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**FAC007          An initial study of disclosures related to Broad-based Black  
Economic Empowerment in the integrated reports of South  
African mining companies**

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**ABSTRACT:**

This research provides an initial account of Broad-based Black Economic Empowerment (B-BBEE) disclosures in the integrated reports of South African mining companies listed on the Johannesburg Stock Exchange. A disclosure checklist, based on relevant literature, was developed interpretively. This was used to analyse the extent of the B-BBEE disclosures in a sample of Johannesburg listed mining companies' 2014/2015 integrated reports. The results reveal that listed mining companies include a wide coverage of B-BBEE disclosures in their integrated reports but that there is a lack of integration between disclosure themes and there is considerable repetition.

**Key words:** B-BBEE, BEE, integrated reporting, mining companies

## **INTRODUCTION**

Several studies have examined integrated reporting with a specific focus on the extent to which companies are integrating their financial and non-financial information (Rensburg and Botha, 2014; Atkins and Maroun, 2015; Raemaekers et al., 2015). Few have, however, considered the coverage of Broad-based Black Economic Empowerment (B-BBEE) disclosures in the integrated report. As a result, the purpose of this research is to examine the characteristics and extent of disclosure on B-BBEE information being included in the integrated/annual reports of Johannesburg Stock Exchange (JSE) listed mining companies in 2014/2015<sup>39</sup>.

B-BBEE is important to the integrated report because of its link to sound corporate governance (South African Government, 2004b). Improving the quality and transparency of economic activity forms a significant part of economic reform and transformation (South African Government, 2004b). Accordingly, B-BBEE must be associated with the highest standard of corporate governance (South African Government, 2004b) and the integrated report is a platform where this high level of corporate governance can be presented (Institute of Directors (IOD), 2016). This is especially true for the South African mining industry.

Sound corporate governance disclosures are key for signalling how organisations are aligning their own business models with changes to legislation (Carels et al., 2013). Moreover, the industry was specifically selected as it forms an important part of South Africa's economic environment by way of its significant contribution to the country's Gross Domestic Product (PwC, 2012; PwC, 2014; PwC, 2015). The sector is responsible for a considerable portion of the corporate tax base of the country and has a material impact on employment and export revenues (PwC, 2014). In addition, this sector is very labour intensive and, therefore, has a high social impact (Carels et al., 2013). The International Integrated Reporting Council (IIRC) released an international framework for integrated reporting which emphasised the importance of enhanced stewardship with respect to social capital in the integrated report (Atkins and Maroun, 2015). Consequently, the high social impact of the mining sector should be evident in the integrated report.

The remainder of this paper is structured as follows: The literature review provides a brief overview of laws and regulations dealing with B-BBEE. It identifies specific disclosure themes included in the disclosure checklist used to analyse a sample of integrated reports. Next the method is described. Finally, the paper presents the results and conclusion, with areas for future research.

## **LITERATURE REVIEW**

### **A brief history of Broad-based Black Economic Empowerment**

During Apartheid, the law defined and managed people on the basis of race (Hammond et al., 2009). In 1994, South Africa held its first democratic elections (Adler and Webster, 1995; Krüger, 2011). Obvious wealth inequalities existed between members of different races with the vast majority of the population being unable to share in the wealth of the country due to

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<sup>39</sup> The most recently published integrated reports at the time of data collection.

the Apartheid regime's laws<sup>40</sup> (Hammond et al., 2012). Ownership of assets and participation in the economy was exclusive to the white minority whilst the black majority were left unable to own, participate in the economy and uplift their economic circumstance (Mbabane, 2007).

The transformation of the country into a democratic society was a challenge for the Government but, arguably, the biggest hurdle was addressing the problem of inequality and poverty that resulted from the Apartheid Era (Krüger, 2011). The Reconstruction and Development Programme (RDP) was set up to tackle this issue and, ultimately, to aid Government in building a united democratic future. It was within the RDP where ideas of Black Economic Empowerment (BEE) began (Mbabane, 2007). Subsequently, the BEE Commission was formed to collaborate with the Department of Trade and Industry in developing a framework of "empowerment" within the economy (Mbabane, 2007). The initial status of the commission was non-statutory; their role was to make recommendations to companies regarding "transformation" (Mbabane, 2007). The Government responded to pressure (especially organised black business formations) to develop and promulgate legislature related to BEE (McEwan and Bek, 2006). It took approximately two more years for the official formalised framework to be developed and shortly thereafter the prior B-BBEE Act was enacted by the Parliament of the Republic of South Africa (McEwan and Bek, 2006; Krüger, 2011).

### **Amendments to the Broad-based Black Economic Empowerment Act**

It became clear that only a few individuals were becoming enriched from the implementation of the prior B-BBEE Act (Kim, 2010; Krüger, 2011; DTI, 2012). The policies contained therein were narrow and the implementation of the prior B-BBEE Act offered empowerment to only a small group of previously disadvantaged South Africans<sup>41</sup>. Critics of the prior B-BBEE Act criticized it for being narrow and ambiguous. It became imperative to refine and transform the economic policies and this formed the basis for the introduction of the revised Act (Kim, 2010). The revised B-BBEE Act placed more emphasis on *broad-based* empowerment, for previously disadvantaged individuals<sup>42</sup> earning various levels of income, not just those in higher income brackets (Krüger, 2011).

The Government made several amendments to the B-BBEE Act that became effective in 2014. These amendments highlight Government's intention to focus more closely on transformation of a broader group of previously disadvantaged individuals/groups. Under the previous B-BBEE Act, the manner in which each company applied B-BBEE depended on

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<sup>40</sup> An example of an Apartheid law is the Group Areas Act No. 36 of 1966, which assigned racial groups to different residential and business sections in urban areas MAHARAJ, B. 1997. Apartheid, urban segregation, and the local state: Durban and the Group Areas Act in South Africa. *Urban Geography*, 18, 135-154.

<sup>41</sup> This group of South Africans are those with socio-political connections and knowledge or resources KIM, S. J. 2010. *Truth is somewhere in between: an ethnographic account of Broad Based Black Economic Empowerment (BBBEE) in South Africa-a work in progress.*

<sup>42</sup> Previously disadvantaged individuals include black people, women and those who came from rural or under-developed communities who were unable to participate in the economy of the country during Apartheid KRÜGER, L. 2011. The impact of black economic empowerment (BEE) on South African businesses: Focusing on ten dimensions of business performance. *Southern African Business Review*, 15, 207-233.

their individual business practises and companies could engage in “fronting practices”<sup>43</sup> without any legal consequences (Werksmans, 2014). The current framework introduced penalties contraventions. This, the inclusion of penalties, is an important departure from the previous framework and it indicates the direction of the economic transformation of the country (Werksmans, 2014).

Notable changes to the Act include the fact that applying policies “as far as reasonably possible” will no longer be acceptable. Firmer and stricter policies have taken their place. Under the B-BBEE Act, a Commission has been established to advocate transactions relating to transformation and eradicate fronting practices (South African Government, 2014). The Commission has the power to subpoena wrongdoers to appear in court (South African Government, 2014; Werksmans, 2014). Criminal offenses have been introduced to deal with providers of false information relating to transformation activities or engaging in a fronting practice (penalties include fines of up to 10% of a firm’s annual turnover and imprisonment of up to 10 years) (South African Government, 2014; Werksmans, 2014). A statutory right now exists for Government to revoke any contracts which were awarded due to false or misleading information regarding a company’s BEE status (South African Government, 2014). South African listed entities will now be obliged to report to the Commission on their compliance with B-BBEE on a regular basis (Werksmans, 2014).

Furthermore, the codes and weightings of the B-BBEE Act have been altered (Werksmans, 2014). Previously, if a company achieved sixty-five points they would be level four compliant<sup>44</sup>. Under the new system, that company will only be level seven compliant (with level one denoting the most compliant). The consequences of these changes could be severe for industries which require a prerequisite level rating in order to obtain licences for business operations, such as the mining sector (Liebenberg, 2013).

