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Corporate Governance, Corporate Social Responsibility and Sustainability: Comparing Corporate Priorities within the South African Mining Industry

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ABSTRACT The study compared corporate priorities of corporate governance, corporate social responsibility and sustainability within the South African mining industry. Using descriptive content analysis, data for 10 mining organisations listed on the Johannesburg Stock Exchange was quantitatively analysed and compared using Global Reporting Initiative sustainability reporting dimensions. Results showed social performance as the most highly reported sustainability dimension although other sustainability dimensions were also fairly high. The relatively high social reporting was attributed to increased pressure on the social front from the general society, labour and government on mining organisations as the country continues to make a transition towards a new inclusive dispensation from an exclusive socio-economic and political history.

INTRODUCTION

Despite current efforts to develop uniform global corporate governance standards through such initiatives as the Global Reporting Initiative, corporate governance and the related corporate social responsibility (CSR) and sustainability activities remain relatively heterogeneous both globally and at national levels (Dawkins and Ngunjiri 2008). Significant differences exist in terms of corporate governance compliance levels and sustainability priorities, and practices. Despite these heterogeneities, corporate governance, CSR and sustainability have since become indispensable business phenomena globally as organisations continue to face the ever-increasing pressure from various stakeholders to be responsible, transparent, fair and accountable (Institute of Directors in Southern Africa 2009).

Apart from geographical differences, stakeholder expectations and even actual corporate performance on corporate governance, sustainability and corporate social responsibility also differ across industrial sectors. Some sectors, by the nature and size of their activities, attract more stakeholder scrutiny than other sectors, with big extractive industries being at the nexus of attraction. The mining industry is one typical industry globally that has increasingly faced a huge accountability and responsibility mandate. According to Hamann and Kapelus (2004), the international prominence of corporate social responsibility in the mining sector can be traced to the sector's potentially significant negative social and environmental impacts, and the related criticism leveled at mining companies from governments, non-governmental organisations (NGOs), and local community organisations. Corporate social responsibility also plays a special role in mining because of the inherent finiteness of the resource body and the environmental and social impacts related to mine closure (Hamann and Kapelus 2004).

Being among the biggest in the world both by output and variety (Mbendi Information Services 2010), the South African mining industry is facing a much more intense corporate governance pressure in terms of corporate responsibility. The reason is because the current sustainability prac-

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tices cannot be separated from the political history of the sector and the socio-economic conditions of the mining populations. Given these governance and sustainability complexities in South Africa, coupled with the fact that the country is among the global leaders, both in terms of sustainability issues (Dawkins and Ngunjiri 2008) and in mining (Mbendi Information Services 2010), questions abound on the extent to which the South African mining sector has transformed itself in terms of corporate governance, corporate social responsibility and sustainability, particularly after the 1994 change of government.

The South African mining industry presents a unique and interesting research platform for two interrelated reason. Firstly, the transitory socio-economic and political nature of South Africa sets it apart from the other countries in which similar studies might have been carried out. Secondly, the country is one of the world's leading mining economies, where, historically, the mining sector has had a notoriously unattractive history of socio-economic exploitation under the protection of the repressive apartheid minority government (Cronje and Chenga 2005).

Conceptual Definitions

To most researchers (Kotler and Lee 2005; Nieman 2006; Thomas and Nowak 2006), the three concepts of corporate governance, corporate social responsibility and sustainability are complex, both in terms of their meanings and relationship, as various stakeholders define them. The precise definitions of the three concepts, including their relationship, remain a highly contested issue among researchers and practitioners, particularly because the concepts tend to take a contextual trajectory in terms of meaning. According to Brewster et al. (2008), the issue of what should or should not constitute corporate governance and how corporate governance relates to or differs with corporate social responsibility and sustainability has been, and remains a subject of much debate in literature. The present study will not join in the definitional debate of the three concepts. The three conceptual definitions and differentiations as provided for in this study, however, are based on Smith (1990) who, as quoted by May (2006, p. 12), suggested that; 'when I use a word, it means just what I choose it to mean – neither more nor less'.

Horrigan (2002) argues that any definition of *corporate governance* that views it variously in terms of structures and processes, direction and control, substantive elements like performance and compliance, or managing the multiplicity of internal and external corporate relationships should be acceptable. There are several definitions that meet this requirement. Firstly, according to Brewster et al. (2008), corporate governance refers to policies, practices, and mechanisms that shareholders, executive managers and boards of directors use to manage themselves and fulfill their responsibilities, including investors. Secondly, the Institute of Directors of Southern Africa (2009) prefers to define the concept of 'good governance' with a contextual bias towards an African definition. It defines good governance as implying effective leadership, leadership that is characterised by the ethical values of responsibility, accountability, fairness and transparency and based on moral duties that find expression in the African value of *Ubuntu* (human moral upright-fullness). Lastly, the United Nations Global Compact and Global Corporate Governance Forum Publication (2009) describes a well-governed company as one that takes a longer-term view that integrates environmental and social responsibilities in analysing risks, discovering opportunities and allocating capital in the best interests of shareowners. Central to all these definitions is the issue of leadership and social responsibility of a corporate.

Definitions of *corporate social responsibility* also abound. Njenga and Smit (2007) defined corporate social responsibility as the accountability of companies to both shareholders and other stakeholders, for their utilisation of resources, for their means of production, for their treatment of workers and consumers, for their impact on the social and ecological environment in which they operate and for the way in which they exercise their legislative and fiduciary duties. The World Business Council for Sustainable Development (as cited in Brewster et al. 2008) states that corporate social responsibility involves not only a commitment to behave ethically and to contribute to economic development, but also a commitment to improve the quality of life of the workforce and their families, the local community, and society at large. In both cases, the economic, legal, ethical and philanthropic (discretionary) responsibilities that enterprises have towards their stakeholders are emphasised.

