted King III's requirement early, whilst the majority, but not all, issued their first integrated report in 2011, as expected. The study expected all companies included in the sample to have produced an integrated report by 2012 or include a comment explaining why they had not done so.[11] Of the fifteen companies included in the study, four companies noted that the report, despite being titled "annual report", was in fact an integrated report. One company referred to this annual report as being an "integrated and holistic review of both financial and non-financial performance" (Company 12, 2012, p. 2). Another company noted in the scope of the report section that the annual report was its first integrated report. Yet another company who called its report an "annual report" noted

> [The company] fully supports the intent of the King Report on Governance for South Africa, 2009 (King III), the Integrated Reporting Committee (IRC) discussion paper released on 25 January2011 and the Global Reporting Initiative (GRI) guidelines. We recognise that getting to

[11] King III follows an "apply or explain" approach (Practice Notes: 2013). Following the incorporation of King III into the JSE Listings Requirements, listed companies are required to issue an integrated report for financial years starting on or after 1 March 2010, or to explain why they are not doing so (IRCSA, 2010).

> fully integrated reporting is a journey rather than a few steps and we are committed to processes that will enable fully integrated reporting in terms of the applicable requirements (Company 13, 2012, p. 2).

In the graph in Figure 4.1, these five companies (as reflected by the red block in the graph), although calling their report an "annual report" did in essence produce an integrated report or provide disclosure of the extent of its application of King III recommendations. It is not clear why these companies did not change the title of their reports.

Ernst & Young (2012) notes in its survey on integrated reporting that the title of the report does not necessarily reflect the reporting approach followed. This study's findings appear to support this.

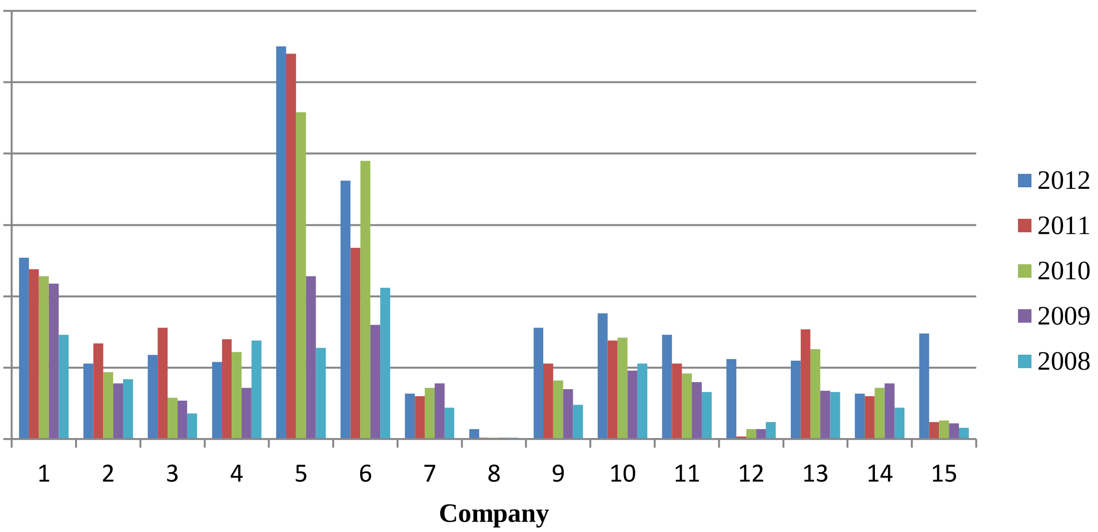
Overall, all companies included in the study appear to have adhered to the principle required by King III, by producing an integrated report or providing justification for not doing so, within the required timeframes.

4.3. Change in the level of disclosure

4.3.1. Social-related disclosures

Before assessing the level of integration of social information within the various major sections of the annual and integrated reports, Figure 4.2 illustrates the change in the frequency of social reporting for each company in the study over the five-year period.

Figure 4.2 - Social disclosure per company



In Figure 4.2, the year 2012 is shown in blue, 2011 in red, 2010 in green, 2009 in purple and 2008 in light blue. Overall, the level of social disclosure appears to have increased for most companies between 2008 and 2012. After careful consideration, it was decided that, owing to the large number of codes in this category, presenting individual codes could make the interpretation difficult especially if they were all presented graphically per company. Instead, to get an initial overview of the extent of the change in disclosure, it was decided to determine the total social score per company. Accordingly, Figure 4.2 shows a steady increase in social disclosure for most companies.

De Villiers and Van Staden (2006) note that social issues in the South African mining context have been found to be growing in significance as companies become challenged in certain areas. South Africa as a whole is characterised by high unemployment, a high incidence of HIV/Aids, as well as related social problems such as crime (De Villiers & Van Staden, 2006). Added to this, South Africa experienced many decades of apartheid which gave rise to a society that was split along racial and economic lines (West, 2006). Mining companies in particular appear to be acutely aware of the harsh realities facing South African society. This is consistent with the findings presented in Figure 4.2 which shows an increase in the quantum of social-related disclosure over the five-year period under review, on an average basis. These findings are reaffirmed by the following comments extracted from the annual/integrated reports:

In relation to HIV/Aids, Company 6 notes:

> The Group has already started to experience the economic impacts of HIV/Aids through the higher absenteeism and lower productivity (2011, p. 10).

With regards to transformation, Company 12 states:

> In the mining sector BEE equity participation is central to securing mining titles (2009, p. 14).

In Figure 4.2, the disclosure levels for the companies appear to be in a similar range, with the exception of two companies (Company 5 and Company 6). The level of disclosure for these two companies appears to be significantly higher than the other companies included in the study. From reading the companies' reports, it was evident that these two companies, in comparison to the other companies, had more operating units that were housed in various locations around the world. Both companies form part of the top five companies in terms of market capitalisation. At the end of its 2012 financial year end, Company 5, for example, had sixteen operations which were individually reported on in its annual integrated report. Each one of the operation's performance in terms of financial, operational and various non-financial matters, such as the number of employees per type, safety performance measures and certain medical surveillance results, were discussed on an individual basis.

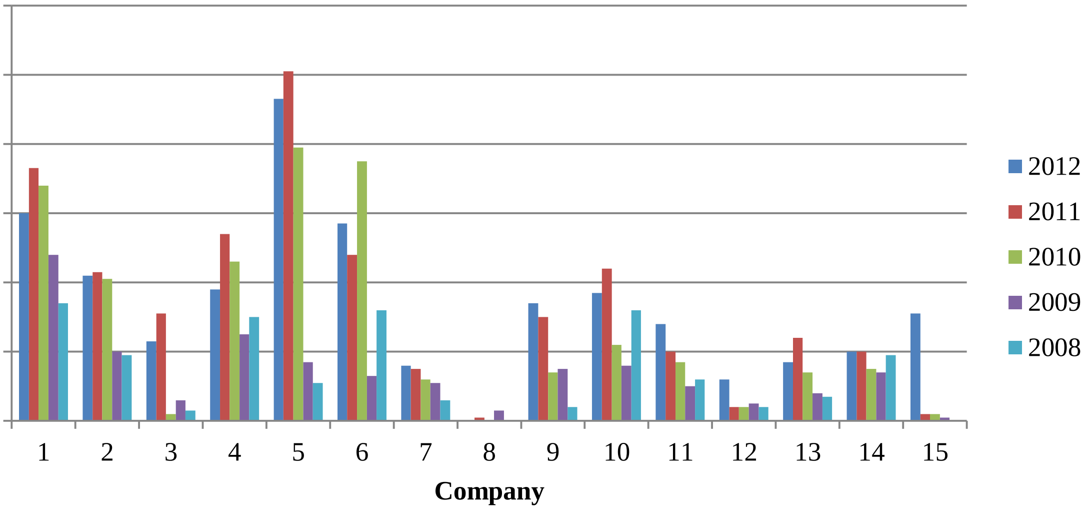
On the other hand, Company 6, one of the two biggest platinum producing companies in South Africa (Bloomberg, 2013), houses six operating units. As was the case with Company 5, the performance of each one of the operating units in terms of financial and non-financial disclosure was provided. In so doing, each one of the company's report provided much more information when compared to those companies with fewer operating units.

Overall, social-related disclosures for most companies included in the study have increased over the period under review. Companies with more operating units provided more information, as both the financial and non-financial performance of each one of these units were addressed separately.