This section focused on the relevance of B-BBEE in a South African context. Outcomes of non-compliance were explored to give an indication of the operational effects of not adhering to B-BBEE law. Ultimately, compliance with B-BBEE, from an operational standpoint, affects the social standing of employees. For South African companies, the largest group of items reported in the integrated report appear under the ‘social’ category (Solomon and Maroun, 2012). This is largely expected given the historic significance of social issues for South African companies which includes matters relating B-BBEE (Solomon and Maroun, 2012).

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<sup>43</sup> A transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of the B-BBEE Act or the implementation of any of the provisions of the B-BBEE Act including but not limited to practices in connection with a B-BBEE initiative for example where black persons are appointed to an enterprise but are discouraged or inhibited from substantially participating in the core activities of that enterprise SOUTH AFRICAN GOVERNMENT 2014. Broad-Based Black Economic Empowerment Amendment Act, 2013. *In*: INDUSTRY, D. O. T. A. (ed.).

<sup>44</sup> The total possible score is 100. An entity’s score over 100 will then determine what Level it is rated based on a scale. Level one compliant is the best rating and Level eight is the lowest. An entity can also achieve a non-compliant rating TSHULETSA. 2017. *BEE-Scorecards* [Online]. Available: <http://tshuletsa.co.za/bee-scorecards/> [Accessed 9 May 2017].

### **Reporting frameworks: Construction of the research instrument**

Neither King-III nor King-IV<sup>45</sup> prescribe the manner in which integrated reports should be compiled by providing a detailed list of disclosure requirements (King-III, 2009; Carels et al., 2013; IOD, 2016). For this reason, several reporting initiatives, including King-III<sup>46</sup>, inform the content of the integrated reports of South African companies. Some of these frameworks include the Global Reporting Initiative's G4 Reporting Guidelines (GRI G4), the United Nations Global Compact Principles, the Carbon Disclosure Project and the Prince of Wales Accounting for Sustainability Project (KPMG, 2012). The JSE has also developed the Social Responsibility Index as a measure of environmental, social and governance reporting practises in a distinctly South African context for listed companies (Carels et al., 2013).

Of the voluntary frameworks outlined above, the most commonly applied by South African mining companies is the GRI G4, complimented by guidance provided by King-III (KPMG, 2012; Carels et al., 2013). The mining sector also draws from the provisions contained in the Charter<sup>47</sup> as a 'framework' for integrated reporting (Carels et al., 2013). In developing a disclosure checklist, this research only considered the GRI's G4 framework to a limited extent as it is a general, voluntary reporting framework. The main framework that was used is King-III because of the requirement for listed companies to utilise King-III in preparing their integrated reports<sup>48</sup>. The Charter will also be explored as it includes various targets for the transformation of the sector which should be achieved within a certain timeline (South African Government, 2010; Carels et al., 2013).

### **The Charter as a reporting framework**

Industry regulation plays a key role in defining the nature and extent of corporate reporting (Atkins and Maroun, 2015). The South African mining sector is influenced by the Charter, which does not provide prescriptive social disclosure requirements but creates a framework for the transformation of the mining sector (Carels et al., 2013).

The objectives of the Charter summarise an intent to promote B-BBEE in the mining sector. The Charter seeks to promote equitable access to the nations mineral resources, expand opportunities for historically disadvantaged South Africans<sup>49</sup> (HDSAs), expand the existing

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<sup>45</sup> King-III and King-IV are voluntary corporate reporting frameworks that were developed in South Africa and deal with creating good corporate governance as well as integrating different aspects of a business to ensure management have a long-term sustainable business strategy KING-III 2009. King Code of Governance, CARELS, C., MAROUN, W. & PADIA, N. 2013. Integrated reporting in the South African mining sector. *Corporate Ownership and Control*, 11, 957-970, IOD 2016. *King IV Report on Corporate Governance in South Africa*, Lexis Nexus South Africa, Johannesburg, South Africa.

<sup>46</sup> This research does not deal in detail with King-IV as this was not being applied by companies at the time of data collection.

<sup>47</sup> The Charter refers to the Mining Charter developed by the Department of Mineral Resources. This is a guide on how to achieve transformation in the mining industry and provides nine aspects to consider HARMONY. 2017. *Mining Charter compliance* [Online]. Harmony. Available: <https://www.harmony.co.za/sustainability/mining-charter-compliance> [Accessed 9 May 2017].

<sup>48</sup> King-III adopts an "apply or explain" approach for all JSE-listed companies KING-III 2009. King Code of Governance.

<sup>49</sup> HDSA refers to South African citizens, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation SOUTH AFRICAN GOVERNMENT 2010. Amendment of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry. *In*: RESOURCES, D. O. M. (ed.).

skills base of HDSAs, promote the economic welfare of mining communities and promote beneficiation of mineral commodities (South African Government, 2010).

Other requirements of the Charter relate to sustainability in the mining sector and do not definitively relate to the effective participation of HDSAs in the economy. Only those provisions that relate specifically to B-BBEE (through the economic participation of HDSAs) were focused on for the purpose of this research. Table 1 presents the main requirements of the Charter and whether or not they were included in the analysis of the research.

*Table 5: Requirements of the Charter included in study*

Element of Charter	Requirements	Disclosure included in study
Ownership	<ul style="list-style-type: none"> <li>Achieve a minimum target of twenty-six percent ownership of HDSA by 2014 (South African Government, 2010)</li> </ul>	Yes
Procurement and enterprise development	<ul style="list-style-type: none"> <li>Procure a minimum of forty percent of capital goods annually from BEE entities<sup>50</sup> by 2014.</li> <li>Procure seventy percent of services and fifty percent of consumer goods from BEE entities by 2014 (South African Government, 2010)</li> </ul>	Yes Yes
Beneficiation <sup>51</sup>	<ul style="list-style-type: none"> <li>Mining companies may offset the value of the level of beneficiation achieved by the company against a portion of its HDSA ownership requirements, not exceeding eleven percent (South African Government, 2010).</li> </ul>	Yes
Employment equity	<p>Every mining company must achieve a minimum of forty percent demographic representation at:</p> <ul style="list-style-type: none"> <li>Board level</li> <li>Senior management level</li> <li>Core and critical skills</li> <li>Middle management level</li> <li>Junior management</li> <li>Each by 2014 (South African Government, 2010).</li> </ul>	Yes
Human resource development	<ul style="list-style-type: none"> <li>Mining industry must invest a percentage of annual payroll in essential skills development activities, reflective of the demographics.</li> <li>Invest a percentage of annual payroll on mining research (South African Government, 2010).</li> </ul>	Yes No
Mine community development	<ul style="list-style-type: none"> <li>Engage with communities prior to implementation of mining operations.</li> <li>Mining companies must conduct an assessment to identify developmental needs of the community (South African Government, 2010).</li> </ul>	No No
Housing and living	<ul style="list-style-type: none"> <li>Mining companies must implement measures to</li> </ul>	

<sup>50</sup> A BEE entity means an entity where a minimum of twenty-five percent plus one vote of share capital is owned directly by HDSA *ibid*.

<sup>51</sup> Beneficiation refers to the transformation of a mineral into a higher value product, which can either be sold locally or exported *ibid*.