Lastly, *sustainability* was defined by Hurst

(2004) as simply aligning an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value. The Institute of Directors Southern Africa (2009) added that sustainability is the primary moral and economic imperative of the 21st century. It is one of the most important sources of both opportunities and risks for businesses since nature, society, and business are interconnected in complex ways that should be understood by decision-makers.

To sum the relationship of the three concepts, our study treated corporate governance as the broader (abstract) concept within which the other two concepts of corporate social responsibility and sustainability find their meanings. Accordingly, it is the position of this study that, the level and direction of corporate sustainability and corporate social responsibility, reported or not, reflects an organisation's corporate governance orientation. Mullerat (2005) supports this position by stating that, corporate social responsibility is the corporate governance of the 21st century. In a related argument, the Strandberg Consulting (2005) pointed out that, if good governance flows from values, it is important to state them and live them. Corporate social responsibility is therefore viewed as an external expression of good governance values. Roodt (2009) argues that, CSR is at the very heart of why and how a business enterprise conducts its transactional provision of goods and services for profit to its market. In other words, social responsibility is not a voluntary "nice to have" activity on the sideline of the mainstream activity of making money, but an imperative, "must have" governance principle contained in the purpose and conduct of the business enterprise.

In the current 21st century, there has been increased corporate governance compliance pressure on organisations in the wake of serious and internationally publicised corporate scandals relating to big organisations such as Enron and WorldCom, among others (The South African Board for People Practices 2010). However, the pressure to be accountable is exerted unevenly to various organisations and industrial sectors by stakeholders. According to Nazari (2009), stakeholders have usual suspects in matters of sustainability. One sector that is typically bearing a huge accountability and responsibility mandate globally is the mining industry. The international prominence of the mining sector in matters of sustainability can be attributed to mining's potentially significant negative social and environmental impacts as well as the inherent finiteness of the resource body (Hamann and Kapelus 2004).

Within the South African mining industry, sustainability can be better understood within the historical context of both the mining sector itself and the socio-economic and political transition of the country (Cronje and Chenga 2005). Arguably, South Africa has for decades been and remains one of the world's biggest mining economies both by output and variety (Mbendi Information Services 2010). However, before 1994, the same sector has had a notoriously unattractive history of socio-economic exploitation through low wages and poor working conditions for a largely non-unionised poor African workforce. The post-1994 political dispensation set a new socio-economic and political era which was followed by a series of changes both to the national Constitution and more specifically to the Mineral and Petroleum Resources Development Act (2002). According to Cawood (2004), the biggest turning point in the history of mining was the Broad-Based Socio-Economic Empowerment Charter for the Chamber of Mines of South Africa (2007) which had, as its main aims, transformation in mine ownership, management, skills development, employment equity, procurement and rural development. More specifically, the Charter's objectives were to substantially and meaningfully empower historically disadvantaged South Africans, utilise existing skills of historically disadvantaged South Africans, expand the skills base of historically disadvantaged South Africans, develop social and economic welfare of mining communities and labour sending areas, and to promote beneficiation. With the passing of the Charter, pressure on the mining sector burgeoned from various stakeholders, ranging from the government, the general populace, civic society organisations, labour groups, human rights organisations and environmentalists. Given this unique, complex and turbulent corporate governance and sustainability scenario, characterised by an unusual interrelation between the domestic transitory socio-economic and political landscape on the one hand, and an intense global compliance pressure on the other side, the mining companies operating in South Africa are

probably feeling the pressure to practice good governance through sustainable business practices.

Theoretical Framework

The rationale behind companies practicing good governance and subsequently undertaking sustainability initiatives can be fully understood through the *stakeholder theory* (Obalola 2008). The theory holds that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. Branco and Rodrigues (2007) point out that the theory is based on the notion that beyond shareholders, there are several stakeholders with an interest in the actions and decisions of companies. Stakeholders are groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions (Freeman as cited in Branco and Rodrigues 2007). Supporting the theory's focus on stakeholders, the Institute of Directors of Southern Africa (2009) pointed out that, the six internationally accepted King III key governance principles of discipline, transparency, accountability, independence, fairness and social responsibility should be for all stakeholders not only shareholders.

The stakeholder theory is a direct contra theory to the classical *economic agency theory* which argues that any obligation placed on business to spend resources on concerns other than the pursuit of profit (within the law), are at odds with the principles of a free society (Brewster et al. 2008). Despite all the arguments by the followers of the agency theory, the stakeholder theory is increasingly being globally used by businesses to make strategic decisions pertaining to their social responsibility activities. As a result, research evidence (McWilliams and Siegel 2001) suggests a positive correlation between corporate social responsibility and financial performance for those organisations that have benchmarked their corporate social responsibility activities with the tenets of the theory. The relevance and practicality of the stakeholder theory for the present study therefore lies in the extent to which it provides a framework upon which the mining companies under study will be judged, in terms of the value they place on corporate governance, corporate social responsibility and sustainability, both in practice and in their reporting.