4.3.2. Environmental-related disclosures

Figure 4.3 depicts the change in the level of environmental disclosure provided by each company over the period under review.

Figure 4.3 - Environmental disclosure per company



In Figure 4.3, 2012 disclosure frequencies are considerably higher than in 2008 for all companies included in the study. This means that all companies provided more environmental disclosure in the year 2012 when compared to the year 2008. These findings are consistent with the increase in integrated reports published over the period under review (Figure. 4.1), as well as with the conclusions of, inter alia, Solomon and Maroun (2012), the IRC (2011) and King III (2009) that, overall, companies are becoming more aware of the need for additional environmental disclosure to stakeholders.

In this regard, the importance of the impact that mining activities have on the environment is acknowledged by Company 6 in the following statement:

> Mining is a highly complex and technical process that involves the extraction and processing of non-renewable natural resources which can impact on the environment in a number of ways. By its very nature mining presents significant and often complex sustainability challenges, which are fundamental to the long-term success of the business (2011, p. 27).

Mining companies operate in an environment governed by many laws and regulations and compliance is considered vital to their sustainability (Company 9, 2012),as is noted by Company 15 (2012, p. 79):

> The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive.

The extensive laws and regulations pertaining to the environment force companies to comply as non-compliance may result in significant financial implications (Company 3, 2010). Various fines can be incurred and, as a result, mining companies appear to be implementing initiatives and incorporating various measures to monitor the situation. For example, Company 13's key performance indicators relating to sustainability development included the following: the "number of monetary fines or sanctions related to non-compliance with environment legislation" and "number of environmental incidents". Similarly, Company 5 states the following: "In line with our strategy of meeting and exceeding legislative compliance, we are implementing appropriate environmental management systems at all operations. These will also ensure environmental management is addressed in a formal, systematic approach" (2011, p. 14).

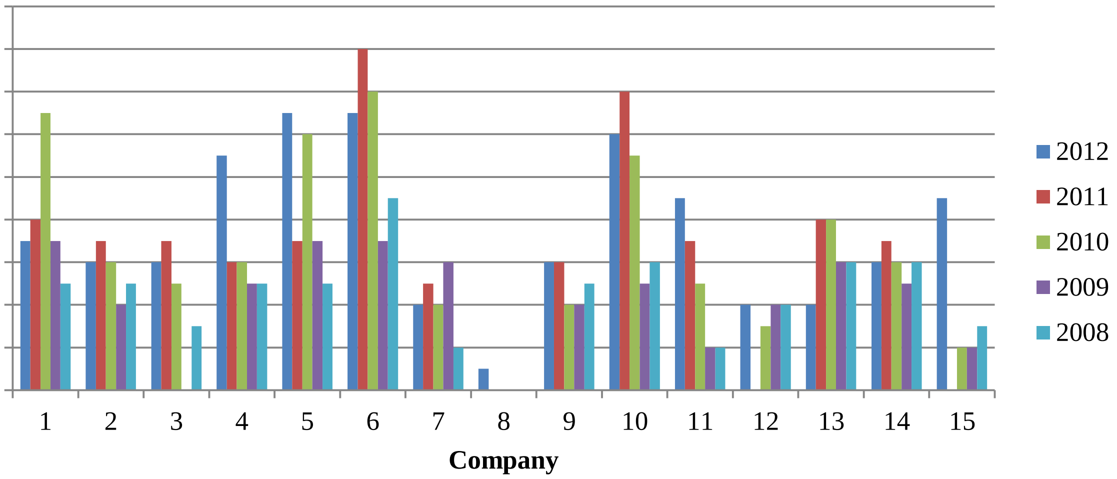
In this context, the mining companies included in the study are providing more information, not only in response to reporting requirements, but also because of the stringent legislation that requires them to keep a record of, for example, rehabilitation trust funds and environmental incidents, or potentially suffer financial loss.

Another consideration for an increase in the disclosure of such information has been suggested by De Villiers and Barnard (2000), who undertook a study analysing the extent of environmental reporting of listed mining companies between 1994 and 1999. They found that listed mining companies, in an attempt to legitimise their operations, disclose more environmental information given their visible and obvious effect on the environment (De Villiers & Barnard, 2000). This point of view is in line with the findings presented in Figure 4.3. With stakeholders being more aware of the environmental impact of mining (De Villiers & Barnard, 2000), the particular sample of companies included in this research is, in general, providing additional disclosure of environmental-related issues. This is complemented by additional qualitative and quantitative assessments of environment-based risks and their impact on both the company and local communities.

4.3.3. Ethical-related disclosures

The changes in the level of ethical disclosure for all companies are illustrated in Figure 4.4.

Figure 4.4 - Ethical disclosure per company



Ethical matters, such as corporate social responsibility, transparency, accountability and overall moral and ethical behaviour, were primarily addressed within the corporate narrative disclosure in the vision, mission and governance sections of the reports. As depicted in Figure 4.4, the level of disclosure varied year on year. One company made the following comment to the introduction of its corporate governance review:

> [The company] is committed to achieving high standards of business integrity and endorses the ethical values of responsibility, accountability, fairness and transparency across all its activities (Company 5, 2012, p. 167).

Yet another noted:

> In line with principles set out in the King III Report [the company] endeavours to maintain its position as a good corporate citizen through accountability, fairness, sound ethical values and transparency (Company 2, 2012, p. 6).

Overall, companies included in the study provided more ethical disclosures in later years and appear to communicate a commitment to apply the ethical principles.

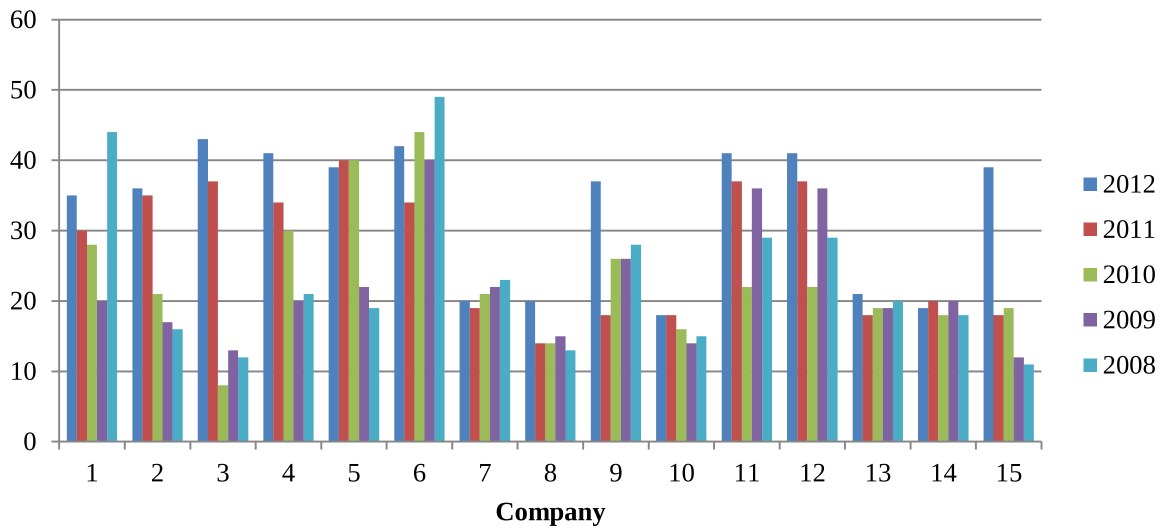
4.3.4. Summary

In summary, SEE matters appear to be discussed more extensively in the later years as illustrated by an upward trend over the period under review. Ethical matters, in comparison to social and environmental disclosures, are not as extensively addressed in the reports included in this study.

4.4. Change in report sections

The number of sections in the report contents does not appear to have undergone a significant change over the period under review. As established above, disclosures pertaining to SEE matters have increased over the period under review. In order to determine the extent to which these matters have changed within the various major sections of the reports, the next graph illustrates the extent to which the number of sections in each one of the company's annual and integrated reports has changed over the five year period.

Figure 4.5 - Change in sections per company



For most companies, Figure 4.5 shows an upward trend over the five years, indicating an increase in the number of sections being reported on. Accordingly, the second part of this chapter now sets out to establish to what extent the increase in the disclosure of SEE considerations has been integrated.

4.5. Illustrating the level of integration

As noted in Chapter 3, the interpretive analysis applied in this study entailed the identification by the researcher of a series of SEE matters in the annual or integrated reports. This process entailed the detailed reading of the annual and integrated reports of fifteen companies over a five-year period (i.e. 75 reports).