Element of Charter	Requirements	Disclosure included in study
conditions	improve standards of housing and living conditions for mine employees (South African Government, 2010).	No
Sustainable development and growth of the mining industry	<ul style="list-style-type: none"> <li>• Mining companies must improve the industry's environmental management.</li> <li>• Mining companies must improve the industry's health and safety performance (South African Government, 2010).</li> </ul>	No No
Reporting (monitoring and evaluation)	<ul style="list-style-type: none"> <li>• Every mining company must report its level of compliance with the Charter annually (South African Government, 2010).</li> </ul>	Yes

The exclusion of the provisions per Table 1 ensures that the research will give a true account of B-BBEE disclosures in the mining sector and will not be skewed by the company's general sustainability reporting disclosures. For example, under the *Human resource development* element, the requirement for mining companies to invest a percentage of annual payroll on mining research will increase the operating effectiveness of the mines in general but will not explicitly affect the economic participation of HDSAs (see Table 1). This is a stark contrast with the previous requirement under the same element that required the industry to invest a percentage of annual payroll in essential skills development activities, reflective of the demographics. This provision makes specific reference to demographics, meaning that when the industry invests in skills they will have to do this in line with the racial demographics of the country, which links to B-BBEE. The link to B-BBEE is important as the Charter does not deal purely with racial transformation of the sector as is seen by the following extract:

“Additionally, the review of the Charter introduces an element of sustainable growth of the mining industry, which seeks to ensure sustainable transformation and growth of the mining industry” (South African Government, 2010, p. i.preamble).

The concept above follows through to the exclusion of the *Mine community development* element. Engaging with communities and assessing their needs is more closely linked with sustainability than with demographics. The community is broad and does not only refer to HDSAs.

It follows that the *Housing and living conditions* element pertains to the subsidisation of mining employees. This relates to the improvement of all mine employees who qualify as no reference is made to racial demographics.

*Sustainable development and growth of the mining industry* is an element which relates to environmental management and safety features within the industry. Management of the mining environment and the safety of mining operations are pervasive issues which should be objectives of the industry regardless of any legislation introduced. Similarly to the above scoped out items, it cannot be directly too attributed to B-BBEE.

Construction of the disclosure checklist

In open coding (see method section), phenomena is compared to obtain conceptual labels which are grouped together to form categories (Corbin and Strauss, 1990). With reference to the Charter elements, the following axial codes were identified (in bold). The open codes are headings which were located in the integrated reports of mining companies. The axial codes (elements of the Charter) were recognised as a method to group these open codes (included as bullet points).

#### **Ownership**

- Dividends paid to BEE shareholders
- BEE partnerships
- Mining charter compliance targets

#### **Procurement**

- Broad-based stakeholder value
- Transforming the supply chain
- Supply chain management
- BEE procurement
- Employment equity and transformation
- Percentage spend on BEE entities

#### **Beneficiation**

- Progress towards beneficiation

#### **Employment equity**

- Executive Committee composition by HDSA
- HDSA in management
- Board members by HDSA
- Employment of nationals

#### **Human resource development**

- Stakeholder guidelines
- Leadership and people

#### **Reporting**

- Regulatory authorities
- Independent Mining Charter scorecard review
- Regulatory reform

For this research, open codes have been grouped according to the sections in the integrated report which most commonly include these types of disclosures (axial codes). This is discussed in more detail in the methodology section.

#### **King-III as a reporting framework**

King-III encourages the reporting of clearly defined integrated information about an organisation's strategies, risks and opportunities and how this relates to the social, environmental and economic challenges facing firms (King-III, 2009; Solomon and Maroun, 2012). The introduction of the requirement<sup>52</sup> for companies listed on the JSE to produce

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<sup>52</sup>The JSE's listing requirements do not explicitly mandate the preparation of an integrated report as a legal requirement, but practically, this is the outcome ATKINS, J. & MAROUN, W. 2015. Integrated reporting in South Africa in 2012: Perspectives from South African institutional investors. *Meditari Accountancy Research*, 23, 197-221, RAEMAEKERS, K., MAROUN, W. & PADIA, N. 2015. Risk disclosures by South African listed companies post-King III. *South African Journal of Accounting Research*, 1-20.



integrated reports has been regarded as significantly adding to the credibility of the South African market (Raemaekers et al., 2015). Even so, companies have struggled to display the link between sustainability issues and the organisation's core strategy (Meyer, 2011; Solomon and Maroun, 2012; Atkins and Maroun, 2015; Secombe, 2015). This gap in the integrated report is highlighted in King-III with specific reference to B-BBEE disclosures.

“Currently, the connection between sustainability and BEE is not fully understood. It is, therefore, underdeveloped which leads to a dissociation of the two” (King-III, 2009, p. 24).

This statement acknowledges the possibility that B-BBEE disclosure practises are an area in the integrated report which may require more meaningful integration. This is a limitation which highlights the need for additional research on B-BBEE disclosures in the integrated report. For this reason the research looks at these disclosures informed by principles on integrated reporting contained in King-III.

There is always a link between good governance and compliance with law (South African Government, 2004a; King-III, 2009). It is stated in King-III that social transformation and redress from Apartheid are important and should be integrated within the broader transition to sustainability (King-III, 2009). It is expected that listed mining companies preparing integrated reports will deal with social transformation which is a concept that is also highlighted by the B-BBEE Act. To this end, each of the nine chapters of King-III provides essential principles which can be applied to inform B-BBEE reporting by South African mining companies. The application of these principles for this purpose, and the determination of disclosure themes in the data collection instrument (see methodology section), will now be discussed in more detail.

## **Construction of the disclosure checklist**

### **Effective leadership**

Chapter 1 of King-III advocates that the board should provide effective leadership based on an ethical foundation (King-III, 2009). Effective leadership is displayed through responsible leaders building sustainable businesses which give regard to the company's economic, social and environmental impact on the community in which it operates (King-III, 2009). Linking this principle to B-BBEE, a company should consider and disclose whether there are any social effects stemming from B-BBEE that affect the community. A crucial element of integrated reporting is for the board of directors to identify the sustainability factors pertinent to the business of the company and then to work these into the long-term strategy of the company (King, 2010). Given the exploratory nature of the study and the fact that no framework exists which sets out B-BBEE disclosure requirements, this requirement will be included in the disclosure checklist. The construction of the disclosure checklist and more detail on open coding is discussed in the methodology section. The open codes (headings located in the integrated reports of mining companies) identified under Effective leadership are:

- Integration of B-BBEE with the community
- Details of employee demographics

### **Responsible corporate citizen**

King-III requires that the board should ensure that the company is, and is seen to be, a responsible corporate citizen (King-III, 2009). A responsible corporate citizen ensures that strategies and policies are planned and coordinated across all sections of the company to prevent fragmentation (King-III, 2009). A company may seek to respond to the requirements of the Charter, but fail to coordinate these efforts effectively into a broader sustainability framework (King-III, 2009). Companies should use integrated reports to clarify the link between sustainability and B-BBEE. Open codes include:

- Integration of B-BBEE with the company's social environment
- Social transformation

### **Governance of risk**

At the core of integrating reporting is the ability of the report to link governance and strategy with risks and opportunities and ultimately their impact on the long-term sustainable development of the company (Ramsden, 2010; Meyer, 2011). The board should be responsible for the governance of risk and the board should appreciate that strategy, risk, performance and sustainability are inseparable (King-III, 2009). This is achieved through the identification of key performance and risk areas as well as performance and risk measures (King-III, 2009). A full assessment of risks requires a breakdown of the source and nature of significant risks, an evaluation of the likelihood of each risk materialising and the development of mitigating strategies (Raemaekers et al., 2015). Examples of open codes are:

- Identification of risks
- Mitigation of risks
- BBEE targets used as a key performance indicator measure
- Actions taken by the board towards B-BBEE
- Responses to B-BBEE risk

### **Composition of the board**

The board should comprise a balance of power with a majority of non-executive, independent directors (King-III, 2009). Every board should also consider whether its diversity and demographics make it effective (King-III, 2009). Furthermore, the Charter set out requirement that by 2014 forty percent of board representation should include HDSAs (see Table 1) (South African Government, 2010). Examples include:

- Diversity of board
- Composition of executive committee

### **Governance committees (other than the board)**

The board should delegate certain functions to well-structured committees without abdicating its own responsibilities (King-III, 2009). King-III assigns the board with ultimate responsibility over companies but also mandates the establishment other committees for listed companies (for example a social and ethics committee). The committee's will be handed a unique set of responsibilities and B-BBEE may be one of them. The following open codes apply:

- Legislative duties of the committee
- Transformation report by the social and ethics committee.

