Non-Financial Disclosures in the South African Mining Industry

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Abstract
The purpose of this article is to analyse the nature and extent of non-financial disclosures in South African mining companies' annual reports both pre- and post-King III to explore the impact that King III may have had on such disclosures. The research methodology adopted was a content analysis of annual reports prior to the issue of King III and then, in order to provide a second benchmarking period, more recent studies of mining companies' annual reports after the issue of King III were accessed. These studies also used content analysis allowing for some degree of comparability. The study found that overall, the non-financial disclosures for all mining companies showed an increasing trend for the years leading up to the issue of King III. After the release of King III, the study found that although the extent of disclosures increased further, pointing to King III being the impetus for such an increase, there was still room for improvement in corporate governance disclosures especially with regards to forward looking disclosures and board of directors' disclosures.

Keywords: Non-financial disclosures, mining companies, South Africa, King Report, sustainability reporting.

Introduction
The annual report, which comprises both financial and non-financial information is the main communication channel through which companies disseminate

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information to their stakeholders (Tilt 1998:1). There is a general consensus that there is a need for the disclosure of non-financial information (White 2005:8; Bollen 2004:8; Coram & Monroe 2004:21-23; Robb, Singleb & Zarzeski 2001:79-80; Palenberg, Reinicke & Witte 2006:34). Many researchers (Eccles, Herz, Keegan & Phillips 2001; Luft & Shields 2001; Yongvanich & Guthrie 2005:104) all emphasise the usefulness of non-financial disclosures. Disclosure of non-financial information addresses the information needs of stakeholders (Yongvanich & Guthrie 2005), builds stakeholder confidence, and provides forward-looking information that traditional financial statements cannot provide (Jackson 2004). The shift to integrated reporting and, in particular, sustainability reporting in which the social, economic and governance aspects of the firm are emphasised, underlines the importance of non-financial disclosures (KMPG 2016).

The mining sector represents a significant portion of the South African economy (Davies, de Bruin, Deysel & Strydom 2002). This industry, due to its nature, has exceptionally high risk with regard to ethical, social and environmental issues (Frik 2002). Carels, Maroun and Padia (2013:950) argue that for mining companies in South Africa, 'sound socio-environmental disclosure becomes key for signalling how organisations are aligning their own business models with growing concerns about climate change, pollution, scarce natural resources and loss of biodiversity'. According to Jenkins and Yakovleva (2006:272), there is an increased demand for the disclosure of managerial, social and environmental information by individual mining companies as a means of legitimising their existence and documenting their performance. However, most South African companies fail to disclose adequate information on their opportunities, financial risks and material strategies related to the economic, social and environmental impacts defined by the triple bottom line principle (Gordon Institute of Business Science, 2006). Carels *et al.* (2013) argue that more needs to be done in the South African mining industry to demonstrate how social or environmental metrics are connected to the strategy, risk management and policies of the firm.

The Impetus for Non-Financial Disclosures in the Mining Industry

The need for non-financial information by stakeholders is growing in the mining industry more than in any other industry (Jenkins & Yakovleva

2006:271). Environmental reporting first began as a company's communication process to strengthen the connection between the company and its external stakeholders. It has now emerged as a managing tool for external pressure groups such as environmental groups (Perrini 2005:612). The demand for environmental disclosure has increased as stakeholders began to see companies' prospective performances through the factors that drive performance and risks (Repetto 2005:1-5).

The mining industry, due to its labour-intensive nature and closer links with society and the environment, by reporting on its social and environmental aspects may show its accountability towards the overall impact of its operations. Burritt (1997:3-6) argues that companies can get approval by stakeholders based on the amount of disclosure they provide on their environmental aspects. Accordingly, as a means of demonstrating stakeholder concern, companies provide more information on their positive environmental information while providing less information on their negative aspects. Solomon and Lewis (2002:166) suggest that possible reasons for low or non-disclosure of corporate environmental information could be a lack of desire to report on sensitive issues, lack of legal obligations and suspicion that competitors may benefit from the information released.