Employing the method described in Chapter 3, Section 3.5, the level of integration was determined based on the presence of SEE matters within the various sections of the report. Where items of SEE disclosures were present in more sections of a report, that report is said to have achieved a greater level of integration of such matters within the report as a whole.

The integration of SEE matters into sections such as the operations review, performance indicators, strategic objectives, and so forth, will bring the report into line with King III's definition of being "a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability" (IRCSA, 2011, p. 3). This view is supported by Solomon and Maroun (2012), who note that the inclusion of SEE matters throughout the report, rather than being limited to a sustainability review, results in pertinent issues being addressed in core sections such as the operations review.

4.5.1. Social integration

Figure 4.6 - Total Social per section

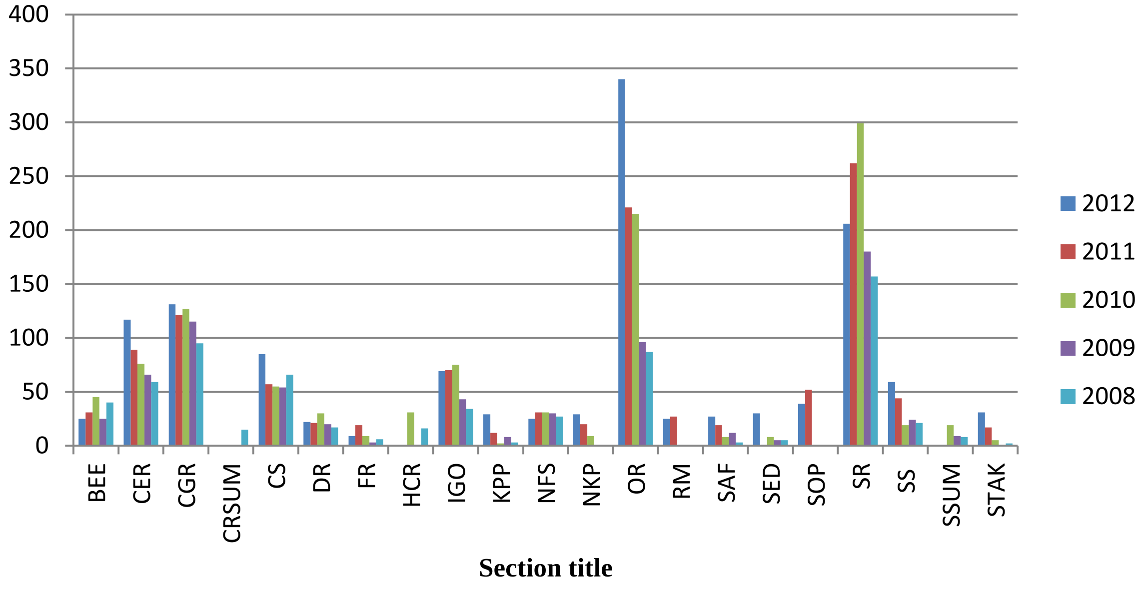


Figure 4.6 relates to the social disclosure categories only and shows each major section within the annual and integrated reports of all the companies included in the study (the list of section abbreviations is included in Appendix B). The five different colours represents every year that was included in the period under review (i.e. 2008–2012). Overall, a general increase in social matters within most sections has occurred since 2008. An upward trend appears in the "CER" (chief executive's report), "CGR" (corporate governance report) and "CS" (chairman's statement) sections. The incorporation of sustainability issues and measures are aptly illustrated in sections such as the "NKP", "SAF" and "SS". These sections represent the non-financial key performance indicators, salient features and strategy statements (including strategy profile and strategic risk summary) in the report. Figure 4.6 shows that, in 2008, no or very little information relating to social matters had been provided in these sections. An upward trend over the five years indicates that these matters were increasingly being addressed within every section.

This finding suggests that the companies are realising the importance of including discussions and measures related to being socially sustainable on an integrated basis, something which Sharman (2012); Eccles (2012); Fullerton and Chang (2010), confirm as being of particular importance for a high social-impact sector such as mining (Gasperini et al., 2012). The upward trend also reflects the increased inclusion of non-financial performance indicators thereby communicating that a corporate's ability to create and sustain value is not based on financial performance metrics only.

Table 4.1 presents the percentage change in each section over the period under review.

Table 4.1: Social percentage change per section

Section title	Change			
	(2012-2011)	(2011-2010)	(2010-2009)	(2009-2008)
BEE	-19%	-31%	80%	-38%
CER	31%	17%	15%	12%
CGR	8%	-5%	10%	21%
CRSUM	0%	0%	0%	-100%
CS	49%	4%	2%	-18%
DR	5%	-30%	50%	18%
FR	-53%	111%	200%	-50%
HCR	0%	-100%	3000%	-94%
IGO	-1%	-7%	74%	26%
KPP	142%	500%	-75%	167%
NFS	-19%	0%	3%	11%
NKP	45%	122%	0%	0%
OR	54%	3%	124%	10%
RM	-7%	0%	0%	0%
SAF	42%	138%	-33%	300%
SED	0%	-100%	60%	0%
SOP	-25%	0%	0%	0%
SR	-21%	-12%	66%	15%
SS	34%	132%	-21%	14%
SSUM	0%	-100%	111%	13%
STAK	82%	240%	0%	-100%

Table 4.1 supports the upward trend depicted in Figure 4.6. For example, the "NKP"; "SAF" and "SS" sections show a significant increase in percentage between 2010 and 2011 – the period when most companies introduced their first integrated report, as discussed in Section 4.2. The incorporation of sustainability matters into the strategy and governance disclosures supports King III's view that strategy, governance and sustainability issues are inseparable for an integrated presentation of financial and sustainability performance (IOD, 2009). In the period 2010 to 2011, various sections reflect a significant decline in social disclosures, for example, sections "BEE"; "HCR"; "SED" and "SSUM". These sections refer to social matters such as transformation, human capital reviews, socio-economic development and

safety summaries. The decline in this type of reporting therefore implies that these matters had no longer been addressed within these separate sections.

The “OR” and “SR” sections refer to the “Operating Review” and “Sustainability Review”. Figure 4.6 shows that, in the sustainability review, the number of social matters addressed increased significantly between 2008 and 2010. This is supported by Table 4.1, which shows that a significant percentage increase occurred over this period (i.e. 15% in 2008–2009; 66% increase in 2009–2010). Taking into account the social context during this period as referred to above, sustainability matters received increased attention.

As discussed in Section 2.3, King III presented a renewed focus on sustainability matters as a result of growing challenges in the financial markets, the natural environment, and various social matters such as HIV/Aids. An increase in the disclosure of such matters would therefore be anticipated. A decline in social disclosure in this section took place between 2010 and 2012 (see Table 4.1), with a 12% decline in 2010–2011, and a further reduction of 21% in 2011–2012. It was during this period that most of the companies included in this study issued their first integrated reports, as noted in Section 4.2. What the results suggest is that the transition from annual to integrated reports was associated with a learning effect. In other words, companies that had prepared an integrated report for the first time attempted to decrease the quantity of disclosure in favour of higher levels of integration. While not definitive, these results conform to the IRCSA (2011), which anticipated a “teething period” in connection with the introduction of integrated reports.

Given the nature of the research method employed in this study, the objective was not to provide statistically proven correlations between sections. The interpretive method employed aimed to determine any trends or patterns in the data (see Chapter 3). Accordingly, an analysis of the social disclosures provided in the operating review section appears to reflect an inverse change pattern when compared to the sustainability review.

In the operating review section, social disclosures provided in 2008 were significantly lower compared to the number of disclosures provided in 2012 period. In the 2009–2010 period an increase of 124% took place, while during the 2010–

2011 period a slight increase took place. This however, was followed by a significant increase between 2011 and 2012 (i.e. 54%). These changes reflect the change in reporting adopted by the companies included in this study over the period being reviewed. The change is also evidence of the context in which mining companies operate, and the fact that this period has been characterised by various significant challenges such as strikes (Reuters, 2012), HIV/Aids (Parker, 2009) and crime.

The other sections identified in the reports do not reflect as significant a change in pattern as that displayed by the “OR” and “SR” sections. It is apparent that social sustainability disclosures are no longer limited to the sustainability review section, but have been included in the “OR” section as well as other sections such as the “SS”, “CGR” and “NKP” sections. The inverse pattern in the level of disclosure between the “OR” and “SR” sections suggests that since sustainability matters have a greater presence in the “OR” and other sections of the report, less information is needed to be disclosed in the sustainability review section.