GLOBAL VIEW OF CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY PRACTICES AND REPORTING

Differences in corporate governance, corporate social responsibility and sustainability have mainly been empirically noted between developed nations and emerging economies (Dawkins and Ngunjiri 2008). Hilton and Gallant (2008) argued that, despite the obvious benefits to companies and investors, sustainability reporting, which is relatively new in emerging markets, is yet to become a common practice and has been conceptualised differently. Nonetheless, Unterlerchner and Malan (2008) indicated that South Africa remains the leading country in most of the sustainability disclosures. In a company by company study comparing corporate social responsibility reporting of South Africa (and other emerging market economies) with those of other leading economies, Dawkins and Ngunjiri (2008) found that the frequency and level of corporate social responsibility reporting among South African companies was significantly higher than those of the Fortune Global 100. This indicates that emerging market economies may now be more receptive to stakeholder concerns and social responsibility than peer institutions in leading economies and that they are more willing to convey social responsibility in their disclosure practices.

Within South Africa, the presence of the amended 2002 King II report on corporate governance, the subsequent launch of the 2009 King III report, and the rise in the number and complexity of developmental initiatives by the government have contributed to the complex nature of corporate social responsibility reporting in the country (West 2009). For instance, the King II report puts pressure on companies to report on their policies, procedures, systems and commitments to the social, ethical, safety, health and environment issues. It further puts emphasis on safety and occupational health objectives, including HIV/AIDS, environmental reporting and following the production options with the least impact on the environment (Kneale 2002). The King II report also obliges organisations to give consideration to social investment policies, especially Black Economic Empowerment (procurement and investment), human capital develop-

ment (number of staff, progress towards equity targets, training, opportunities for women and the previously disadvantaged). According to the Institute of Directors of Southern Africa's Integrated Sustainability Report (2007), the King II report was instrumental in diverting business from status quo business practice to practices that will contribute to long term sustainability growth within a globalised economy. As a result, today, South African organisations are beginning to take great concern of the sustainability issues.

As the regional socio-economic and political powerhouse, pressure is also on South Africa to lead the sustainable development way particularly in terms of mitigating poverty (and other related fundamentals); climate change; the regional energy crisis; environmental ills; poor governance and human rights issues (Njenga and Smit 2007). Added to these international pressures, there is also the more politically intense and increasing pressure on the government to provide comprehensive social services, domestic challenges such as affirmative action and black economic empowerment, spiraling economic crimes such as fraud and money laundering, as well as the reality of HIV/AIDS and poverty (Rossouw et al. 2002). Cognisant of the importance of the corporate world in this complex and huge developmental mandate, the South African government has upped its call upon businesses to play a more active role in society. Indeed, it has also been argued that organisations themselves derive enormous benefits from participating in sustainability practices and activities (Hilton and Gallant 2008).

Besides country differences as alluded to earlier, sectoral reporting differences in sustainability reporting have also been revealed, with the energy sector emerging as the leader by global reporting initiatives standards, followed by telecommunications and then materials (Hilton and Gallant 2008). However, corporate accountability expectations by stakeholders are not even across all sectors and/or companies and the pressure is also not evenly exerted on companies or sectors. Nazari (2009) supported this position by pointing out that in matters of sustainability reporting, certain sectors or companies are usual suspects. He further argued that, due to considerable stakeholder and investor interest, multinational corporations especially in sectors such as mining, energy, oil, gas and heavy manufacturing are always the prime target when it comes to sustainability practices and reporting (Nazari 2009). What this entails is that the level of socio-economic and environmental responsibility expected from organisations in these sectors by the relevant stakeholders is also likely to be very high.

CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND SUSTAINABILITY REPORTING GUIDELINES FOR THE MINING INDUSTRY

Although there are a number of international voluntary reporting codes and frameworks, most global organisations that prepare sustainability reports use the Global Reporting Initiative Guidelines. Simply defined, global reporting initiative is a long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable *Sustainability Reporting Guidelines*, "*the Guidelines*" (Global Reporting Initiative 2006).

Apart from the guidelines, the Global Reporting Initiative also develops sector supplements and one such is the 2005 Mining and Metals Sector Supplement. The Sector Supplement captures the relevant issues essential to sustainability reporting in a specific sector, but which may not appear in the *Guidelines* since they are relevant primarily for a specific range of reporting organisations or sectors (Global Reporting Initiative 2006). For the mining sector, the global reporting initiative firstly points out that it is important for mining organisations, in preparing sustainability reports, to provide information on the overall approaches to key issues such as social and economic capacity building at the community level or other broad topics (Global Reporting Initiative 2005). It also urges mining organisations to include in their reports, a narrative discussion about the community partnerships they have developed for addressing challenges in different areas such as biodiversity and community development. Finally, the Global Reporting Initiative (2005) finally points to what it refers to as important aspects that need to be reported through narrative disclosures in a sustainability report. These include *stakeholder engagement* (for both internal and external stakeholders), *community engagement* (including community engagement policy, basis of identification of community decision-makers, approach to engagement, engagement mechanisms and

engagement outcomes) and *impact assessment* (provide a baseline against which changes over time can be measured). These guidelines are universal and the South African mining sector uses them when producing corporate social responsibility, governance and sustainability reports.

CORPORATE GOVERNANCE, CSR AND SUSTAINABILITY IN THE SOUTH AFRICAN MINING SECTOR

There seem to be sharp, heated and contrasting debates regarding how much progress the South African mining industry has made towards achieving the goal of sustainable development after the 1994 change of government. On the more positive side, some researchers and stakeholders (Matthews et al. 2002; Chamber of Mines of South Africa 2007) argue that, overall, there is significant progress towards sustainability in the country's mining industry, with only slow progress in some areas. To some researchers, however, the mining industry is still very far from being sustainable. For example, Cronje and Chenga (2005) argue that, although the inauguration of a new political dispensation in 1994 initiated a dynamic shift in the ownership, management and development of the country's affluent mineral heritage, poor social and economic conditions still persist in the mining communities. In a related argument, Hamann and Kapelus (2004) pointed out that companies' public reports are primarily accommodating an as yet vague set of corporate social responsibility-related expectations with proactive engagement with the social challenges around mines still yet to be within their ambit.