Companies, in deciding on what to disclose and what not to disclose, are very careful not to damage their social image in order to increase stakeholder value (Antonites & de Villiers 2003:4). On the other hand, stakeholders agree that there are advantages of corporate disclosure as providing information on some negative aspects may lead to trust being developed between companies and their stakeholders. Companies that report openly to the global capital markets are expected to attract potential investors in return for their transparency and honesty (Donnelly & Raff 2002:33).

The Global Reporting Initiative (GRI) has for some time driven the reporting of sustainability matters. Its most recent version, *Sustainability Reporting Guidelines*, G4, (GRI 2013a) and its mining and metals supplement (GRI 2013b) is compulsory for annual reports issued after 31 December 2015 which state that they are following the GRI guidelines. There are other mining sustainability frameworks (Fonseca, McAllister & Fitzpatrick 2014), but the GRI remains the most commonly used framework (KPMG 2016).

Warhurst (1998:3) argues that mining companies should develop their own frameworks on the disclosure of environmental, social and other aspects of accountability where there is a lack of or weak disclosure regulations.

Generally, there is consensus on the type of key performance indicators and information needs by various stakeholders in the mining industry (Donnelly & Raff 2002:33), such as their method of operation, internal control information, social surroundings, environmental aspects, risk involvements, employees, business ethical values, risk mitigation systems, ownership and management structure and also their forward-looking strategies. However, Fonseca *et al.* (2014) argue that mining sustainability frameworks avoid reporting on mineral scarcity and the effective legacy of mining operations. However,

In South Africa, impetus for non-financial disclosures has come not only from the G4, but also from the various King reports issued by the Institute of Directors (IOD). King II (IOD 2002) introduced the 'triple-bottom-line' (i.e. economic, social and governance or ESG reporting); this was subsequently updated by King III (IOD 2009). The trend towards integrated financial reporting by the International Integrated Reporting Council (IIRC) has also provided a stimulus for the disclosure of non-financial disclosures (IRCSA 2011).

South Africa is one of Africa's and the world's most important mining countries. It accounts for nearly all of Africa's metals and minerals production aside from some minerals (Burger 2006:39). Environmental reporting in South Africa is voluntary (Mitchell & Quinn 2005:20). There are specific accounting policies (rehabilitation liabilities) that are particularly aimed at mining companies (Antonites & de Villiers 2003:7). These policies are required in terms of the International Financial Reporting Standards (IFRSs) and may guide companies on their environmental disclosure issues. While King II and III referred to ESG disclosures, some non-financial disclosures were only required on an apply or explain basis (IOD 2002; 2009), which since the advent of King IV has been changed to an apply and explain basis (IOD 2016).

Research Question

Companies listed on the Johannesburg Stock Exchange (JSE) are obliged to comply with the JSE's listing requirements that require compliance with the King Report. Soon after the release of King II (IOD 2002), the JSE launched the Socially Responsible Investment (SRI) Index (JSE 2005) to motivate companies to improve their sustainability and governance performance. In 2009, the IOD released the King III report, which focused on the notion of an integrated report.

Despite this, disclosure of much non-financial information is voluntary. This study therefore answers the following research question: What is the nature and extent of non-financial disclosures in the South African mining industry before and after the release of King III (IOD 2009)?

Literature Review

International Studies

Burritt (1997:1, 6-15) studied environmental disclosures in the annual reports of Australian gold and copper mining companies with activities in Papua New Guinea and/or Indonesia. Burritt (1997) found that disclosure with regard to the environmental financial matters is greater in the mining companies than in other industries, but is far from being rated as excellent. He suggested that mining companies' public environmental disclosure may be improved through the observance of the industrial code for environmental management.

Yongvanich and Guthrie (2005:103, 105, 110-116) examined the extent of voluntary disclosures made on intellectual capital and non-economic performance of 17 Australian mining companies. They concluded that Australian mining companies disclose only a narrow group of elements and that companies place greater emphases on intellectual capital information than on non-economic performance information.