Table 4.2: Social average per section

Section title	2012	2011	2010	2009	2008
BEE	1	1	2	1	2
CER	6	4	4	3	3
CGR	6	6	6	5	5
CRSUM	0	0	0	0	1
CS	4	3	3	3	3
DR	1	1	1	1	1
FR	0	1	0	0	0
HCR	0	0	1	0	1
IGO	3	3	4	2	2
KPP	1	1	0	0	0
NFS	1	1	1	1	1
NKP	1	1	0	0	0
OR	16	11	10	5	4
RM	1	1	0	0	0
SAF	1	1	0	1	0
SED	1	0	0	0	0
SOP	2	2	0	0	0
SR	10	12	14	9	7
SS	3	2	1	1	1
SSUM	0	0	1	0	0
STAK	1	1	0	0	0

Table 4.2 shows the average social disclosures per section. The “SR” average disclosure is higher than the average for “OR” in the 2008, 2009 and 2010 periods – indicating more disclosure in “SR” compared to “OR” during this period. The “OR” section shows a significant change in average between 2009 and 2010, with further increases in the 2011–2012 periods. This supports the above finding, as an increased disclosure of social matters took place in this section during these periods. The average of the “SR” section, however, which showed an initial increase between 2008 and 2010 showed a decrease in average disclosures between 2011 and 2012.

In summary, the findings suggest that, following the introduction of the integrated report, social disclosures are increasingly being integrated in sections such as the “NKP”, “SAF”, “SS” and “OR”. Prior to this, the annual report disclosed social sustainability information primarily in sections such as “SR”, as is evidenced by Figure 4.2 and Table 4.2.

4.5.2. Environmental integration

The activities undertaken by mining companies are environmentally disruptive (Jenkins & Yakovleva, 2006). Various stringent laws govern the sector and potential financial consequences force mining companies to ensure that compliance is achieved, as discussed in Section 4.3.2. Accordingly, the level of integration of environmental disclosures is illustrated in Figure 4.7.

Figure 4.7 - Environmental disclosure per section

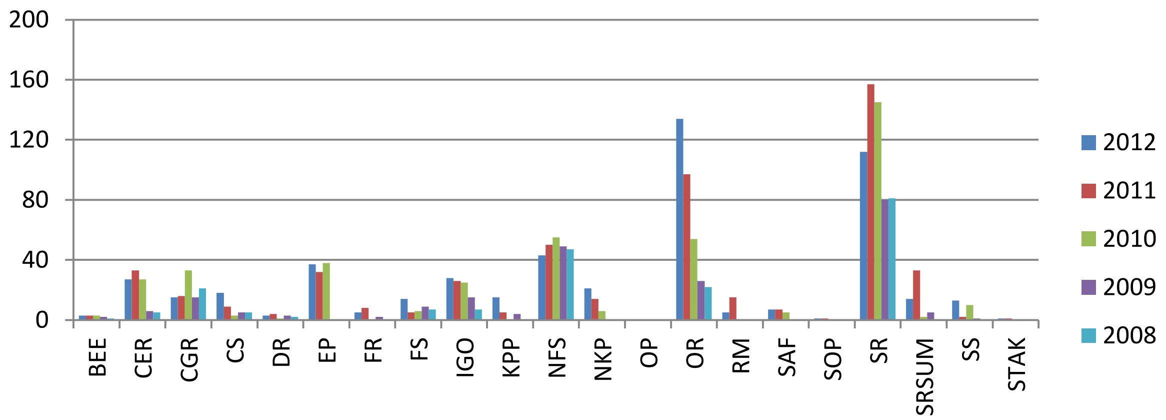


Figure 4.7 shows that environmental disclosures are primarily provided in the “CER”, “EP” (Environmental performance), “NFS” (Notes to financial statements, including the annual financial statements), “OR” and “SR” sections in the reports. The disclosures provided in the “NFS” section relate primarily to provision for rehabilitation, the decommissioning obligation and the environmental trust funds that mining companies are required to set up by law.

Figure 4.7 reflects the same pattern as Figure 4.6 with regard to the “OR” and “SR” sections. The “OR” section illustrates an upward trend over the period, with significantly more disclosure provided in 2012 as compared to 2008. The “SR” section increased between 2008 and 2009, with a significant increase in 2010 and 2011, followed by reduced disclosures in 2012. This trend is supported by the percentage changes illustrated in Table 4.3.

Table 4.3: Environmental percentage change per section

Section title	Change			
	(2012-2011)	(2011-2010)	(2010-2009)	(2009-2008)
BEE	0%	0%	50%	100%
CER	-18%	22%	350%	20%
CGR	-6%	-52%	120%	-29%
CS	100%	200%	-40%	0%
DR	-25%	300%	-67%	50%
EP	16%	-16%	0%	0%
FR	-38%	0%	-100%	0%
FS	180%	-17%	-33%	29%
IGO	8%	4%	67%	114%
KPP	200%	0%	-100%	0%
NFS	-14%	-9%	12%	4%
NKP	50%	133%	0%	0%
OP	0%	0%	0%	0%
OR	38%	80%	108%	18%
RM	-67%	0%	0%	0%
SAF	0%	40%	0%	0%
SOP	0%	0%	0%	0%
SR	-29%	8%	81%	-1%
SRSUM	-58%	1550%	-60%	0%
SS	550%	-80%	900%	0%
STAK	0%	0%	0%	0%

The companies included in the study disclosed environment information in the “EP”, “OR” or the “SR” sections, that is, environmental performance, operational review or sustainability review sections. Table 4.3 shows that, between the 2008 to 2010 period, the “EP” section showed no change in terms of disclosure year on year. During the 2010 to 2011 periods, a reduction is evident with a subsequent increase in disclosure over the 2011 to 2012 periods. The “OR” section shows a significant increase in the 2009 to 2010 period with further increases in 2011. The 2011 to 2012 periods also show increases; however, these increases are not as significant as the prior periods. In addition, the “SR” section shows a slight decrease in environmental disclosures between 2008 and 2009. Further, an increased focus on sustainability matters during the 2009 to 2010 periods is evident in the increased percentage change (i.e. 81%). The 2010 to 2011 periods show a slight increase followed by a reduction in environmental disclosures between 2011 and 2012. Accordingly, environmental disclosures are no longer restricted to the sustainability review or the “EP” sections, but are being integrated (as evidenced by increased percentage changes) in the “OR” sections. A similar inverse pattern to social disclosures in the “OR” and “SR” section is displayed in Figure 4.7 over the review period. Table 4.4 shows the average disclosure per section over the period under review.

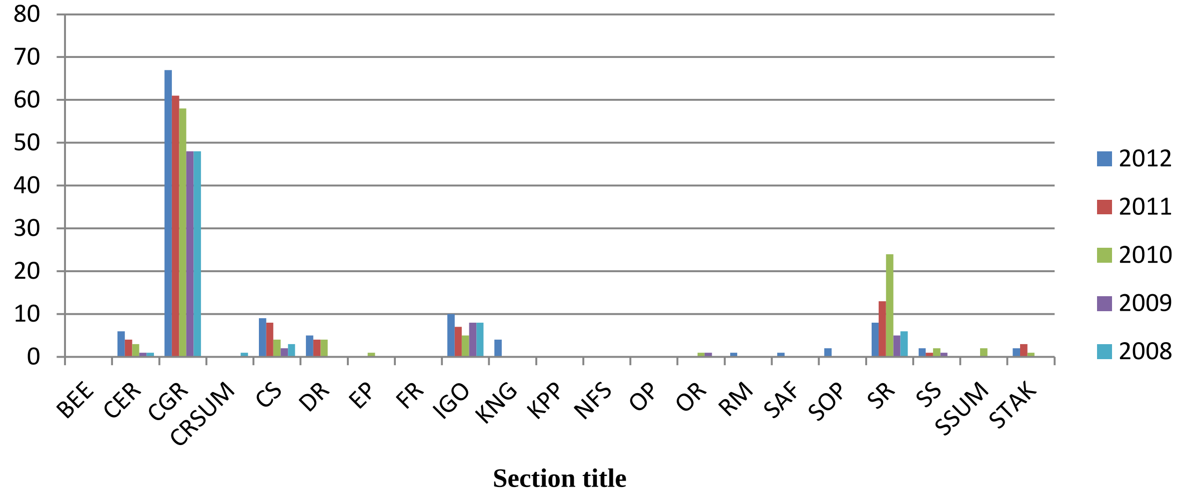
Table 4.4: Environmental average per section