### **Compliance with laws (binding and non-binding), codes and standards**

The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards (King-III, 2009). The B-BBEE Act and the Charter are both laws, the compliance of which needs to be monitored and reported. As discussed in earlier, the Charter requires various targets for mining companies to adhere to. Provisions contained in the Charter increase the responsibility of the mining sector with reference to B-BBEE practices. For example, the requirement for mines to achieve a minimum target of twenty-six percent ownership in mines by HDSAs by 2014 (South African Government, 2010).

Another law which will influence B-BBEE disclosures in the integrated report is Employment Equity. The act governing Employment Equity is the Employment Equity Act No.55, 1998 (Employment Equity Act) (South African Government, 1998). This act intends to achieve a diverse workforce which broadly represents the demographics of South Africa and eliminate unfair discrimination in employment practises (South African Government, 1998). The Charter includes specific quotas that outline the level of HDSAs who should represent each level of management (see Table 1) which is inspired by the Employment Equity Act. For this reason, references to the Employment Equity Act are used interchangeably with Employment Equity as per the Charter in this research. Examples of open codes under Compliance with laws are:

- Non-compliance with the B-BBEE Act
- Compliance with the B-BBEE Act

### **Sustainability assurance**

Sustainability reporting and disclosure should be independently assured (King-III, 2009). Assurance does not imply verification and refers broadly to the integrity of the non-financial information in the integrated report (King-III, 2009).

- Independent assurance report

## **METHOD**

This research is an exploratory study which used a content analysis to explore the B-BBEE disclosures of a sample of JSE listed South African mining companies. This is appropriate given the fact that integrated reports are subjective<sup>53</sup>(Carels et al., 2013; Raemaekers et al., 2015). A mismatch would occur if an objective, scientific method was designed for the purposes of capturing the idiosyncrasies contained in the integrated report (Brennan and Solomon, 2008; Creswell and Plano Clark, 2011; Merkl-Davies et al., 2011).

### **Sample**

As explained in the introduction, this study focuses on B-BBEE disclosures in mining companies listed on the JSE. There were fifty-six mining companies listed on the JSE at the time of collecting the data. Eighteen of these were in the exploration or non-operational phase and were excluded from the analysis. Seven companies did not have their primary mining operations in South Africa and were excluded. An additional five companies did not prepare integrated reports for the period under review and were excluded. This resulted in a final sample of thirty-one companies (see Appendix B).

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<sup>53</sup> The integrated report is a socially constructed document where preparers engage with a multitude of stakeholders and prepare the integrated report using a combination of frameworks. In measuring such data, the use of a positivist method would cause a mismatch.

## Data collection

As no single disclosure framework exists which deals specifically with B-BBEE, the prior literature was used to construct a disclosure checklist (Creswell and Plano Clark, 2011; Leedy and Ormrod, 2013). The primary researcher examined the provisions of King-III and the mining Charter in detail to identify B-BBEE-related disclosures. These provided a list of possible disclosures.

An iterative process of reviewing the literature, the disclosure checklist and the integrated reports of five of the sample companies was performed to ensure the checklist was complete and accurate. The support researchers reviewed the final disclosure checklist.

The following are examples of the headings (open codes) used to analyse the integrated reports of the sample of mining companies:

- Integration of B-BBEE with the community
- Integration of B-BBEE with the company's social environment
- Social transformation
- Identification of B-BBEE related risks
- Mitigation of B-BBEE related risks
- B-BBEE targets used as a performance indicator measure
- Diversity of board
- Composition of executive committee
- Duties of committees
- Compliance with B-BBEE related laws and charters
- Independence assurance report

Each report was analysed carefully to gain a sense of its content and structure, and to identify B-BBEE-related disclosures. Where a disclosure was located in an integrated report, a value of '1' was assigned. If the disclosure theme was not dealt with, a nil value was applied. The researcher was careful to ensure that each disclosure theme was considered. For example, if a director considered the probability of meeting ownership targets required by the Charter in the CEO's report, that was translated into two disclosure counts (one for *effective leadership* and the other for *ownership*). If an entire section discussed only procurement, this was considered as one count (for *procurement*). Graphs and tables displaying B-BBEE disclosures were also considered when completing the checklist unless they represented information that was subsequently explained in a narrative linked to the graph. In this case, both the paragraph and the graph/table were grouped into one disclosure count. Finally, duplicated disclosures were omitted.

To limit subjectivity in the data analysis process, the researcher did not assign scores based on the perceived quality of the disclosures. This resulted in a frequency table that showed the number of times an open code was addressed in each respective companies' integrated reports. Axial coding was used to group the disclosures. Each principle in King-III was reviewed and linked to the B-BBEE disclosures. This was an iterative process which involved the primary researcher examining specific disclosures, the respective integrated

reports and the principles in King-III to ensure consistent grouping of open codes. The final list of principles used to provide axial codes is provided in Appendix A.

The B-BBEE disclosures were also analysed by location in the integrated reports. The locations used in this study are adapted from Carels et al (2013) (see Table 2).

*Table 6: Locations used in the disclosure checklist*

L1	Director's report
L2	Chairman's statement
L3	Chief Executive Officer's review
L4	Risk management
L5	Strategic statement, profile and risk summary
L6	Corporate governance
L7	Social and ethics committee report
L8	Corporate responsibility summary
L9	Financial review
L10	Human capital review/safety and health
L11	Financial statements and notes
L12	Sustainability report (or equivalent)
L13	Regulatory compliance
L14	Group overview (and other related)
L15	Key performance indicators
L16	Operational review
L17	Assurance report

(Carels et al., 2013)

The numerical score obtained from the checklist allowed for conclusions to be drawn regarding certain disclosure practices (Merkl-Davies et al., 2011). This analysis is a cost effective and easily replicable technique for compressing subjective text into concise and easy to understand categories through the use of explicit rules. As categories were derived from the existing research the process is considered deductive (Leedy and Ormrod, 2013).