Jenkins and Yakovleva (2006:271, 276-283) investigated recent trends in social and environmental disclosures in the global mining industry to determine the nature, content and style of the mining companies' annual reports and whether the mining companies' annual reports are constantly developing. Jenkins and Yakovleva (2006:279) found that the general trend was an increasing sophistication in the mining companies' annual reports, but that there was great variability in the reporting among the sample companies. As a result, based on how complicated they perceived the companies' annual reports, they grouped the sample mining companies into mature, adolescent and infant reporters.

Mature reporters were those who have been providing social and environmental disclosures for a long time; adolescent reporters were those companies who have been reporting on their social and environmental aspects since 1999; and infant reporters were those who have not yet developed stand-alone social and environmental reports. These companies have neither adopted

the GRI's guidelines nor provide external verification of their social and environmental disclosures.

Jenkins and Yakovleva (2006:282) concluded that mining companies show variability in their reporting processes in terms of sophistication of reporting, policy development and the types of performance measurements used impairing comparability. They suggested that the top reporting companies, which have the resources and long-term expertise to develop reporting strategies, should support the infant and adolescent reporters into the maturity stage.

The KPMG Survey of Corporate Responsibility Reporting (2015) provides an overview of current global trends in corporate responsibility reporting. This report has been updated ten times since it was first published in 1993. KPMG's most recent report in 2015 found that the quality of corporate social responsibility reporting has improved since 2013, with the main driver of this improvement to be legislative. The sectors leading this improvement continue to be the heavy and traditional polluting industries, including mining and utilities. Of the 50 sectors surveyed globally, KPMG (2015) found the mining sector had the highest rate of corporate responsibility reporting. On a country-level, South Africa was identified to have one of the highest rates (99%) of corporate responsibility reporting in the annual reports examined, driven by King III and the listing requirements of the Johannesburg Stock Exchange. KPMG (2015) note that a global trend in corporate responsibility reporting is the independent assurance of such reports.

Global mining reporting surveys by KPMG (2016) cover the traditional mining bases of the United States, Australia, the United Kingdom, Canada and South Africa, and the emerging mining nations of Brazil, Russia, India, Chile and China. KPMG's (2016) latest survey on 25 companies, of which two had their main listing on the JSE, found high levels of disclosure with respect to one area of non-financial disclosures, namely risks. Various risks are being disclosed, with risks which affected performance being the ones most emphasised. Commodity price risk was disclosed by all 25 companies, environmental risk was disclosed by 22 companies, and health and safety risk was disclosed by 17 companies. The survey also found that 20 of the 25 companies utilised the GRI's standards as their main reporting framework, although 14 companies indicated that they followed other voluntary reporting initiatives in their corporate responsibility reporting (KPMG 2016:45).

Boiral and Henri (2017) examined the 2007 sustainability reports of 12 mining companies for comparability using the GRI guidelines. They found

comparability impeded by, amongst other reasons, the lack of rigorous compliance with the indicators. They suggest that future research could focus on the G4 to see if measurability and comparability improves.

South African Studies

De Villiers and Barnard (2000:17-23) examined environmental reporting in South Africa from 1994-1999 using a checklist structured on the eleven minimum requirements for corporate environmental reporting set by de Villiers (1996) to determine whether mining companies report more than large non-mining companies on their environmental issues. De Villiers and Barnard (2000:21) concluded that there were important differences in the environmental disclosures in South Africa. In general, a greater proportion of the mining companies disclosed each type of information in each annual report than do the Financial Mail Top 100 industrial companies, except for the impacts and risks, and policy. Therefore, they concluded that 'listed mining companies in South Africa disclose more environmental information in their annual reports than other large listed companies'.

Antonites and de Villiers (2003:1, 4-9) examined the extent of environmental disclosure in South African listed mining companies and the Top 100 industrial companies, and how it has changed over time, using a similar checklist to that of de Villiers and Barnard (2000). They found that overall the disclosure of environmental information is greater in mining companies than in the top industrial companies, but that overall there was a decreasing trend possibly due to the lack of a legal requirement and the sensitivity of the information (2003:9). Antonites and de Villiers (2003:9) further concluded: '[t]his finding is consistent with legitimacy theory, which proposes that companies do not wish to disclose information that could be detrimental to the objective of legitimising their activities and increasing social support'.