Given all the governance and sustainability complexities in South Africa, coupled with the fact that the country is among the global leaders both in sustainability (Dawkins and Ngunjiri 2008) and in mining (Mbendi Information Services 2010), a governance and sustainability study for the South African mining industry is not a totally new research area as some cross-national studies involving South Africa have been carried out. In one such study, for instance, it emerged that the levels of corporate social responsibility reporting of South African companies were generally better than those of large multinationals from countries such as United Sates, Germany and Japan (Dawkins and Ngunjiri 2008). The study was a generic one which failed to address sector-level sustainability practices. This present study, in contrast, specifically focused on one single critical South African sector, the mining sector and sought to answer a more sector-focused research question: "*How do South African mining companies compare with regards to corporate governance, corporate social responsibility and sustainability priorities and practices*". Such a comparative study, in some way, fulfills the Global Reporting Initiative's reason for developing a Sector Supplement, specifically for each sector. In its report, the Global Reporting Initiative (2006) argues that having a Sector Supplement for each sector to complement the general Global Reporting Initiative Reporting Guidelines allows and supports the comparison of reporting organisations both within and across sectors.

Objective of the Study

The objective of the study was to determine whether any significant differences and/or similarities in corporate governance, corporate social responsibility and sustainability priorities and practices exist among 10 selected South African mining organisations.

METHODOLOGY

Design

The study followed a descriptive quantitative *design*. The aim was to compare corporate governance, corporate social responsibility and sustainability priorities practices among selected mining companies using secondary data in the form of Companies' Annual Sustainability Reports. Because the aim was to make a comprehensive description of the governance, CSR and sustainability situation in the mining sector, a retrospective construction of a small number of cases was deemed the right design. Given the voluminous nature of the Sustainability reports analysed, only a small sample size could be used, otherwise a detailed analysis would have been difficult with a large sample. Based on the sample size the study, a quantitative approach would not have been possible but the number of items used to analyse the reports was large enough to allow a quantitative approach.

Population, Sample and Sampling Procedure

The *population* comprised of all mining companies operating in South Africa listed on the

Johannesburg Stock Exchange at the time of data collection. A sample size of 10 companies was deemed optimal to make comprehensive and meaningful comparisons. The origin of the companies did not matter, as long as the company had some operations in South Africa and at least produced an annual sustainability report. Companies that did not have annual sustainability reports were therefore not part of the target population. For those that had sustainability reports, 2009 was used as the bench year and any company that did not have a 2009 Sustainability Report automatically fell outside the target population, unless that company could provide 2009 information that had the same equivalence of a sustainability report. Subsidiary companies of holding companies were only treated as separate companies to the extent that they produced separate sustainability reports.

Purposive sampling was used to select the companies whose reports were used. The standard criteria maintained was that; all companies used were listed on the Johannesburg Stock Exchange. The sampling procedure involved searching the mining section of the Johannesburg Stock Exchange for companies listed in 2010 and purposively selecting 10 companies from the list. The 2009 Sustainability Reports for these companies were then searched from the companies' respective websites and used as the sampling units for the study. Selection was purposive in the sense that it was biased towards 'big' and 'known' companies to the researchers, and those whose sustainability reports were easily downloadable.

Data Collection

2009 Sustainability Reports for the 10 mining companies were accessed from the companies' respective websites. The 10 companies used were African Rainbow Minerals; Exxaro, BHP Holdings, Harmony Holdings, Anglo American p/c, Impala Platinum (Implats) Ltd, Kumba Iron Ore, Lonmin, Palabora, and Aquarius Platinum Limited.

Data Analysis

Data analysis followed the descriptive content analysis method. The method was a quasi-adaptation of the form and procedures of the content and analysis method used in previous studies by Matthews et al. (2002), Dawkins and Ngunjiri (2008) and Perez and Sanchez (2009). Jose and Lee (2007) defined content analysis as a technique for making inferences by objectively and systematically identifying specified characteristics of messages.

The first step in the data analysis process was a determination of sustainability reporting categories against which companies were compared. The second step was a determination of the rating criteria for measuring reporting. Six quasi-adapted Global Reporting Initiative categories were used. These were: *Sustainability vision and strategy*; *Profile*; *Governance Structure and Management systems*; *Social performance*; *Economic performance* and *Environmental performance*. The first three represents corporate governance and last three represents the CSR triple bottom line and are commonly termed 'performance indicators'.

Two rating criteria were subsequently used to measure and rate companies' reporting on the identified dimensions of *corporate governance* and *performance indicators*. Firstly, Perez and Sanchez (2009)'s two-grade rating criteria were used for the *corporate governance* dimension. Using these criteria, a basic rating scale (0 and 1) was used for noting the presence or absence of information. A score of 0 meant that no meaningful information was provided on the specific evaluative item whereas a score of 1 indicated that the report included that information in some degree (for one mine/site or for the group, with a description or a quantitative indicator). According to Perez and Sanchez (2009), when using these criteria, the quality of the information will not be evaluated, only whether or not it is presented. These criteria were used for the corporate governance dimension because, corporate governance reporting items are relatively straight-forward and unlikely to need robust illustrations from reporting companies. The only interest could be on whether or not a company reports an item, and a two-grade rating scale suffice that purpose. Secondly, for the three performance indicators of *economic, social and environmental performance,* a hybrid approach from two sources (Matthew et al. 2002; Dawkins and Ngunjiri 2008) was used. Four rating levels of Dawkins and Ngunjiri (2008) were used and additional information for each rating level was sourced from Matthews et al. (2002). The four rating levels were 0, for *no policy disclosure*; 1

for just *a policy description*; 2 for *sustainability activity mentioned in non-measurable manner* and 3 if *sustainability outcome* was given comprehensively and in measurable manner.