Section title	2012	2011	2010	2009	2008
BEE	0	0	0	0	0
CER	1	2	1	0	0
CGR	1	1	2	1	0
CS	1	0	0	0	0
DR	0	0	0	0	0
EP	2	2	2	0	0
FR	0	0	0	0	0
FS	1	0	0	0	0
IGO	1	1	1	1	0
KPP	1	0	0	0	0
NFS	2	2	3	2	0
NKP	1	1	0	0	0
OP	0	0	0	0	0
OR	6	5	3	1	0
RM	0	1	0	0	0
SAF	0	0	0	0	0
SOP	0	0	0	0	0
SR	5	7	7	4	0
SRSUM	1	2	0	0	0
SS	1	0	0	0	0
STAK	0	0	0	0	0

Table 4.4 indicates that the average environmental disclosure for the “OR” section has steadily increased over the five-year period. The “EP” and “SR” sections appear to have been constant between 2010 and 2011, followed by a reduction in average disclosure in 2012. Environmental disclosures appear to be integrated in more sections, such as “OR”, “NKP”, and “SS’, in the later years of the review period.

4.5.3. Ethical integration

Figure 4.8 - Ethical disclosure per section



As noted in Section 4.3, Figure 4.8 shows that ethical disclosures are primarily disclosed in three sections of the reports, that is, “CGR”, “IGO” and “SR”. The “CGR” and “IGO” sections represent the corporate governance section, and the group overview which includes the corporate profile, the company’s vision and values, as well as its history and background. The graph also supports the conclusion reached in Section 4.3 that, in comparison to social and environmental disclosures, far less information relating to ethical disclosures is provided in the reports of the sample of companies included in this study. The graph does not illustrate a change in where ethical behaviour is being disclosed in the various sections of the reports over the five years.

Table 4.5 shows the percentage change in ethical disclosures over the period under review. The table reflects a varied change in disclosure of ethical information year on year; for example, in the “CGR” section increased disclosures were provided in the 2010-2008 periods. This was followed by a slight increase in the subsequent year. The “IGO” section, on the other hand, shows a reduction in disclosures between the 2009 and 2010 periods followed by subsequent increases between the 2010 and 2012 periods. In its 2012 report, Company 11 notes the following:

> We are committed to the highest levels of transparency and ethical conduct in all facets of the Group right down to the rock face (2012, p. 15).

Disclosure in the “SR” section decreased during the 2008 to 2009 period followed by a significant increase in disclosures between 2009 and 2010. Subsequent to these periods, ethical information reflected a downward trend, with decreasing disclosures being provided in this section.

Table 4.5: Ethical percentage change per section

Section title	Change			
	(2012-2011)	(2011-2010)	(2010-2009)	(2009-2008)
BEE	0%	0%	0%	0%
CER	50%	33%	200%	0%
CGR	10%	5%	21%	0%
CRSUM	0%	0%	0%	-100%
CS	13%	100%	0%	-33%
DR	25%	0%	0%	0%
EP	0%	-100%	0%	0%
FR	0%	0%	0%	0%
IGO	43%	40%	-38%	0%
KNG	0%	0%	0%	0%
KPP	0%	0%	0%	0%
NFS	0%	0%	0%	0%
OP	0%	0%	0%	0%
OR	0%	-100%	0%	0%
RM	0%	0%	0%	0%
SAF	0%	0%	0%	0%
SOP	0%	0%	0%	0%
SR	-38%	-46%	380%	-17%
SS	100%	-50%	100%	0%
SSUM	0%	-100%	0%	0%
STAK	-33%	200%	0%	0%

In support of the above discussions, Table 4.6 shows the average disclosure per section over the period under review. The average ethical disclosures illustrates that ethical disclosures are not addressed in many sections of the reports. However, a constant increase in average disclosures took place between 2008 and 2012, reflecting an increased focus on ethical governance since the first King report, as suggested by Rossouw (2005). The governance of ethics was no longer confined to developing and endorsing a code of ethics, but entailed the incorporation of specific interventions such as regular ethical risk assessments (Rossouw, 2005). This is evident in Company 6 which notes:

> A code of ethics aligned with King III governs our behaviour, while an ethics committee meets quarterly to monitor ethical behaviour within [the company] (2011, p. 6).

Table 4.6: Ethical average per section

Section title	2012	2011	2010	2009	2008
BEE	0	0	0	0	0
CER	0	0	0	0	0
CGR	3	3	3	2	2
CRSUM	0	0	0	0	0
CS	0	0	0	0	0
DR	0	0	0	0	0
EP	0	0	0	0	0
FR	0	0	0	0	0
IGO	0	0	0	0	0
KNG	0	0	0	0	0
KPP	0	0	0	0	0
NFS	0	0	0	0	0
OP	0	0	0	0	0
OR	0	0	0	0	0
RM	0	0	0	0	0
SAF	0	0	0	0	0
SOP	0	0	0	0	0
SR	0	1	1	0	0
SS	0	0	0	0	0
SSUM	0	0	0	0	0
STAK	0	0	0	0	0

4.5.4. Summary

In summary, these findings suggest that the majority of the companies attempted to integrated SEE matters in their integrated reports. In Section 4.3, the graphs illustrated that all companies increased the level of disclosure of both social and environmental matters between 2008 and 2012. Moreover, disclosures relating to social matters were much higher in comparison to environmental and ethical matters. However, the level of disclosures relating to ethical matters varied between companies over the period under review.

The level of integration of SEE matters has been addressed on an aggregated level including all companies in the study. A detailed per-company analysis is included in Appendix C. The findings above suggest a greater presence of social and environmental disclosures in more sections of the integrated reports. Over the five-year period under review these sustainability matters were increasingly addressed in sections such as “CER”; “CGR”; “CS”; “NKP”; “OR” and “SS” in the later years as compared to the earlier years. On the other hand, the “SR” sections initially showed a significant increase in disclosure between 2008 and 2010. However, subsequent to the companies adopting the integrated reporting principles, a decrease became evident between 2011 and 2012. The findings suggest that matters pertaining to social and environmental matters over the period under review are not limited to sustainability reports, but are being addressed at increasing levels within other sections in the report, such as those listed above. This finding is in support of Solomon and Maroun (2012, p. 27) who note that “the appearance of [social, environmental and ethical] matters in more sections of the report indicates that these matters are integrated” with other sections and “not only in the chairman’s statement or sustainability review”. This is evident in the reduction in the amount of such information being disclosed in this section of the report. Over the period under review, ethical disclosures did not appear to vary in terms of the sections in which they had been addressed. These types of disclosure appear primarily in the corporate governance sections of the integrated report.

4.6. Trends and themes

4.6.1. Integrated reporting is a journey

The sample included in this study consisted of mining companies operating in South Africa, Africa and various other countries around the world. The companies varied primarily in size in terms of market capitalisation, number of active operating mines, number of employees, and geographical footprint. From the outset it became apparent that all companies, whatever their size, showed a level of commitment to acknowledge and apply the principle of integrated reporting set out in King III, hence recognising that information based solely on financial metrics was no longer sufficient (see IRCSA, 2011; IOD, 2009). One of the smaller companies expressed this commitment as follows:

> We recognise, in line with the principles of King III, that companies should not only report on financial performance, but also on their sustainability, by disclosing social, environmental and economic issues (Company 13, 2012, p. 1).

Another company stated:

> We are actively aligning ourselves with the requirements of King III and continue in our efforts to produce an integrated report which provides both financial and non-financial information on issues material to our stakeholders (Company 14, 2012, p.11).

It is evident that the producing of an integrated report is a journey, as is noted in the following comment:

> The Board recognises that this report does not meet some of the standards set by the guidelines laid out in King III in terms of reporting on our "non-financial matters". We have, however, attempted to produce a meaningful report, which should assist the reader in contextualising our Company within a socio, economic and environmental landscape, including developments and outlook for the year ahead. Our journey towards improved integrated reporting is set to continue (Company 11, 2012, p. 10).