More recent studies in the mining industry are those by de Villiers, Low and Samkin (2014) and Sturdy and Cronjé (2017). De Villiers *et al*. (2014) examined the sustainability disclosures of 18 South African mining companies in 2007. The focus of this study was on how institutional theory impacts disclosures as they found that larger companies disclosed more social and environmental information. This was attributed to larger companies having greater visibility. Sturdy and Cronjé (2017) focused on six platinum mining

companies and found varied and poor levels of disclosure relating to mine closure obligations

Studies which provide results relevant to this current study are the annual mining reports by PricewaterhouseCoopers (PWC) (2013 - 2017) which analyses various trends relating to South African mining companies; Ungerer (2013) who undertook a comparative analysis of mining companies' strategy disclosure reporting trends in 2010; Moloi (2014) who analysed fourteen mining companies' disclosures on risk management practices; Joubert (2014) who examined the integrated reporting practices of 43 mining companies with year ends 2012/2013; Carels *et al.* (2013) who explored the integrated annual reporting trends in mining companies from 2008 – 2012; Shuro (2014) who compared the top ten mining and manufacturing companies by market capitalization on the JSE using the JSE SRI index; Raemaekers, Maroun and Padia (2016) who examined the risk disclosures of selected South African companies (which were not only mining companies) post-King III and a study published by Integrated Reporting and Assurance Services (IRAS) which reviewed sustainability reporting in South Africa as per the GRI guidelines (IRAS 2012).

The results of the above studies are discussed more appropriately in the results section of this article. However, all these studies show that mining companies tend to disclose more information than companies in other industries and that there is still room for improvement in mining companies' reporting practices.

Research Methodology

For the first part of the study which examines the nature and extent of the disclosures of mining companies prior to the release of King III, a disclosure checklist was developed in two parts using the guidelines and requirements of the GRI (2002; 2005), Standard and Poor's Transparency and Disclosure Checklist (2002, 2004), the United Nations Global Compact (2006), Robb *et al.* (2001), de Villiers and Barnard (2000), Yaron (2005), the Securities Exchange Commission (SEC) (2003a; 2003b), Talisman Energy Inc. (2005), King II (IOD 2002) and the JSE SRI Index (JSE, 2005). Part A comprises the following five categories of disclosure: environmental, social, corporate governance, forward-looking and MD&A reporting. Since compliance with the King II code, which requires the use of GRI, is a listing requirement of the JSE,

Part B used the requirements of King II to measure corporate governance disclosures and both King II and the JSE SRI index to measure integrated sustainability disclosures.

Trends for the second part of the study which examines the nature and extent of disclosures post the issue of King III were accessed by examining recent literature on the relevant disclosures of mining companies in South Africa.

The disclosure checklist for the first part was used to conduct a temporal content analysis of the nature and extent of the non-financial disclosures in the annual reports of 22 South African mining companies listed on the JSE for a period before the release of King III for the first part of the study. The studies after the release of King III also used content analysis but different checklists.

The disclosure index of this study is shown in Table 1.

Table 1: Disclosure index for first part of study

PART A	
Categories of non-financial disclosure	Number of reporting elements
Environmental	22
Social	21
Corporate governance	18
Forward-looking information	19
MD&A	20
Total number of elements	**100**
PART B	
Checklist developed from the King II and JSE SRI Index	
Corporate governance (King II)	
Board of directors	20
Risk management	6
Internal control	5
Total number of elements	**31**
Integrated sustainability reporting (King II and JSE SRI Index)	
Total number of elements	**29**

All 22 South African mining companies listed on the JSE in 2006 are included in this part of the study. The 2004, 2005 and 2006 annual reports of the South African mining companies listed on the JSE were downloaded from the websites of these companies and thereafter were analysed. The results of the content analysis were then tabulated in spreadsheet format using Excel. The extent of disclosure, trend analysis and compliance level of the companies' non-financial disclosures were captured in tables for analysis. Only the overall results are shown in the section that follows. To determine any trends after the release of King III, the results of more recent studies (Shuro 2014; Moloi 2014; PWC 2013-2017; Joubert 2014; Ungerer 2013) are included in Table 2.