Validity and Reliability

In order to ensure reliability of the study instruments, three methods were used. Firstly, the mere adaptation of various content analysis methodologies from different sources (Matthews et al. 2002; Dawkins and Ngunjiri 2008; Perez and Sanchez 2009) ensured reliability. This, according to Perez and Sanchez (2009), is the best possible way of ensuring reliability. Secondly, and following Perez and Sanchez (2009), validity of content analysis was estimated by the percentage of agreement among raters. Two raters were tasked to perform validity check and they all confirmed satisfaction (at 96% satisfaction agreement) with the 44 sustainability items and criteria used to compare reporting companies. They arrived at their decision through cross referencing the items and criteria to various reporting standards such as Global Reporting Initiative (2006) G3 Guidelines including the Global Reporting Initiative Mining Sector Supplement (2005). Lastly, Lee and Jose (2007)'s method was used to ensure both reliability and validity. To ensure reliability and validity using this method, only the primary researcher coded information from the Sustainability Reports, with the other researcher, later on spot-checking some reports randomly.

RESULTS

Results of the study are presented in the two respective sustainability reporting categories of corporate governance and performance indicators. It is important to re-emphasise here that the objective of the study was to determine any significant differences and/ or similarities in corporate governance, corporate social responsibility and sustainability priorities within the South African mining industry.

Corporate Governance Performance

As shown in Figure 1, companies considered a sustainability vision and strategy to be a very important reporting aspect. Stakeholder engagement, community engagement, governance structure and organisational profile were important aspects among 8 companies.

Typical of most of the companies investigated, Co 1, for instance, reported its stakeholder engagement process as follows:

Earning the trust of the communities in which the Company's operations are situated is a vital aspect in gaining access to resources and retaining its licence to operate. This is achieved through extensive stakeholder engagement in the communities where Co 1's mining operations are situated. Each Co 1 operation engages with stakeholders in a unique manner appropriate to specific needs and concerns.

Figure 1 also shows that the least reported corporate governance issue was board composi-

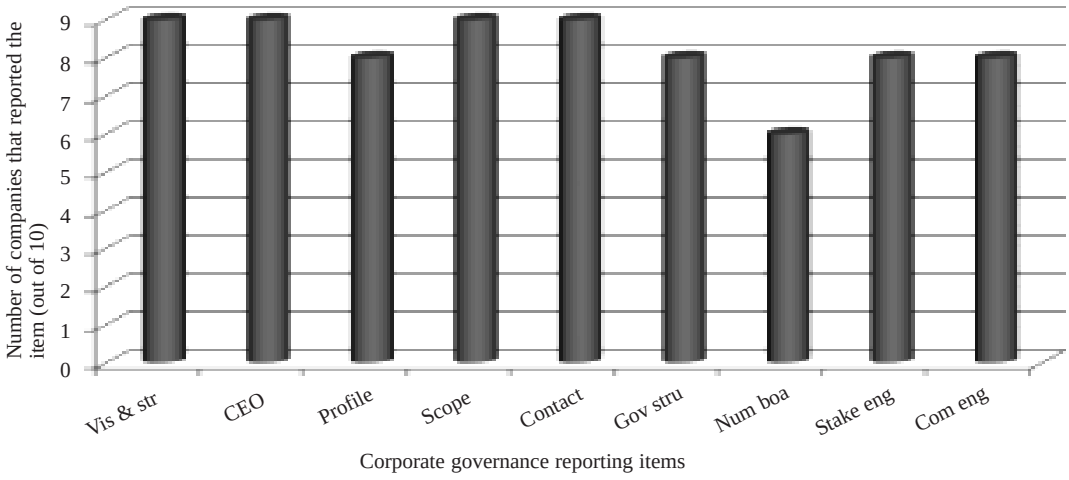

Fig. 1. Corporate governance reporting by companies

tion, particularly with regard to the number of independent directors. Some companies, however, preferred to report Board composition in their Annual Reports rather than the Sustainability Report. Accordingly, 3 companies (Co 1, Co 5 and Co 7) that did not report board composition in the Sustainability Report did so in the Annual Report.

As shown in Figure 2, only 4 companies (Co 4, Co 6, Co 8 and Co 9) reported all nine items of corporate governance, with only 1 company (Co 1) reporting four items (Visions and strategy, Contact information, Scope and Stakeholder engagement) and Co 3 and Co 5 only reporting five items. Interestingly, all companies that reported the lowest number of items (Co 1, Co 3 and Co 5) had a commonality of reporting two items (Vision and strategy and Chief Executive Officer Statement).

CSR AND SUSTAIN ABILITY PERFORMANCE INDICATORS

Three triple bottom-line sustainability items (commonly termed performance indicators) were used to compare corporate social responsibility and sustainability practices of organisations. These were economic performance, social performance and environmental performance. Each of these had 9, 11 and 15 sustainability items (attributes) respectively.

Economic Performance

According to Matthews et al. (2002), Global Reporting Initiative economic dimension of sustainability concerns an organisation's impact on the economic circumstances of its stakeholders and on economic systems at the local, national and global levels. Economic performance can be divided into direct and indirect impacts. Nine sustainability items adapted from Perez and Sanchez (2009) were used to compare organisations and these were: *economic indicators; economic goals*; *employee benefits and/or salaries; financial contributions to community; local employment and usage of local suppliers*; *added value*; *initiatives towards poverty alleviation*; *payments to government and policies addressing bribery and/or corruption*.