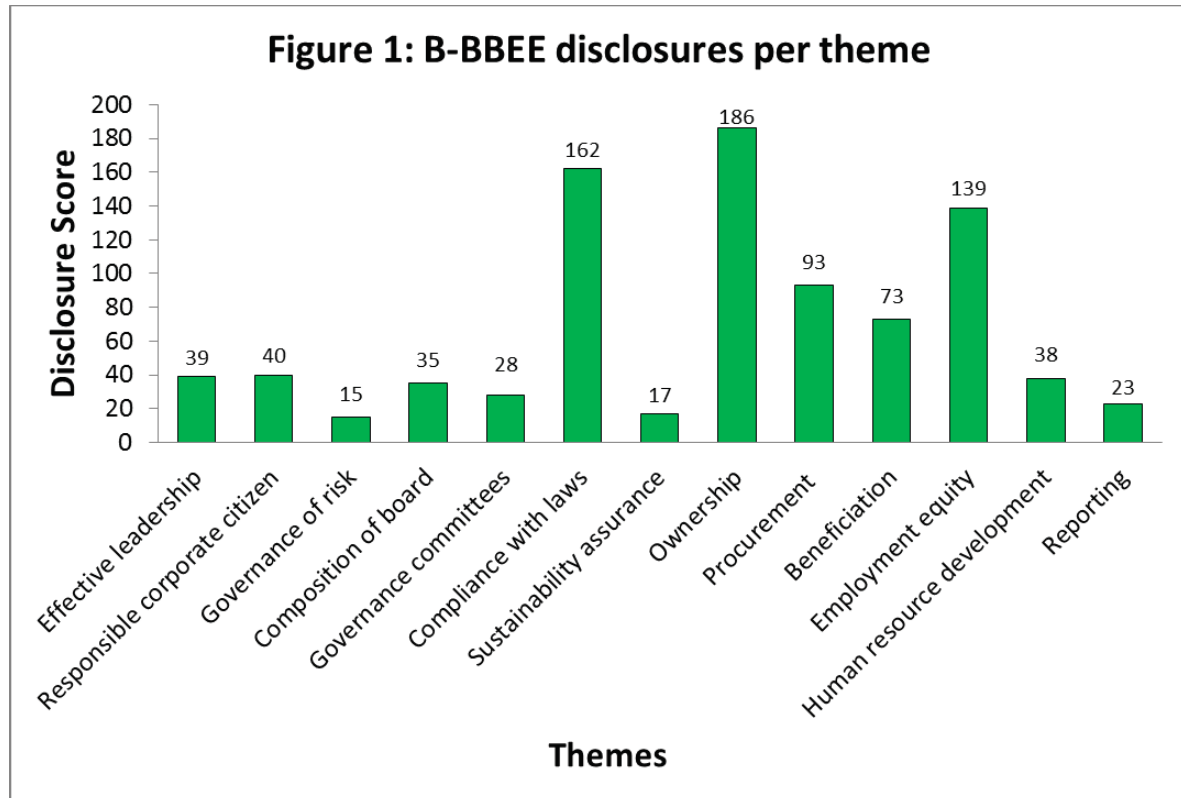
### **Data analysis**

Data analysis was based on the total scores per open and axial code. As a result, the data has been categorised as ordinal, consistent with the approach followed by Raemaekers et al. (2015). Together with the fact that only a single period is reviewed, inferential statistical analysis is not appropriate. Instead, descriptive statistics are complemented by an interpretive text analysis of the content contained in the integrated report to draw attention to any emerging themes or trends regarding current B-BBEE disclosure in the integrated reports (Carels et al., 2013; Raemaekers et al., 2015).

## RESULTS

### Theme analysis

Figure 1 shows total disclosures by theme. The top three B-BBEE themes disclosed were ownership, compliance with laws and employment equity. The B-BBEE themes addressed the least were governance of risk, sustainability assurance and reporting.



### High frequency themes

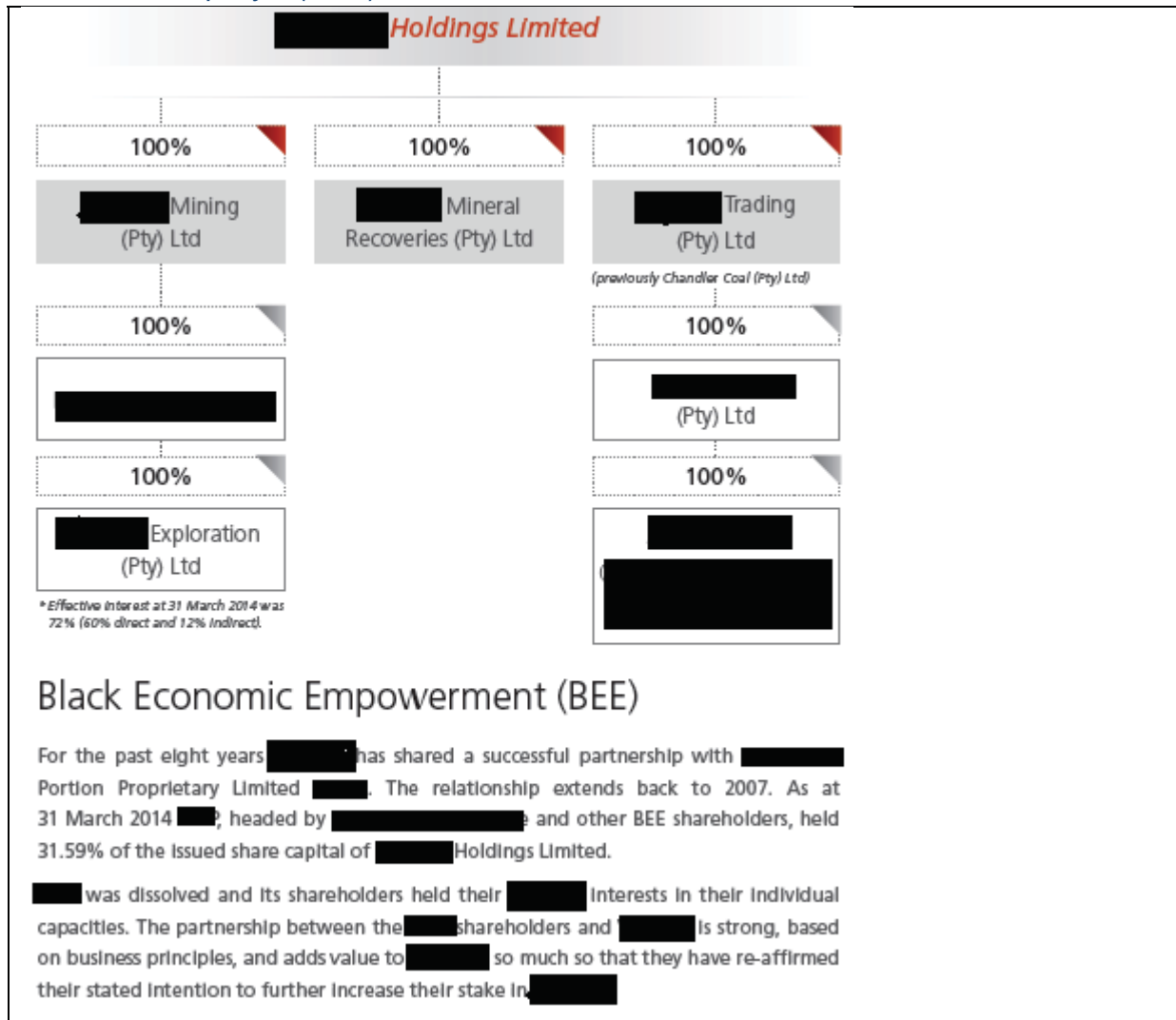
From the number of times *ownership* was mentioned in the integrated reports it would seem that listed mining companies are concerned with this Charter requirement. The following analysis is in line with expectations as the *Ownership* principle has been outlined as the “essence of the Charter” (Secombe, 2015). The requirement to have twenty-six percent HDSA ownership has been met with the most resistance from the mining sector and still harbours controversy today as mining companies seek to gain clarity on the interpretation of the requirement (Quintal, 2015). Formal reporting on Charter requirements was due in 2015. By June 2015, more than 300 notices had been sent to companies who had not complied with stipulations contained in the Charter (Quintal, 2015). Ownership of the mines was a main area of contention, with many empowerment deals falling apart as BEE partners<sup>54</sup> sold their mining shares (obtained at favourable rates) for a profit (Quintal, 2015). The “once empowered, always empowered”<sup>55</sup> concept led the mining sector to seek clarity from the courts on whether past deals counted towards the twenty-six percent requirement even after the ownership shares related to those transactions was sold (Secombe, 2015).

<sup>54</sup> BEE (Black Economic Empowerment) partners are those HDSAs who are involved in commercial business deals which are purposively structured around transformation initiatives.

<sup>55</sup> “Once empowered, always empowered” is when an entity is allowed to recognize a portion of black ownership after a black participant has exited EMPOWERDEX 2007. The Codes of Good Practice Scorecard Essentials. Empowerdex: Empowerdex..

Conversations surrounding the Charter highlight *Ownership* as the most topical condition. Users may be concerned with what companies are doing to ensure they remain operational as one of the consequences of non-compliance is the confiscation of the mining license, as discussed in the literature review. Through analysing the integrated reports, the researcher found that numerous contractual structures were put into place by mining companies to ensure compliance with *Ownership*<sup>56</sup> and these structures were disclosed mainly through the use of structural organograms with explanations. Extract 1 from the integrated report of Company 7 shows a graphical representation of the structure of the firm with an explanation of the BEE ownership below.

*Extract 1: Company 7 (2014)*



Compliance with laws scored very high across all companies. The broadness of the disclosure contributed to it scoring higher than other themes as the integrated report serves as a summary of the financial and non-financial information produced by a company (Eccles and Serafeim, 2011; Krzus, 2011). In summarising B-BBEE disclosures, companies in the mining sector were more likely to discuss overall compliance with the relevant Acts and Charters instead of compliance with specific provisions of those Acts and Charters.