Results

To explore the nature and extent of the companies' non-financial disclosures in the years 2004, 2005 and 2006, the results from the first part of the study were segregated into the five categories shown in Table 2 as pre-King III. Subsequent studies (Shuro 2014; Moloi 2014; PWC 2013-2017; Joubert 2014; Ungerer 2013) are shown in Table 2 as post-King III.

Table 2: Overall results for Part A and Part B of the checklist

Non-financial disclosure categories	**Pre-King III**			**Post-King III**
	Average reported elements			
Part A	**2004[1]**	**2005[1]**	**2006[1]**	**Post 2009**
Environmental	36%	41%	50%	99%[2]
Social	33%	40%	43%	99%[2]
Corporate governance	65%	72%	78%	54%[5]
Forward-looking information	42%	51%	58%	44%[5]
Management Discussion and Analysis (MD&A)	75%	80%	85%	-[7]
Part B				
Corporate governance				
- Board of directors	80%	90%	93%	92-100%[4]
- Risk management	80%	88%	94%	High levels[3]
- Internal control	54%	56%	58%	-[7]

Integrated sustainability reporting (King II/III and JSE SRI	55%	59%	66%	83%[6]

Notes:

1. This study
2. Shuro (2014)
3. Moloi (2014)
4. PWC (2013-2017)
5. Joubert (2014) – score includes disclosures 'clear and concise' and 'room for improvement'
6. Ungerer (2013)
7. No studies could be found which focused on MD&A and/or internal control and mining companies

Environmental Disclosure

The extent of environmental disclosure in most companies increased from 2004 to 2006. The percentage of elements reported was approximately 36%, 41% and 50% of the total number of reporting elements (22) in 2004, 2005 and 2006, respectively, i.e. an improvement over 2004 to 2006.

The highest and lowest numbers of elements reported suggest that great variation exists between the companies' environmental disclosures. The most commonly reported environmental disclosure element in all the three years were: accounting policies for the recording of liabilities, provisions, contingent liabilities and catastrophe reserves. This element was disclosed by 17 (77%) companies.

A study by Carels *et al.* (2013) found a general increase in environmental disclosures over the same years. As this study focused on the change in disclosure, absolute percentages were not provided. Shuro (2014) also found that over the period 2008 to 2012, mining companies' environmental indicators increased from 91.8% to 98.9%. This is a substantial improvement when compared to 2004 to 2006.

Social Disclosure

There was a fluctuation in the extent of social disclosure by companies over the three years prior to King III. For some companies, there was an increase in the elements disclosed every year from 2004 to 2006 while for others it

decreased every year from 2004 to 2006. However, overall, the average percentage of elements reported was 33%, 40% and 43% of the total number of reporting elements (21) for 2004, 2005 and 2006, respectively, i.e. an improvement from 2004 to 2006.

The most commonly reported social disclosure elements in all three years were: number of injuries, occupational diseases, lost days, number of work related fatalities, description of policies or programs on HIV/AIDS, training of employee and community economic development planning processes. These elements were disclosed by 17 (77%) of the companies.

Carels *et al.* (2013) found a pronounced increase in social disclosures over the years 2008 to 2012. Shuro (2014) also indicates that over the period 2008 to 2012, disclosures of social indicators by mining companies increased from 96.8% to 99%. This reflects a substantial improvement on the results which were found prior to the release of King III.

Corporate Governance Disclosure

Corporate governance disclosures in 14 (63%) companies increased from 2004 to 2006. The average percentage of elements reported was approximately 65%, 72% and 78% of the total number of reporting elements (18) for 2004, 2005 and 2006, respectively, i.e. an improvement from 2004 to 2006.

The most commonly reported corporate governance disclosure elements in all three years were: governance structure of the company; directors who are independent, non-executive directors; detail about directors; details about the role of the board of directors; list of board committees; list of board meetings; number of shares in the company held by directors; and decision-making process of directors' pay and specifics of directors' salary. These elements were disclosed by 17 (77%) companies.