As shown in Figure 3, measurable evidence of implementation of a sustainability policy (policy outcome) was fully demonstrated in only three economic items (economic indicators, financial contributions to community and initiatives towards poverty alleviation) by all the 10 companies. Of the 10 companies, 9 companies (except Co 10) reported payment to employees in a measurable manner with 8 companies (except Co 3 and Co 7) also reporting local employment and procurement in a substantive or measurable manner. Payment to government in terms of taxes was also highly reported, with 9 companies (except Co 10) providing measurable and substantive evidence of payment to government. Economic goals and policies addressing bribery and/or corruption were the least reported economic items across all 10 companies, with only 3 companies (Co 3, Co 5 and Co 8) and 4 companies (Co 5, Co 6, Co 8 and Co 9) respectively, providing substantive and measurable evidence of activity outcome on these items. 5 companies

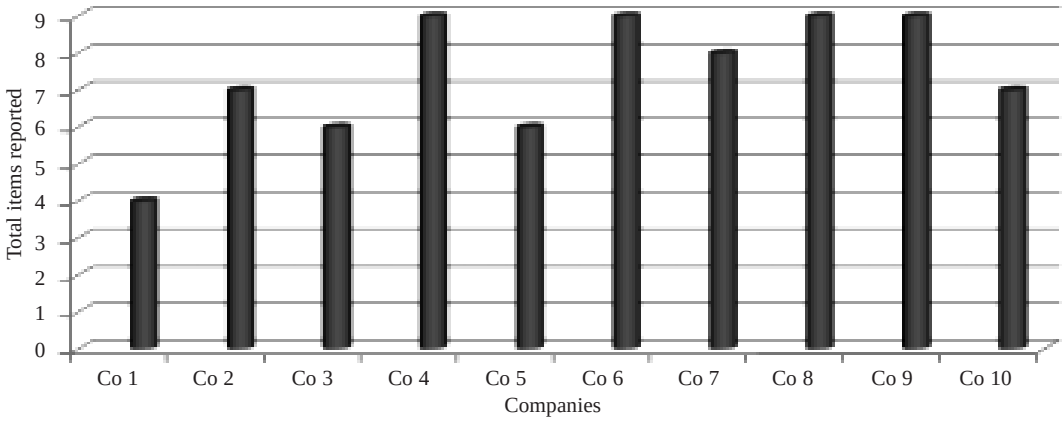

Fig. 2. Company by company reporting on corporate governance

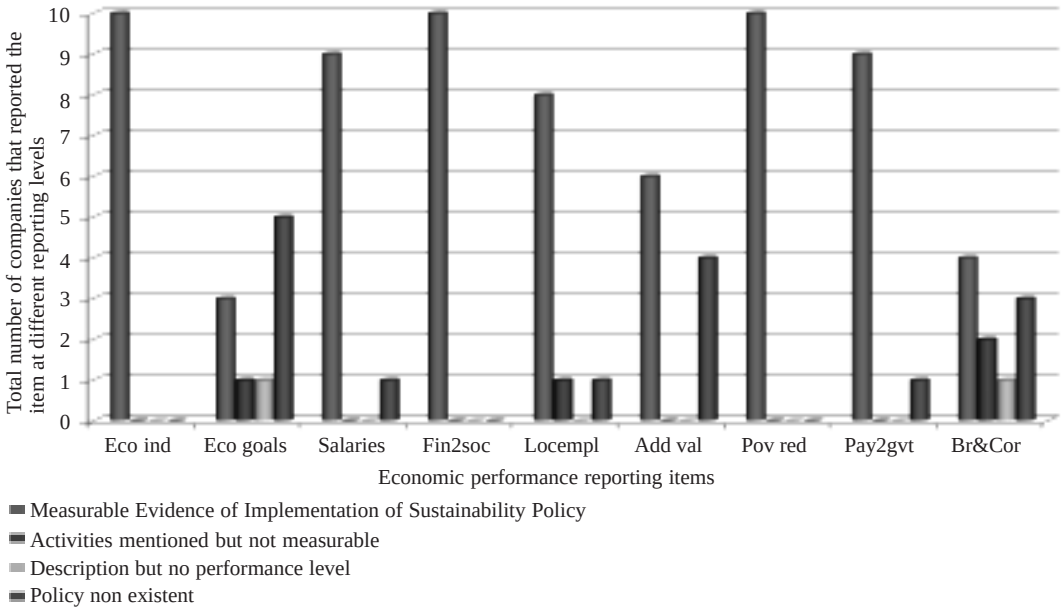

Fig. 3. Economic performance reporting by companies

(Co 2, Co 6, Co 7, Co 9 and Co 10) reported nothing on economic goals and 3 companies (Co 3, Co 4 and Co 10) did the same for corruption and bribery; a scenario uncharacteristic of all the other items, save only for value-addition which also had 4 companies failing to report their policy on it.

Company by company results, as shown in Figure 4, indicate that only one company (Co 8) reported all 9 economic performance items comprehensively, that is, it gave measurable evidence of implementation and 3 companies (Co 5, Co 6 and Co 9) reported eight items comprehensively. One company (Co 10) did not report any policy for as many as 5 of the 9 items but it reported comprehensively for the 4 it reported on. The 4 items, as shown in Figure 4, were economic indicators; financial contributions to community; initiatives towards poverty reduction and local employment and use of local supplies.