Regardless of the company size, most companies in the study appeared committed even though the initial focus of the integrated reporting framework, as noted by the IIRC (2011), is on reporting by larger companies.[12] The chairman of one of the junior mining companies in the study did, however, note the following concern with regard to the practical application of integrated reporting,

> Sadly, these increased requirements come at a high price in terms of cost and additional management resources. It remains to be seen what additional value will be created by them other than for the auditing and consulting professions. Further, I believe they create another barrier for

[12] "The initial focus is on reporting by larger companies. However, the IIRC expects that the concepts underlying Integrated Reporting will be equally applicable to small- and medium-sized enterprises, the public sector and not-for-profit organizations" (IIRC, 2011).

> the JSE in attracting junior mining companies at a time when competition between bourses is intense (Company 9, 2011, p. 5).

These concerns are echoed in the responses received from various respondents to the discussion paper for the development of the international integrated reporting framework. These respondents noted concerns about the practical challenges associated with the implementation of integrated reporting by small and medium enterprises. Among these concerns is the possibility that the costs associated with integrated reporting will outweigh its potential benefits as a result of the companies having to have sufficient data to prepare such a report. In addition, there is a lack of the staff required to obtain, analyse and prepare information, coupled with an additional administrative burden (IIRC, 2012).

4.6.2. Laws and regulations

As noted earlier, the mining industry is governed by various stringent laws and regulations. The mining companies included in this study acknowledged that compliance is paramount for ensuring sustainability, especially given the financial consequences if not done so (e.g. Company 6 (2012); Company 5 (2012); Company 13 (2012)). All of the companies included in the study gave particular attention to the Mineral and Petroleum Resources Development Act (MPRDA) and the broad-based socio-economic empowerment charter for the South African mining industry (the Mining Charter) which governed transformation in the mining industry. Company 10 noted the following:

> The MPRDA and the Mining Charter (revised in 2011) create the framework for the transformation of the mining industry. A key aspect of this legislation is the vesting of all mineral rights in the state and promoting more equitable ownership of South Africa's mineral resources. As a mining company governed by the MPRDA, the Mines Health and Safety Act, and the Labour Relations Act amongst others, operations are subject to interruptions owing to DMR-imposed stoppages, and industrial action which may be sanctioned by existing legislation. A safe working environment is obviously in the interest of all stakeholders and is a key management focus area (2012, p. 59).

Companies were therefore forced to account for various social matters such as transformation and safety, as not doing so can result in the company losing its mining rights and therefore its licence to operate. In addition, by not complying with safety legislation, sanctions can be imposed which can result in stoppages thereby influencing the company's profitability. These matters are therefore pivotal to the sustainability of mining companies. In reading the reports it became evident that these sustainability matters had been addressed in the annual reports from the beginning of the review period by most companies (i.e. 2008). The sustainability information provided in the annual reports in 2008 was not provided to the extent as that in the standalone sustainability reports; however, these companies had referred readers to these reports in case further detail was required, as noted in the 2008 "scope of report" statement:

> In addition to the summary on corporate responsibility contained within this document (pages 28 to 33), the company has published a more comprehensive corporate responsibility report that is available on its website (Company 5, 2008, p.1).

As noted by Solomon and Maroun (2012, p. 29), the laws and regulations governing mining companies "to a large extent predate King-III and integrated reporting", which consequently meant that companies would have complied with them and may have reported this in stand-alone sustainability reports but not in the annual reports. Although this finding may be largely true, as evidenced in the statement above, companies in this study were providing such information in the annual report pre-King III, albeit in a summarised manner.

4.6.3. Assurance of sustainability information

The integrity, accuracy and completeness of the information provided in the report is the responsibility of the board of directors (IOD, 2009). This was acknowledged by all of the companies in the study. For example, one company noted:

> Assurance of the Integrated Report has been considered over the Integrated Reporting process and the contents of this report. The Board, assisted by the (the company) Audit and Risk Committee, is ultimately

> responsible for overseeing the integrity of the Integrated Report (2012, p. 1).

The IOD (2009) notes that King III recommends that the audit committee should seek external assurance of sustainability matters in the integrated report. The application of this recommendation varied among the companies in the study. Company 5 for example, one of the larger companies, includes a detailed independent assurance report in its integrated report. This assurance report sets out the independent assurance engagement in respect of selected identified sustainable development information. Other companies indicated that the assurance report had been included and formed part of its standalone sustainability report. However, most of the smaller companies made no reference to the assurance of sustainability information whilst others noted that they were in the process of identifying material issues and would consider external assurance once the process had been completed. One company noted the following:

> No independent assurance has been performed on sustainability information. An Assurance Readiness Plan will be developed, whereby the Group will start off by obtaining assurance on key sustainability indicators, and then extend the scope of assurance over time (Company 11, 2012, p. 97).

The varied application among the companies is evidence that assurance of separate sustainability information is a growth area; recommended, but not yet mandatory for integrated reports. This is in line with Solomon and Maroun's (2012) findings where different practices were evident among the ten companies included in their study.

4.7. Summary

This chapter assessed the extent to which the companies included in the study issued an integrated report as required by King III. The findings suggest that all companies applied and acknowledged the principles of integrated reporting within the required timeframe. Certain reports were however called an "annual report"; the reason for which was not clear.

The graphical analysis in Section 4.3 illustrates the frequency of disclosures relating to SEE matters on a company-by-company basis. The findings suggest that increased disclosures are evident over the five-year period under review. This increase is more apparent in social disclosures than in environmental and ethical matters. Given the social challenges facing the South African mining industry, this finding was to be anticipated.

It should be noted that an increase in the number of sections became apparent over the five-year period, as noted in Section 4.4.

The findings suggest that the level of integration in each major section of the reports has increased for social and environmental disclosures since the publication of King III. In addition, the companies in the study appear committed to ethical governance although ethical disclosures do not appear to be integrated into other sections of the report, but are primarily addressed in the corporate governance sections.

The companies in the study acknowledge that integrated reporting is a journey. Junior mining companies included in this study expressed various concerns in terms of the practicalities and challenges associated with the implementation of the integrated reporting model. The stringent laws and regulations governing the mining industry largely pre-date King III and contributed to companies (in this study) providing sustainability as early as 2008. However, assurance practices were found to vary among the companies in the study.

The following chapter will conclude this study by discussing whether the objective of this study, that is, to provide empirical evidence of the changes in SEE disclosures in the major sections of integrated reports since the publication of King III, was attained. In addition, following from the research observations, recommendations will be made, as well as suggestions for areas for future research within the topic of integrated reporting.

Chapter 5 Conclusions and Recommendations

5.1. Conclusion

The purpose of this research was to provide an initial exploratory account of the extent to which social, environmental and ethical (SEE) matters have been disclosed and discussed in the integrated/annual reports of South African mining companies, with a primary listing on the Johannesburg Securities Exchange (JSE), since the publication of King III. The ongoing global financial crisis, together with growing sustainability challenges brought about by natural disasters, environmental degradation and the significant impact of diseases such as HIV/Aids, has given rise to a heightened focus on the company's contribution to these matters (Marx & Van Dyk, 2011; International Reporting of South Africa (IRSA): 2010; Druckman & Fries, 2010). The traditional shareholder-centric purpose of a company gave rise to a reporting model that produced annual financial reports that focused primarily on financial performance indicators. In contrast, stakeholders require decision-useful information that will enable them to make a clear link between financial-, social-, environmental- and ethical matters that will allow them to determine whether a company has the ability to operate sustainably in the future (Cleverly, 2010; IRCSA, 2010). Hence, a reporting model is needed that provides information in a holistic, integrated manner, allowing stakeholders to assess a company's ability to create and sustain value in the short, medium and long term (IOD, 2009). The International Integrated Reporting Committee has expressed its support of this view. Consequently, a model that merges financial and non-financial information in an integrated manner has resulted in a report referred to as an "integrated report" (IRCSA, 2011; Solomon &Maroun, 2012).

South Africa's pioneering efforts in reporting in an integrated manner were highlighted when it adopted the King III principles into the JSE Listings Requirements. Listed companies are required to report on the extent of its application of King III's recommendations, or explain why they have not done so. In essence, South Africa became the first country to encourage companies listed on its securities exchange to prepare an integrated reports, or else provide justification for not doing so (Solomon & Maroun, 2012; PwC, 2012). Academic research in the field of integrated reporting is however limited. A consequence of this is that there is no formal assessment of the progress made on integrated reporting despite the requirement to prepare integrated reports having been in place for almost three years. At the same time, the nature and extent of changes to annual reports, with a specific focus on non-financial issues, has not been extensively assessed (see De Villiers et al., 2012; Brennan & Solomon, 2008).