<sup>56</sup> Examples of such mechanisms include the formation of black-owned trusts, mergers with black-owned mines and broad-based employee share schemes.

Companies provided general reviews on compliance with specific implementation being scattered across different sections of the report. For example, Company 16 (see Extract 2) stated that they have “substantially complied with the elements of the Charter” in the Chairman’s report (page 15). The CEO’s report (page 27) goes deeper by explaining that the *Ownership* target of twenty-six percent has been met. The section in the report labelled “Our Workforce” discusses the number of HDSAs<sup>57</sup> employed in total and in senior management (page 98). Lastly, a full breakdown of the Charter scorecard is provided (page 104) where every requirement of the Charter is broken down into its element (the actual element of the Charter, for example *Ownership*), description (what the Charter requires for each element) and measure (how the element is measured). Page 105 shows Company 16’s progress against meeting the 2014 Charter target for each element. This amount of detail per element was not common amongst the entire sample Integrated Reports.

*Extract 2: Company 16 (2014)*

ELEMENT	DESCRIPTION	MEASURE
REPORTING	Report on the level of compliance with the Revised Charter for the calendar year	Documentary proof of receipt from the DMR
OWNERSHIP	Minimum target for effective HDSA ownership	Meaningful economic participation

MINING CHARTER COMPLIANCE TARGET BY 2014	PROGRESS AGAINST 2014 MINING CHARTER TARGET
Annually	Target met (Annual Submission)
26%	35%

*Employment equity* had a considerably high score across the sample. B-BBEE disclosures related to *Employment equity* were provided in a wide variety of formats with companies discussing the issue in many contexts. For example, companies showed the number of HDSA’s in each level of management; the number of women employed by the company; details regarding affirmative action; plans to increase the number of Africans, Indians and Coloureds within the company and graphical representations of company demographics (tables, pie charts, doughnut-charts, etc.).

This disclosure was mainly found (fifty-four counts) in L10: Human capital (or equivalent) of the integrated report. From the spread of *Employment equity* disclosures, it appears that the mining sector accepts the need for transformation within the workplace in line with the objectives of the Employment equity Act (see King-III as a reporting framework).

**Low frequency themes**

The themes which achieved the lowest disclosure scores overall were: *Governance of Risk*, *Sustainability assurance* and *Reporting* (15, 17 and 23 respectively). Risk management is an essential part of corporate governance as it assists companies to identify threats and to take action. The lack of B-BBEE related risk disclosures is concerning as non-compliance with the relevant Acts can have far reaching consequences. The essence of integrated reporting

<sup>57</sup> Historically disadvantaged South Africans



is to link governance and strategy with risks and opportunities (see King-III as a reporting framework, *Governance committees*) (Ramsden, 2010; Wostmann et al., 2017). It would appear that the mining sector is missing a fundamental opportunity to be proactive in discovering strategies and opportunities related to B-BBEE. A predominantly reactive approach has been adopted by the sector and the lack of disclosures related to risks supports this analysis.

It is a requirement for companies to report on their progress towards meeting the Charter requirements to the Minister. Many companies disclosed individual requirements of the Charter or they focused on the sections in which they achieved excellence. It was not a common occurrence for companies to conclude on whether the Charter targets had been met overall. Consequently, it was not surprising that the score for *Reporting* was so low. Overall, the preparers of the integrated reports are clearly focused on only a few key aspects of B-BBEE reporting with the rest treated as supplementary information and scattered in different sections of the integrated reports.

### Sector Analysis

The sectors contained in the sample included Chrome, Coal, Diamond, Gold, Platinum, Uranium and Iron, Steel and Aluminium. The figure below shows disclosure by sector.

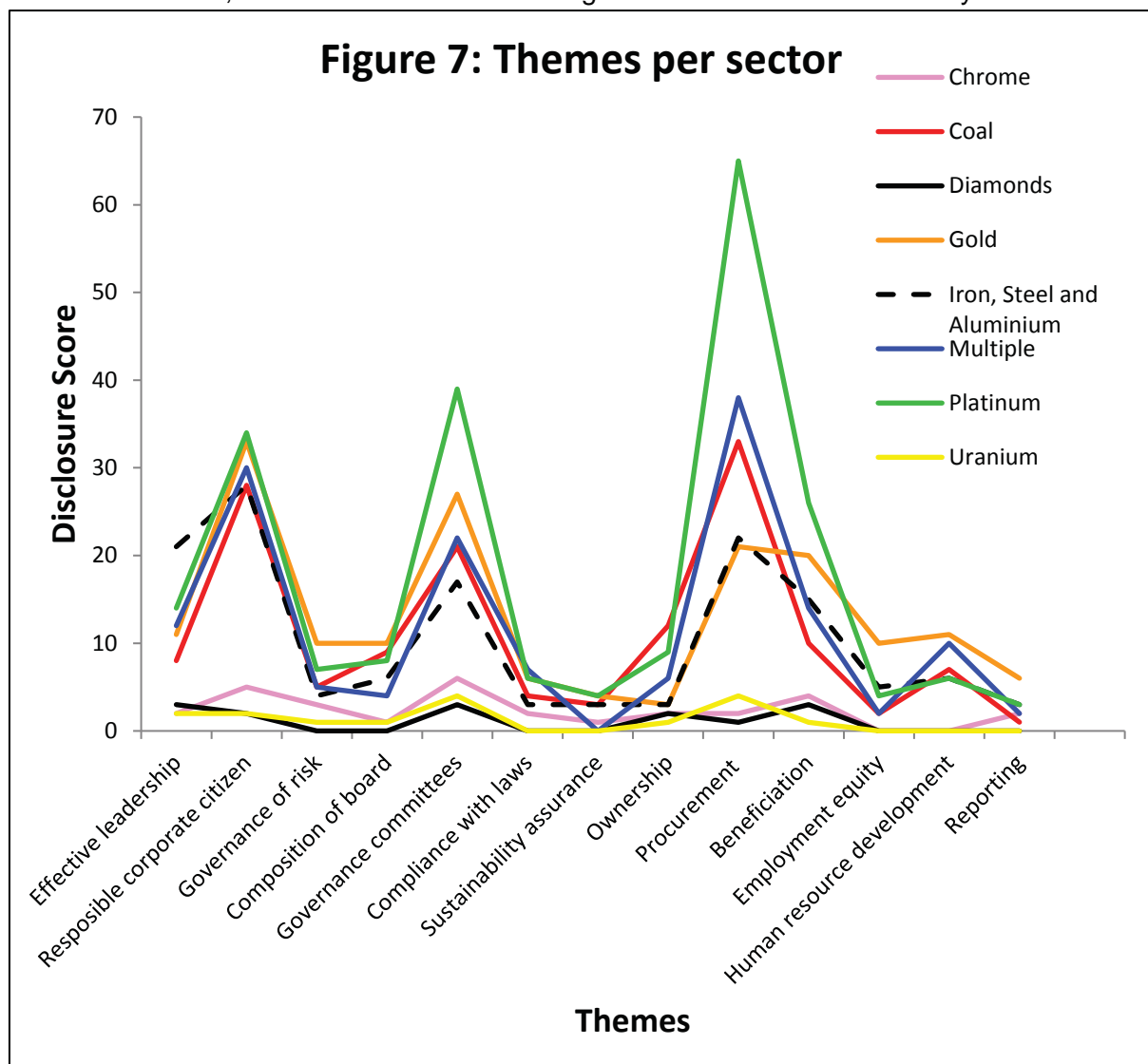


Figure 7 shows similar disclosure trends per sub-sector. Although the different sub-sectors have different operational and market characteristics, the B-BEEE-related issues are accounted for consistently.