Social Performance

The Global Reporting Initiative social performance dimension of sustainability concerns an organisation's impacts on the social systems within which it operates (Matthews et al. 2002). 11 social performance items adapted from Perez and Sanchez (2009) were used to compare the 10 companies. These were: *social indicators*, *social goals*; *human rights policy*; *compliance with the International Labour Organisation (ILO) conventions (including right to organise and child labour)*; involvement *in community projects or foundations*; *management of land rights and grievance mechanisms*; *social impacts affecting community*; *number of women employed; initiatives on stakeholders' development and/or training*; *number of employees and approach to guarantee contractors' safety*.

Social performance was the highest reported aspect of the three performance indicators. As shown in Figure 5, all 10 companies reported comprehensively on as many as 6 social performance items (*social indicators*; *community projects and foundations*; *social impacts affecting community including HIV/AIDS*; *women employment*; *training and development as well as safety of contractors*). 9 companies (except Co 3) comprehensively reported on compliance with International Labour Organisation conventions (including right to organise and child labour) whilst 8 companies did the same for number of employees. Overall, therefore, 8 items were reported with measurable evidence of implementation (comprehensively) by most companies.

Apart from social goals, the only other issues

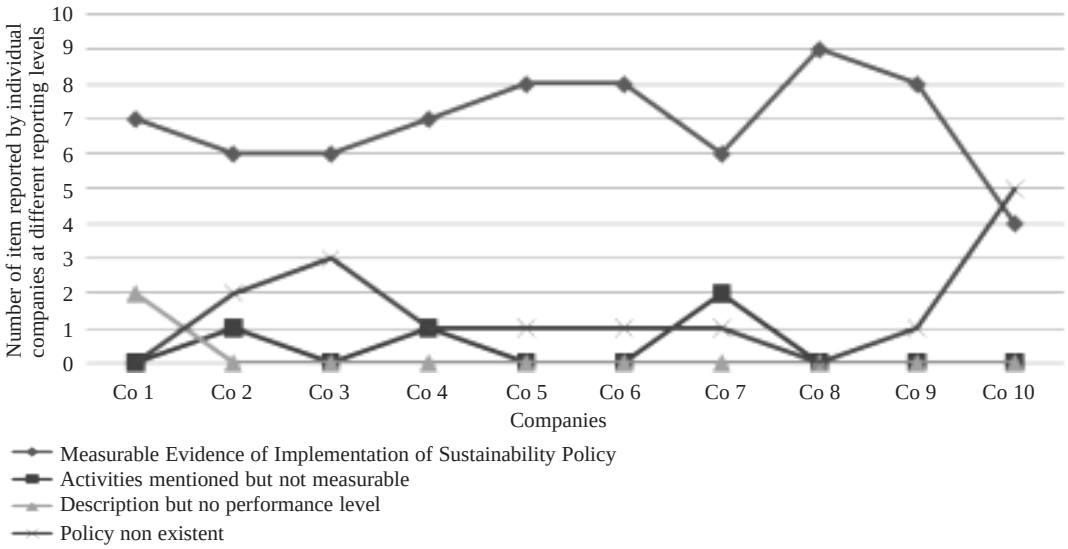

Fig. 4. Company by company reporting on economic performance

with low reporting were *human rights policy* and *management of land rights and grievance mechanisms*. Only 3 companies (Co 5, Co 6 and Co 8) reported comprehensively on management of land rights and grievance mechanisms.

Environmental Performance

According to Perez and Sanchez (2009), the Global Reporting Initiative environmental dimension of sustainability concerns an organisation's impacts on living and non-living natural systems, including ecosystems, land, air and water. 15 items were used to compare the 10 companies on the environmental performance dimension. These were: *environmental indicators*; *environmental goals*; *policies and plans on closure and rehabilitation; financial provisions for closure*; *prevention of environmental accidents (tailings dams etc.)*; *waste management*; *policies and actions for improving products' eco-efficiency*; *dust/particulates emissions*; *greenhouse and ozone depleting gases emissions*; *non-renewable resources consumption*; *land used/disturbed*; *energy consumption; impacts on biodiversity*; *water consu-*

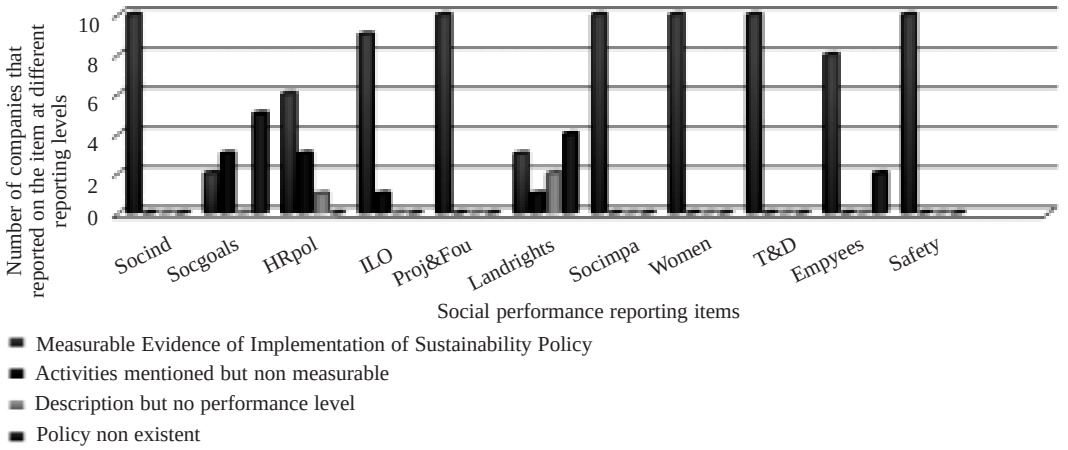

Fig. 5. Social performance reporting by all companies

mption and emergency preparedness and response. Figure 6 shows an overall overview of sustainability reporting by the 10 mining companies on these 15 environmental items (attributes).