In this context, this thesis makes an important contribution to the body of knowledge by providing an initial exploratory assessment of the integrated/annual reports of a sample of fifteen listed South African mining companies. Subsequently, an interpretive approach was employed with the aim of collecting empirical evidence on changes in the disclosure patterns in annual reports. After careful consideration, this approach was found to be more appropriate than the scientific positivist approach commonly undertaken in accounting research. The coding instrument applied was derived from prior literature and the standards and guidelines to develop the coding instrument (as discussed in Chapter 2), are generally accepted standards which are internationally recognised. These were complemented by the requirements of the Social Responsibility Index (SRI), King III and the Mining Charter, thereby taking into account South African's unique context. By focusing exclusively on SEE-related disclosures, the interpretive text analysis allowed for a determination of the way such disclosures have changed in mining companies' pre and post the introduction of integrated reporting in South Africa.

Overall, the results indicated that most of the mining companies included in the study applied the integrated reporting related principles of King III and issued integrated reports, despite certain reports being entitled as "annual report". In addition, the overall level of disclosure for all major categories of SEE-related disclosure was ascertained. The results indicate that, for most companies, disclosures related to social matters had increased to a greater extent than the environmental and ethical disclosures over the five-year period. Taking into account South Africa's historical background and various other growing challenges such as HIV/Aids, crime and unemployment, mining companies appear to acknowledge the importance of providing such disclosure. This increased disclosure is in line with initial expectations.

More specifically, the following was noted concerning the extent and level of integration of SEE disclosures: firstly, an increase in environmental disclosures was evident for most companies. The companies appear to be providing increased levels of disclosure, not only because of reporting requirements, but also because of the stringent legislation that governs the mining industry. Secondly, disclosures pertaining to social information increased over the period for most companies but to a greater extent than environmental disclosures. Thirdly, an increase in ethical disclosures took place with companies expressing a commitment to the ethical principles. Over the five-year period, an upward disclosure trend reflecting an increase in the number of sections became apparent.

Finally, when determining the change in the extent to which SEE matters are addressed in the various major sections of the reports, the results indicated that a change was evident. In earlier years (i.e. 2008–2010) disclosures relating to these categories were mainly addressed in the chairman’s statement, the CEO’s report and, where applicable, a separate sustainability review section. The findings suggest that there is currently a greater presence of social and environmental disclosures in more sections of the integrated reports. Over the five-year period under review these sustainability matters have been increasingly addressed over the years in sections such as “CER”, “CGR”, “CS”, “NKP”, “OR” and “SS”. The findings suggest that disclosure pertaining to social and environmental matters over the period under review are not limited to a sustainability section of the integrated report, but are being addressed at increasing levels within other sections in the report such as those listed above. Ethical disclosures were primarily included in the corporate governance sections of the integrated report and did not vary over the five-year period.

The patterns arising from the reading of the annual and integrated reports imply that all companies, regardless of size, are committed to the principles of integrated reporting. This process is however far from complete. Accordingly, it is evident that the process of providing an integrated, holistic account of a company is a journey.

Junior mining companies, together with respondents to the International Integrated Reporting Framework discussion paper, express concerns relating to the practicalities of implementing integrated reporting in the context of cost-benefit considerations, as possible impediments to the production of fully integrated reports exist for these companies. These impediments include the fact that the costs may outweigh their potential benefits, insufficient data to prepare such a report, a lack of staff, coupled with an additional administrative burden (IIRC, 2012).

Companies in this study acknowledged the stringent laws and regulations governing the mining industry. As a result, sustainability information had been provided, albeit in a summarised format, in annual reports.

An additional consideration is the need for assurance over the integrated report. Currently, this is not mandatory, the result being that a variety of different “levels” of assurance are provided which, over time, will need to be addressed.

5.2. Recommendations and areas for further research

The research highlighted certain concerns noted by smaller companies in the study. As noted in Chapter 4, it is the IIRC’s intention to have the concepts underlying integrated reporting made equally applicable to small and medium enterprises (IIRC, 2012). Accordingly, and on the basis of the findings of this study, it is recommended that the concerns noted by the South African junior mining companies should carefully be considered by the IRCSA. In doing so, the application of integrated reporting for small and medium companies should be tailored to the company’s scale, audience and level of available resources – as suggested by the respondents of the summary of responses to the September 2011 discussion paper (IIRC, 2012).

This study focused exclusively on SEE matters. Further research could be conducted in areas addressing other disclosure requirements, as identified in King III and by the IRC. In addition, owing to the significant social and environmental impact of mining operations, the research included mining companies only. Thus, an exploratory account of integrated reporting outside of the mining sector could highlight further insights into the impact of integrated reporting.

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Appendices

Appendix A Coding instrument

Appendix A : Coding instrument			
Theme	**Description**	**Code symbol**	**Standard/Guideline**
Social Category			
1	**Labour**	**Ë**	
	Total workforce/total by type	WF	GRI G3, SRI, M&S
	Employee turnover number and rate	TURNO	GRI G3, M&S

	Retrenchments/restructuring	Retren	GRI G3, M&S
	Strikes/lost days/down time/lockouts/absenteeism/suspension/stoppages	Strik	GRI G3, SRI, M&S
	Union representation/alternative	UN	GRI G3, SRI, M&S
	SHE – audit committee (role/membership)	AudCom	King III, M&S
	HSE committee/Sustainable development comm (role/membership)	HSECom	King III, M&S
	Social ethics committee (SEC) role/membership	SEC	King III, M&S
	Critical skills/turnover	Critskill	GRI G3, M&S
2	**Safety issues**	**Ş**	
	Safety	Saf	GRI G3, SRI, M&S
	Safety levels (general, performance,	Saflvl	GRI G3, M&S

	principles, targets)		
	Safety training/awareness/initiative	Saftrn	GRI G3, M&S
	Occupational safety improvement	Occcsafimp	GRI G3, M&S
	Behaviour-based safety initiatives/Zero harm attitude	Behav	MC, M&S
	Emergency preparedness	Emer	MC, M&S
	Fatalities/accidents	Fat	GRI G3, M&S
	Lost time injuries/Lost time injury frequency rate	LTI/FR	GRI G3, M&S
3	**EE health issues**	**H**	
	Employee health	Eehlth	GRI G3, M&S
	Employee health/welfare (general)	Welf	GRI G3, MC, M&S
	Health surveillance and risk-based monitoring	Surv	GRI G3, MC, M&S
	ARVs/Aids/TB/Other occupational health	Aids	SRI, M&S

	issues/occupational diseases/NDHL		
	Medical examinations, occupational health screening, voluntary counselling & testing, awareness drives	Medex	GRI G3, SRI, M&S
	Treatment/health action plans	Trt	GRI G3, SRI, M&S
	Post-retirement and medical costs/medical aid	PTMC	
4	**EE development**	**Ð**	
	Employee training and benefits	Train	GRI G3, MC, M&S
	Fair remuneration policies/wage negotiations	Remun	GRI G3, MC, M&S
	Social investment (general), employee investment	Sinv	GRI G3, MC, M&S
	Skills/shortages/skill development	Skill	GRI G3, MC, M&S
	Employee development (career development)	Career	GRI G3, MC, M&S
	Bursary programme/ scholarships/apprenticeships/learnerships	Burs	GRI G3, MC, M&S
	Education/training	Edu	GRI G3, MC, M&S
	ABET (Adult basic	ABET	GRI G3, MC,

	education training), literacy		M&S
	Maths and science projects/training	Math	GRI G3, MC, M&S
	Workforce analysis/skills assessment/needs assessment	Assess	GRI G3, MC, M&S
	Housing initiative/assistance/home ownership	Hous	GRI G3, MC, M&S
	Special training programs/initiatives/projects	EeProj	GRI G3, MC, M&S
5	<u>**EE transformation**</u>	**Ť**	
	Equality/diversity/equity/transformation	Equal	GRI G3, MC, SRI, M&S
	Transformation/empowerment (role, membership of committees)	Trans	MC, SRI, M&S
	Transformation Process	TransP	MC, SRI, M&S
	BEE (general) and BBBEE/empowerment trusts	BEE	MC, SRI, M&S
	BEE ownership	Owner	MC, SRI, M&S
	HDSA ownership/empowerment/management	HDSA	MC, SRI, M&S
	Representation	Rep	MC, SRI,