The Platinum sector was the best performing sector, disclosing the most in relation to the other sectors on the majority of the themes presented. The high volume of social disclosures could also be linked to the surge in labour strikes that took place in 2014 and continued for approximately five months. The Platinum sector suffered huge losses during the protracted strike where labour unions and industry leaders engaged in heated negotiations regarding wage disputes (Hill and Maroun, 2015; Marcia et al., 2015; PwC, 2015). It is possible that these unfortunate events could be what is driving the industry to report on more social issues than the other sectors.

## CONCLUSION

### Summary and discussion

Using the principles of King-III, guidance from the Charter and a comprehensive literature review, a B-BBEE disclosure checklist was developed. This checklist was used to collect data from a sample of thirty-one listed mining companies in South Africa. The data was analysed using detailed content analysis and supported by basic statistical and interpretive text analysis. The disclosure scores were examined to identify key themes across companies and the minerals mined.

The analysis of the scores achieved by companies in the sample showed that companies are addressing each of the B-BBEE-related issues identified directly or indirectly in King-III and the Charter. The themes which were reported on most by the companies in the sample were ownership, compliance with laws and employment equity. Governance of risk, sustainability assurance and reporting disclosed the least.

Based on the literature review, *compliance with laws* was expected to rank more highly as it was established that a company's legal system will have a large effect on the integrated report (Frías-Aceituno et al., 2013). The results also revealed that while it is clear that companies identified that achieving the twenty-six percent ownership is the essence of the Charter, they failed to focus on other areas that warrant attention. Companies tend to focus on the requirements that they met, instead of focusing on those in which they need to improve. This finding is further emphasised by the low count of the governance of risk theme. This points to the industry being reactive as opposed to proactive as discussed in King-III (King-III, 2009).

The prior literature noted that integrated reports can be used as a signalling tool for risks in entities (Eccles and Serafeim, 2011). The underwhelming presence of the governance of risk revealed that the trend has not followed through to the mining sector.

Overall, companies in the sample produced a medium coverage of B-BBEE disclosures in their integrated reports. This coverage included excessive repetition and low importance was placed on the assessment of risk. Companies tended to focus on positive aspects of

reporting as opposed to concentrating on a balanced view of their businesses. The integrated report should aid companies in addressing key issues that affect their operations.

### **Areas for future research**

There are a number of recommendations for the future research of B-BBEE disclosures. No framework currently exists which measures B-BBEE disclosures for companies. It would be a significant contribution to the mining industry if such a framework were to be developed. The framework could assist the industry in disclosing all requirements that pertain to B-BBEE legislation and not just focus on the areas where they have excelled. This will force companies to provide a true account of their standing relating to transformation in corporate South Africa.

B-BBEE legislation is important and it does not just affect the mining industry. An area for further research could be looking at this legislation with regards to different sectors. A comparative study could be formulated which would observe the nature of reporting on the topic throughout the relative sectors.

In order to measure the reporting of companies on the requirements of the Charter, an additional study could analyse B-BBEE disclosure of companies over a number of years. Such a study would identify the changes in B-BBEE disclosures over time and attempt to assess what changes could be attributed to those respective legislative reforms.

**Appendix A- Shows the construction of the disclosure checklist**

<b>Principle</b>	<b>Explanation</b>	<b>Application</b>	<b>Axial Codes developed using King III</b>	<b>Open Codes developed by analysing the integrated report.</b>
1.1: The board should provide effective leadership based on an ethical foundation (King-III, 2009).	2. Responsible leaders build sustainable businesses by having regard to the company's economic, social and environmental impact on the community in which it operates(King-III, 2009).	A company should disclose the effect of BBBEE on the community in which it operates.	Effective leadership	Integration of BBBEE with the community Details of employee demographics
1.2: The board should ensure that the company is and is seen to be a responsible corporate citizen(King-III, 2009).	31. Strategies and policies should be planned and coordinated across all sections of the company. The negative consequences of fragmentation include duplication and missed opportunities for synergies. For example, a company may seek to respond to the pressing requirements of the industry's BEE charter, but fail to integrate these efforts effectively into a broader sustainability framework(King-III, 2009).	Companies should coordinate strategies and policies of BBBEE to avoid duplication of reporting or even contradictory terms. Companies should use the integrated report to clarify the linkage between sustainability and BBBEE.	Responsible corporate citizen	Integration of BBBEE with the company's social environment

<p>9.2: Sustainability reporting and disclosure should be integrated with the company's financial reporting(King-III, 2009).</p>	<p>12. Reporting should be integrated across all areas of performance and should include reporting in the triple context of economic, social and environmental issues(King-III, 2009).</p>	<p>BBBEE should be integrated in the context of economic, social and environmental issues.</p>	<p>Responsible corporate citizen</p>	<p>Social transformation</p>
<p>2.2: The board should appreciate that strategy, risk, performance and sustainability are inseparable(King-III, 2009).</p>	<p>9. The board should identify key performance and risk areas as well as the associated performance and risk indicators and measures (such as compliance and sustainability)(King-III, 2009).</p>	<p>The objectives that are set as part of the strategy should be clear, measurable and sustainable.</p>	<p>Governance of risk</p>	<p>Identification of risks Mitigation of risks BBBEE targets used as a key performance indicator measure</p>
<p>2.18: The board should comprise a balance of power with a majority of non-executive directors. The majority of non-executive directors should be independent(King-III, 2009).</p>	<p>71. Every board should consider whether its diversity and demographics make it effective. Diversity applies to nationality and race(King-III, 2009).</p>	<p>The board must be racially diverse.</p>	<p>Composition of board</p>	<p>Diversity of board Composition of executive committee</p>
<p>2.23: The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities(King-III, 2009).</p>	<p>130. The board of a listed company must establish a social and ethics committee(King-III, 2009).</p>	<p>A social and ethics committee will generally be tasked with responsibilities linked to BBBEE.</p>	<p>Governance committees (other than the board)</p>	<p>Legislative duties of the committee Transformation report by the social and ethics committee.</p>

4.1: The board should be responsible for the governance of risk(King-III, 2009).	3. The board should be able to demonstrate that it has dealt with the governance of risk comprehensively(King-III, 2009).	The board should list risks related to BBEE and include mitigating factors to show adequate risk management.	Governance of risk	Actions taken by the board towards B-BBEE Responses to B-BBEE risk
6.1: The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards(King-II, 2009).	1. Companies must comply with all applicable laws(King-III, 2009).	The BBEE Act is a law which companies must comply with.	Compliance with laws (binding and non-binding), codes and standards.	Compliance with laws and charters for example: - Non-compliance with the B-BBEE Act - Compliance with the B-BBEE Act
9.3. Sustainability reporting and disclosure should be independently assured(King-III, 2009).	17. A formal process of assurance with regard to sustainability reporting should be established(King-III, 2009).	Information disclosed regarding BBEE in the integrated report should be independently assured.	Sustainability assurance	Independent assurance report

<u>Principle</u>			<u>Axial Codes developed using the Charter</u>	<u>Open Codes developed by analysing the integrated report.</u>
Achieve a minimum target of twenty-six percent ownership of HDSA by 2014 (South African Government, 2010)			Ownership	Dividends paid to BEE shareholders BEE partnerships Mining charter compliance targets
Procure a minimum of forty percent of capital goods annually from BEE entities[i] by 2014. Procure seventy percent of services and fifty percent of consumer goods from BEE entities by 2014 (South African Government, 2010)			Procurement	Broad-based stakeholder value Transforming our supply chain Supply chain management BEE procurement Employment equity and transformation % spend on BEE entities
Mining companies may offset the value of the level of beneficiation achieved by the company against a portion of it HDSA ownership requirements, not exceeding eleven percent (South African Government, 2010).			Beneficiation	Regulatory reform Progress towards beneficiation