Joubert (2014) examine 'governance' which was not identical to the 'corporate governance' used in this current study. Joubert's (2014:79) study shows that 22% of the companies in his sample disclosed clear and effective disclosures and 32% of the companies' disclosures had room for improvement. Thus, a total of 54% of the companies made some disclosures regarding governance. Forty-six percent of the companies made none of the disclosures. Although the checklists used in the studies are not identical, both this study and the Joubert (2014) study show that there is still room for improvement regarding these disclosures.

Forward-Looking Disclosure

Sixteen (73%) mining companies showed an increase in their extent of forward-looking disclosures from 2004 to 2006. The average percentage of elements reported was approximately 42%, 51% and 58% of the total number of reporting elements (19) for 2004, 2005 and 2006, respectively, i.e. an improvement from 2004 to 2006.

The most commonly reported forward-looking disclosure elements found in the annual reports of the companies in all the three years include: mission, broad objectives and strategy to achieve broad objectives; information concerning possible or assumed future results of operations, including descriptions of business strategy; projected major goals and factors that are critical to successfully implementing strategies; anticipated changes in financial position and why; and forecast information about the economy, company's industry and the company itself. These elements are disclosed by 17 (77%) companies in the three years studied.

Joubert (2014) examines the quality of disclosure that addressed future outlooks, any future uncertainties and their impact on the company. He found 11% of the companies provided clear and effective information, while for 33% of the companies there was room for improvement. Fifty-six percent of the companies made no disclosures. Joubert's (2014:96) results (44%) are slightly down on this study's results, which may reflect the uncertainties facing the mining sector generally in South Africa and possibly a reluctance to disclose such information.

Management Discussion and Analysis (MD&A) Disclosure

Disclosure on MD&A increased in 17 (77%) companies from 2004 to 2006. The average percentage of elements reported was 75%, 80% and 85% for 2004, 2005 and 2006, respectively (out of 20).

The number of elements reported in the MD&A disclosure by the different companies shows a variation in the non-financial disclosures within the South African mining companies. The most commonly reported MD&A disclosure elements found in the annual reports of the companies, that is elements disclosed by 17 (77%) companies in all the three years include, amongst others, the core businesses of the company; its long-term vision and the company's strategy for growth and shareholder value creation; the

resources, financial and non-financial, that are required to execute strategy and achieve desired results; present performance and the underlying reasons for it; opportunities and challenges for the short long and term; the principal business risks and how the company identifies and manages them.

No current studies could be found on MD&A Disclosures and mining companies. This is an area for further research.

Board of Directors' Disclosure

The average percentage of elements reported was approximately 80%, 90% and 93% of the total number of reporting elements (20) for 2004, 2005 and 2006, respectively.

The companies differed considerably in their levels of disclosure. The number of companies with 90% or more compliance in the board of directors' disclosures were 10, 14 and 17 companies in 2004, 2005 and 2006, respectively, showing substantial improvement from 2004 to 2006.

The PWC (2013-2016) reports analysed whether or not mining companies were disclosing the composition of their boards. In 2013, out of the 37 mining companies surveyed, 34 mining companies (i.e. 92%) disclosed board composition. Their previous report (PWC 2012) showed that 33 out of 39 mining companies (85%) disclosed board composition. Subsequent reports (PWC 2014 - 2016) showed 100% compliance with disclosure of board composition, except in 2017 (PWC 2017) where this analysis was not provided. This disclosure may have been driven by the Mining Charter's requirement that 40% of board members must be historically disadvantaged South Africans by 31 December 2014.

Disclosure in this section has thus remained high for the years reviewed, although some improvement is possible in other areas relating to board of directors' disclosures.

Risk Management Disclosure

The average percentage of elements reported was approximately 80%, 88% and 94% of the total number of reporting elements (6) for 2004, 2005 and 2006, respectively. Based on six disclosure elements, 18, 20 and 21 companies scored 90% and above levels of compliance for the years 2004, 2005 and 2006.