	(board level)		M&S
	Equity participation level	Equity	MC, SRI, M&S
	Local procurement/ procurement policy	Proc	MC, SRI, M&S
	Indigenisation plan/quotas	Indig	GRI G3, MC, M&S
	Women employment/development/empowerment	Ю	GRI G3, MC, M&S
	Organisational diversity	Orgdiv	GRI G3, MC, M&S
6	**Human rights**	**ђ**	
	Human rights	HR	GRI G3, M&S
	Employee training on human rights policies	Hrpol	GRI G3, M&S
	Child labour/forced or compulsory labour	CL	GRI G3, M&S
7	**Compliance**	**ç**	
	Compliance & specific initiatives	Com	GRI G3, M&S
	ISO 9001:2000 (Quality/customers)	ISO9001	GRI G3, M&S
	ISO (other)	ISO	GRI G3, M&S
	Legal matters/insurance payouts	Leg	GRI G3, M&S
	Institute for corporate social investment	ICSI	GRI G3, M&S

	Employment Development Act	EDA	GRI G3, M&S
	Occupation Health and Safety Act (OHSA)	OHSA	GRI G3, M&S
	Employment Equity Act	EEA	GRI G3, M&S
	Mining charter	MC	MC, M&S
	Global reporting initiative indicators/GRI GR3 guidelines	GRII	GRI G3, M&S
	GRI application level (B+,C3+)	Appl+	GRI G3, M&S
8	**<u>Community development</u>**	**Ђ**	
	Socioeconomic development (SED programme (general)/CSI/SLP/LED/job creation/beneficiation	SED1	GRI G3, SRI, MC, M&S
	Specific SED activities/trusts	SED2	GRI G3, SRI, M&S
	Grievance mechanisms to resolve disputes	Griev	MC, M&S
	Resettlements/relocations	Reset	MC, M&S
	Community projects address poverty /job creation	Pov	SRI, MC, M&S

9	**General**	**Ю**	
	Non-financial KPIs	KPI	M&S
	Crime prevention/theft/fraud management	Prev	M&S
	Stakeholders/who they are	Stak	GRI G3, AA1000, King III, SRI
	Returns to stakeholders/value added statement	RetStak	GRI G3, AA1000, King III, SRI
	Stakeholder engagement/constructive relationships with stakeholders	StakEng	GRI G3, AA1000, King III, SRI
	Stakeholder issues recorded	Stakiss	GRI G3, AA1000, King III, SRI
Environmental Category			
10	**Compliance**	**çė**	
	Compliance (general)/licences/audits	Com	GRI G3, MC, M&S
	Climate change	CC	GRI G3, SRI, M&S
	ISO 14001:2004 (environmental)	ISO14001	GRI G3, SRI, M&S
	Chemical and Allied Industries Association	CAIA	GRI G3, SRI, M&S
	CDP survey	CDP	GRI G3, SRI, M&S
	Carbon footprint	CFP	GRI G3, SRI,

			M&S
	Greenhouse Gas Protocol	GHGP	GRI G3, SRI, M&S
	Fines/notices/sanctions for non-compliance/directives	Fin	GRI G3, SRI, M&S
	SAMREC	SAM	GRI G3, M&S
	Minerals and Petroleum Resources Development Act	MPRDA	GRI G3, M&S
	Mine Health and Safety Act	MHSA	GRI G3, M&S
	International Council on Mining and Metals	ICMM	GRI G3, M&S
	Biodiversity management/ ecosystems/BAP	BIO	GRI G3, M&S
11	**Energy**	**Ę**	
	Energy	En	GRI G3, M&S
	Energy consumption	EnC	GRI G3, M&S
	Electricity consumption	Elec	GRI G3, M&S
	Diesel consumption	Dies	GRI G3, M&S
	Energy efficiency	EnEff	GRI G3, S&M
12	**Emissions/air pollution**	**Ā**	
	Air	Air	GRI G3; CDP, S&M

	Air pollution/emissions	AP	GRI G3; CDP, S&M
	Fugitive emissions such as dust, noise	FE	GRI G3; CDP, S&M
	Greenhouse gas emissions	GGE	GRI G3; CDP, S&M
	Ozone depleting substance emission	OZ	GRI G3; CDP, S&M
	Total direct SO2 emissions	SO2	GRI G3; CDP, S&M
	Total NO emissions	NO	GRI G3; CDP, S&M
	Total CO2 emissions	CO2	GRI G3; CDP, S&M
13	**Water**	**Ŵ**	
	Water	H2O	GRI G3, S&M
	Water consumption/usage	H2OCON	GRI G3, S&M
	Water contamination/effluent /pollution	CONTAM	GRI G3, S&M
	Water management	H2OMng	GRI G3, S&M
14	**Waste**	**Щ**	
	Waste	Wast	GRI G3, S&M
	Effluents	Eff	GRI G3, S&M
	Spillage scope and incidents	Spill	GRI G3, S&M
	Total number and volume significant	Volspill	GRI G3, S&M

	spills		
	Overburden, waste rock, tailings, sludge, other residue	Over	GRI G3, S&M
	Waste management	WastMng	GRI G3, S&M
	Recycling/recycling initiatives	Recyc	GRI G3, S&M
15	**Rehabilitation**	**ф**	
	Rehabilitation	Rehab	GRI G3, S&M
	Environmental Rehabilitation	EnvRehab	GRI G3, S&M
	Land disturbance	Land	GRI G3, S&M
	Obligations (including decommissioning cost)	Oblg	GRI G3, S&M
	Closure plans/liability	Closp	GRI G3, S&M
	Rehabilitation costs	Rehabcst	GRI G3, S&M
	Provision for future rehabilitation	Provrehab	GRI G3, S&M
16	**Initiatives**	**ï**	
	Specific initiatives	SpecIn	SRI, S&M
	Woodchip project	Wchip	S&M
	Pollution abatement programme	PAP	S&M
	Cost of the ongoing current programmes to prevent/control pollution	Costpollctrl	S&M

	Pollution, Rehabilitation & Closure Trust Fund	Trstfund	MC, S&M
17	**Transporting**	**т**	
	Significant environmental impact of transporting products and workforce.	т	GRI G3, S&M
18	**General**	**Юė**	
	Care for/protect the environment (general)/EMP (environment management plan)	Care	GRI G3, SRI, MC, S&M
Ethical category			
19	**Integrity/business integrity**	≈	King III, S&M
20	**Accountability**	∂	AA1000, King III, S&M
21	**Transparency/openness**	∫	King III, S&M
22	**Responsibility/responsible employer**	◊	King III, S&M
23	**Ethical standards/values/Code/good corporate citizen**	Ω	King III, SRI, S&M
24	**Anti-bribery and corruption/whistleblowing**	@	King III, S&M

Abbreviations:	

Standards and Guidelines			
	AA1000APS	AccountAbility Principles Standard	
	CDP	Carbon Disclosure Project	
	MC	Mining Charter	
	GRI G3	Global Reporting Initiative	
	King III	King Report on Governance for South Africa–2009	
	S&M	Solomon and Maroun (2012)	
	SRI	JSE Social Responsibility Index	

Appendix B Section titles

Code	Description
BEE	Transformation and Mining Charter scorecard/gap analysis
CS	Chairman's statement (letter or equivalent)
CBS	Consolidated balance sheet/consolidated income statement
CER	Chief executive officer's review
DR	Director's Report (in financial statements)
CGR	Corporate governance review, , Remuneration report
CRSUM	Corporate responsibility summary
EP	Environmental performance
FR	Financial review (at start of report)
HCR	Human capital review, People summary
IGO	Introductory Group overview, Our Products, Vision & values, Scope, Industry/Market outlook
KPP	Key Performance Indicators
NKP	Non-financial Key Performance Indicators
NFS	Financial statements and Notes to the annual consolidated financial statements, Profit & Loss Account/ Consolidated statement of comprehensive income
OR	Operational review – general and by subsidiary
RM	Risk management
SAF	Salient features
SS	Strategy statements, Strategic Profile, Strategic risk summary
SR	Sustainability review (or CSR review or equivalent)
SSUM	Safety summary and health summary
SOP	Social performance

Appendix C Level of disclosure per company

Social-related disclosures – Graph 1

Social disclosure per company.xlsx

Environmental-related disclosures – Graph 2

Environmental disclosure per compar

Ethical-related disclosures – Graph 3

Ethical disclosure per company.xlsx