<p>Every mining company must achieve a minimum of forty percent demographic representation at:</p> <ul style="list-style-type: none"> <li>Board level</li> <li>Senior management level</li> <li>Core and critical skills</li> <li>Middle management level</li> <li>Junior management</li> </ul> <p>Each by 2014 (South African Government, 2010).</p>			<p>Employment equity</p>	<p>Exco composition by HDSA HDSA in management Board members by HDSA Employment of nationals</p>
<p>Every mining company must invest a percentage of payroll to essential development activities, representative of the demographics of the country.</p>			<p>Human resource development</p>	<p>Investing in our employees</p>
<p>Every mining company must report its level of compliance with the Charter annually (South African Government, 2010).</p>			<p>Reporting</p>	<p>Regulatory authorities Independent Mining Charter scorecard review Regulatory reform</p>



## Appendix B- Table showing companies in mining sector

Name	Primary Operations in SA	Operational	Integrated report for 2014/2015	Included in study
African Rainbow Minerals				✓
Anglo American Platinum				✓
Anglo American PLC	×			×
Anglo Gold Ashanti Ltd				✓
Aquarius Platinum Ltd				✓
ArcelorMittal South Africa Ltd				✓
Assore Ltd				✓
Atlatsa Resources			×	×
Bauba Platinum Ltd				✓
BHP Billiton PLC	×			×
Buffalo Coal Group			×	×
Buildmax Ltd				✓
Coal of Africa				✓
Delrand Resources Ltd	×	×		×
DRD GOLD Ltd				✓
Eastern Platinum Ltd		×		×
Evraz Highveld Steel and Vanadium Ltd			×	×
Exxaro Resources Ltd				✓
Ferrum	×	×		×
Firestone Energy Ltd		×		×
Glencore PLC	×			×
Gold Fields Ltd				✓
Goliath Gold Mining Ltd		×		×
Great Basin Gold Ltd		×		×
Harmony Gold Mining Company Ltd				✓
Hulamin Ltd				✓
Hwange Colliery Company Ltd	×	×		×
Impala Platinum Holdings Ltd				✓
Infrasors Holdings Ltd				✓
Keaton Energy Holdings Ltd				✓
Kumba Iron Ore Ltd				✓
Lonmin PLC				✓
Merafe Resources Ltd				✓
Metmar Ltd				✓
Miranda Mineral Holdings Ltd		×	×	×
Northam Platinum Ltd				✓
Oakbay Resources and Energy Ltd				✓
Pan African Resources PLC				✓
Petmin Ltd				✓
Platfields Ltd		×	×	×
Randgold and Exploration Co Ltd		×		×
Resource Generation Ltd		×		×
Rockwell Diamonds Inc		×		×
Royal Bafokeng Platinum Ltd				✓
Sable Metals and Minerals Ltd		×		×
Sentula Mining Ltd				✓
Sibanye Gold Ltd				✓
South32 Ltd		×		×
South African Coal Mining Holdings Ltd		×		×
Tawana Resources NL		×		×
Tharisa PLC				✓
Trans Hex Group Ltd				✓
The Waterberg Coal Company Ltd		×		×
Westcoal Holdings Ltd				✓
Wesizwe Platinum Ltd		×		×
ZCI Ltd	×	×		×
<b>Total</b>	<b>7</b>	<b>18</b>	<b>5</b>	

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## APPENDICES

### Appendix 1: JSE Top 40 Companies used as the research sample

	<b>Code</b>	<b>Company</b>	<b>Title of Report</b>	<b>Is there a statement that the integrated report is the Primary Report to providers of financial capital?</b>
1	BTI	British American Tobacco Plc	Annual Report	No mention
2	SAB	SABMiller Plc	Annual Report	No mention
3	NPN	Naspers Ltd	Integrated Annual Report	No, but state that it provides a “full understanding of our group’s performance”
4	CFR	Compagnie Fin Richemont SA	Annual Report and Accounts	No mention
5	BIL	BHP Billiton Plc	Annual Report	No mention
6	GLN	Glencore Plc	Annual Report	No mention
7	SNH	Steinhoff International Holdings N.V.	Integrated Report	No mention
8	SOL	Sasol Ltd	Annual Integrated Report	Yes
9	MTN	MTN Group Ltd	Integrated Report	Yes
10	FSR	Firststrand Ltd	Annual Report	No, but states that it contains the “primary results”
11	VOD	Vodacom Group Ltd	Integrated Report	No mention
12	OML	Old Mutual Plc	Annual Report	No mention
13	SBK	Standard Bank Group Ltd	Integrated Report	Yes
14	APN	Aspen Pharmacare Holdings Ltd	Integrated Report	No mention
15	SLM	Sanlam Ltd	Annual Report	No, but state that it’s the users’ “preferred report”
16	BGA	Barclays Africa Group Ltd	Integrated Report	Yes
17	REM	Remgro Ltd	Integrated Report	No mention
18	MDC	Mediclinic International Ltd	Integrated Report	No mention
19	MNP	Mondi Plc	Integrated Report	Yes
20	BVT	Bidvest Ltd	Integrated Report	No
21	WHL	Woolworths Holdings Ltd	Integrated Report	No mention
22	ITU	Intu Properties Plc	Annual Report	No mention

23	AGL	Anglo American Plc	Annual Report	No mention
24	NED	Nedbank Group Ltd	Integrated Report	No mention
25	BAT	Brait SE	Integrated Report	No mention
26	CCO	Capital & Counties Properties Plc	Annual Report	No mention
27	DSY	Discovery Ltd	Integrated Report	No mention
28	SHP	Shoprite Holdings Ltd	Integrated Report	No mention
29	RMH	RMB Holdings Ltd	Integrated Report	No mention
30	INP	Investec Plc	Annual Report	No mention
31	S32	South32 Ltd	Annual Report	No mention
32	GRT	Growthpoint Properties Ltd	Integrated Report	No mention
33	REI	Reinet Investments S.C.A	Annual Report	No mention
34	CPI	Capitec Bank Holdings Ltd	Integrated Report	No mention
35	TBS	Tiger Brands Ltd	Integrated Report	No mention
36	RMI	Rand Merchant Insurance Holdings Ltd	Integrated Report	No mention
37	NEP	New Europe Property Investments Plc	Annual Report	No mention
38	PSG	PSG Group Ltd	Integrated Report	Yes
39	MRP	Mr Price Group Ltd	Integrated Report	No mention
40	AMS	Anglo American Platinum Ltd	Integrated Report	Yes

**Appendix 2: Further Analysis of JSE Top 40 Companies which used as Non- IFRS earnings measures**

Company	Non-IFRS Measure Description	Non-IFRS Earnings/Earnings (%)	Headline Earnings/ Non-IFRS measure (%)
Capital&Counties Prop PI	Underlying Earnings	2%	99%
Naspers Ltd	Core headline earnings	80%	64%
Mediclinic Internat Ltd	Normalised Headline Earnings	80%	119%
Rmb Holdings Ltd	Normalised Earnings	92%	100%
Sanlam Limited	Normalised Headline Earnings	94%	105%
Rand Merchant Ins Hldgs	Normalised earnings	96%	103%
Firststrand Ltd	Normalised Earnings	99%	101%
Intu Properties Plc	Underlying earnings	100%	89%
Psg Group Ltd	Recurring Headline Earnings	100%	99%
Standard Bank Group Ltd	Pro forma continuing operations headline	103%	100%
Mondi Plc	Underlying operating profit	106%	62%
Discovery Ltd	Normalised Headline Earnings	107%	89%
Aspen Pharmacare Hldgs L	Normalised Headline Earnings	107%	94%
Sabmiller Plc	Adjusted earnings	116%	89%
Woolworths Holdings Ltd	Adjusted Profit before tax	119%	63%
British American Tob Plc	Adjusted profit from operations	123%	0%
Investec Plc	Adjusted attributable earnings	138%	0%
Old Mutual Plc	Adjusted operating earnings	152%	69%
Glencore Plc	Adjusted EBITDA	275%	-5%
Bhp Billiton Plc	Underlying attributable profit	336%	0%
South32 Limited	Pro Forma Underlying Earnings	728%	0%
	<b>Average</b>	<b>142%</b>	<b>90%</b>