Although the lowest compliance level in this section is 0%, this section is also where the highest number of companies scored 100% compliance in their risk management reporting (17 companies in 2006).

Moloi (2014) does not attempt to get one quantitative score to represent the companies' compliance with risk management disclosures. However, out of 26 disclosure items, fifteen items were fully disclosed, and only two items were not disclosed at all by 13 companies. Other items of disclosure are abstrusely disclosed (Moloi 2014:686,687). Moloi (2014:687) concludes 'mining companies in South Africa are widely adhering to sound risk management practices as recommended by King III'. Raemaekers *et al.* (2016) noted an increase in risk disclosures in a sample of companies listed on the JSE from 2010 – 2012 pointing to King III as being the impetus for such an increase. Although mining companies were included in their sample, the specific results relating to only mining companies were not disclosed. PWC (2017) noted that they had not seen a significant difference in the types of risks being identified by mining companies.

Internal Control Disclosure

The average percentage of elements reported was 54%, 56% and 58% of the total number of reporting elements (5) for 2004, 2005 and 2006, respectively. There was no company that fully complied in the internal control disclosure section of corporate governance. More than half of the companies scored a 60% compliance level for the three years.

No recent studies were found which examined internal control disclosures in mining companies. This is an area for further research.

Integrated Sustainability Reporting Disclosure

The disclosure index on integrated sustainability reporting had 29 disclosure elements. Because King II/III (now King IV) are listing requirements, high levels of compliance with the disclosure index for integrated sustainability reporting was expected.

In general, there was an increase in the level of integrated sustainability reporting disclosure every year from 2004 to 2006. However, the extent of reporting varied greatly among the companies. The average

percentage of elements reported was approximately 55%, 59% and 66% in 2004, 2005 and 2006, respectively. Although the mining companies improved their level of disclosures over the three-year period studied, a number of companies need to make improvements in this area especially with the current focus on integrated reporting.

The most commonly reported integrated sustainability reporting elements found in the annual reports of the companies, that is, reported by 17 (77%) companies over the three years include: nature and extent of social, transformation, ethical, safety, health and environmental management policies and practices; implementation of corporate social responsibility strategies which are aligned to the companies' overall business strategy and which reflect on-going commitment from the company; documented targets, initiatives or programs relating to corporate social investment, capacity building, local procurement programs and job creation opportunities; development of human capital, employee upliftment; achievement of targets relating to black economic empowerment, employment equity, procurement and skills development; demonstrated commitment to set objectives relating to equal opportunities, non-discrimination and empowerment; the HIV/AIDS strategy plans and policies; charitable donations, active community relations; ethical standards and practices in the company; efforts made to reduce work place accidents, fatalities and occupational health, and their safety incidents; and the integration of safety, health and environment issues into their sustainability policies and procedures. Carels *et al* (2013:958) also found increases in social, environmental and ethics-related disclosures from 2008 to 2012 and attributed this to both King III and the integrated reporting project.

In summary, in Part A of the index, the highest levels of disclosure were found in the MD&A section, followed by corporate governance. The low disclosure level for environmental and social items indicates that improvement is required in those two areas. With regards to Part B, board of directors and risk management disclosures had the highest levels of compliance. Disclosures with regards to internal control and integrated sustainability reporting, although over the 50% level, are in need of improvement.

Other Results - Adoption of the GRI

Whether the South African mining companies in this study were reporting according to the GRI was also assessed from their annual reports. Of the 22

mining companies studied, 10 (45%), 10 (45%) and 12 (55%) companies referred to the GRI as a framework for their non-financial reporting in 2004, 2005 and 2006, respectively. The number of companies reported according to the GRI increased by 20% in 2006 as compared to 2004 or 2005. Some of the companies provided the GRI disclosure index for their non-financial reporting which made it easy to follow their extent of non-financial disclosures. IRAS (2012) notes that 24 out of 56 (43%) annual reports in the metals and mining industry indicated they had adopted the GRI with an average compliance score of 69.7% (IRAS 2012:15), an increase from 64.4% in 2011 and 63.4% in 2010 (IRAS 2012:21). KPMG (2016) found that 23 out of 25 (92%) mining companies worldwide utilised the GRI as the main reporting framework.

Summary - Overall Compliance with King II/III and the SRI Index

Companies listed on the JSE are required to report according to King II/III (now King IV) and can use the JSE SRI index as a guideline to improve their sustainability and governance performance.

In general, there was an improvement by the companies in the amount of their corporate governance disclosures over the three years. The average percentages of compliance by the 22 mining companies with King II were 75%, 79% and 87% in 2004, 2005 and 2006, respectively.

Shuro (2014) found that mining companies' compliance with the SRI increased from 96.8% in 2008 to 99% in 2012. Thus by 2012 there is almost 100% compliance with the SRI which indicates that the JSE's objective in introducing the SRI has been almost totally successful. Although these results are not perfectly comparable, there is some overlap between the different measures indicating that the trend that compliance is improving has some validity.

Conclusions, Limitations and Further Research

Overall, disclosures post-2009 showed increases in almost all categories which provides some evidence that King III provided an impetus for the increase in non-financial disclosures.

Although there was a general increase in the extent of non-financial

disclosures, these disclosures varied greatly among the individual companies. In Part A of the index, the highest levels of disclosures were found in the MD&A information (pre-King III only), followed by corporate governance. Environmental disclosures showed the highest increasing trend among the non-financial disclosure categories. The other increasing trend was in the forward-looking disclosure category as the demand for future oriented information grows by investors. Forward-looking disclosures by the South African mining companies mostly emphasized foreseeable business opportunities and not threats or risks.

With regards to compliance with King II and King III, (the first section of Part B of the disclosure index), not one company scored 100% compliance with the reporting requirements of the JSE on corporate governance. Among the different sections of corporate governance disclosure, maximum compliance was in the risk management disclosure. The reason for this might be the recognition that risk management may identify opportunities which could be a competitive advantage for a company. No mining company fully complied with the integrated sustainability reporting requirements of the JSE SRI and King II/III.

Most companies did not provide information with regard to their non-compliance issues. This situation may validate legitimacy theory in that companies hide sensitive information that could be damaging to their broad objectives (Antonites & De Villiers 2003:4). However, KPMG (2015) noted that an increasing trend was for the independent assurance of corporate responsibility reporting and King IV (2016) requires companies to apply and explain their compliance with its requirements. This may indicate that more information may be disclosed in the future.

The reason for the increase in the number of companies adopting the GRI as a non-financial reporting guideline is therefore most likely a result of the various King Reports and the requirement by the JSE for companies to apply and explain the requirements of the King Reports. Nevertheless, not all mining companies have indicated their adoption and implementation of the GRI as their non-financial reporting framework.

The results of this study indicate that more non-financial reporting is necessary and that this would improve the usefulness of mining companies' annual reports. Non-financial disclosures by the South African mining companies could be increased through mandatory specific regulations or by persuading companies to compare themselves with other companies within the

same sector for benchmarking reasons. By designating one company as a good example of non-financial reporting, a movement towards a good non-financial reporting system may be created. On the other hand, companies should also be allowed to experiment and be creative in order to ensure that innovative practices that may prove to be better in the future are not stifled.

The limitations of the study are that only the annual reports of South African mining companies listed on the JSE were examined. Therefore, there might be other important reports that were not examined. Furthermore, the limitations inherent in content analysis were not supplemented by other research methods, such as interviews or questionnaires. Finally, the analysis and results reported here are based on observations for mining companies only. Hence, the results may not be representative of other industries. The comparison to other studies' results post-King III, although mainly focused on mining companies, may not be totally accurate as all studies used different sample sizes. However, in general, all studies, except for IRAS (2012) used the top companies to determine their samples which may be a mitigating factor.

Future studies could focus on the remaining gaps shown in Table 2 and endeavour to close those gaps. The non-financial index could also be used to extend the research to compare the findings to other industries, time periods and countries and this would provide a more comprehensive analysis of the non-financial disclosure levels of companies.

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