As indicated in Figure 6, apart from *environmental indicators*, the other 2 items reported comprehensively by all the 10 companies were *prevention of environmental accidents and energy consumption*. *Goals* were, again, the lowest in terms of reporting, with only 4 companies (Co 3, Co 5, Co 6 and Co 9) reporting comprehensively on environmental goals and as many as 4 companies (Co 1, Co 4, Co 7 and Co 10) failing to report anything on goals. *Policies on improving products eco-efficiency*, *use of non renewable r*esources and *dust/particulants emissions* were the other items with relatively low reporting among the 10 companies. As for product efficiency, 4 companies (Co 1, Co 3, Co 7 and Co 9) reported this item as non-applicable and this was assumed to be the reason why reporting on product efficiency was generally low for all the other mining companies.

As shown in Figure 6, reporting on environmental issues that directly affect climate change was generally high. These items (*greenhouse and ozone depleting gases emissions; energy consumption including both renewable and non-renewable* energy; *water consumption*) were comprehensively reported by 8 companies, 10 companies and 9 companies respectively.

DISCUSSION

Corporate Governance

The results of the study pertaining to corporate governance reporting show that it was easy for most companies to state the stakeholders they have engaged and the process of engagement thereof, but the issue of how the stakeholders were identified, as also required by the Global Reporting Initiative (2005), was not well- addressed. High reporting on stakeholder engagement and community engagement was not a big surprise given the fact that these two items represent aspects that the Global Reporting Initiative (2005), through its Mining and Metals Sector Supplement, requires all mining companies to report on in the form of narrative descriptions. Emphasising the importance of stakeholder engagement in corporate governance, Matthews et al. (2002) argued that, the definition of stakeholders is key to sustainability reporting. Without clarity on this issue, it will be difficult to make decisions about what information is the most relevant and important to include and to what level of detail.

Board composition was seemingly not a reporting priority for most mining companies. This is particularly so because, an earlier study by Matthews et al. (2002) revealed a similar outcome where several companies scored zero for the Structure and Governance subsection. The

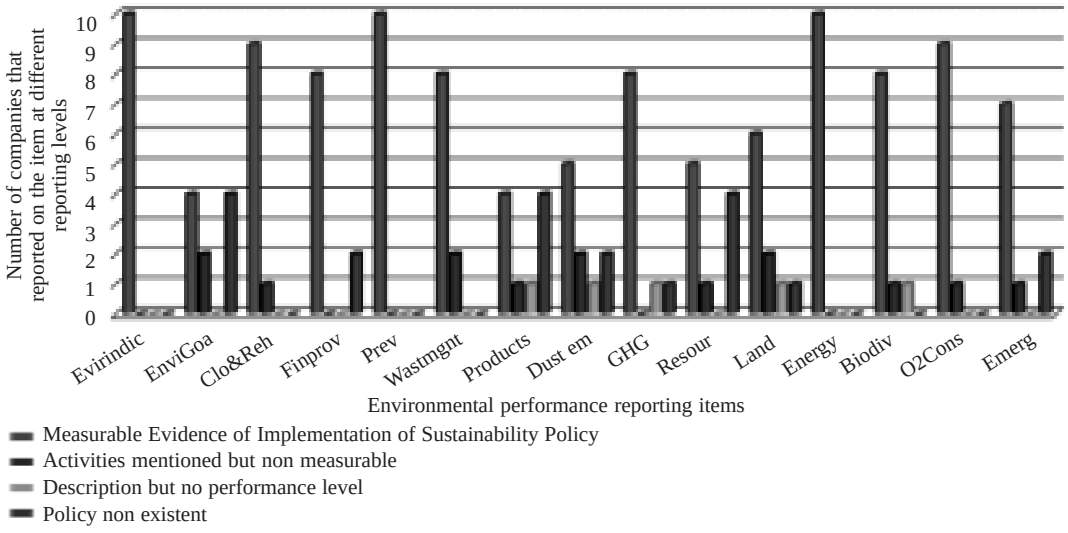

Fig. 6. Environmental performance reporting by companies

practice of reporting board composition in the Annual report rather than in the Sustainability report as was the case with some companies in the study, contrast with the Global Reporting Initiative requirements. Global Reporting Initiative requires information on the percentage of independent, non-executive directors to be reported in the sustainability report for the sake of ensuring full and complete contextual information for users of sustainability reports (Global Reporting Initiative 2005).

Most mining companies regarded Sustainability vision and Strategy (including Chief Executive Officer statement) as important aspects of sustainability reporting. Similar results have also been earlier reported by Perez and Sanchez (2009) who, in a year-on-year study of four mining companies, found that all companies presented fundamental topics such as Chief Executive Officer statement and company profile. The current results also concur with Matthews et al. (2002)'s earlier argument that, most mining companies state a clear commitment towards sustainable development, often confirmed by involvement with industry initiatives. This is probably because mining companies might well be aware and, indeed, agree with the Global Reporting Initiative (2005)'s belief that, a statement from the reporting organisation's Chief Executive Officer sets the tone of the report and establishes credibility with internal and external users.

CSR AND SUSTAINABILITY PERFORMANCE INDICATORS

Economic Performance

In terms of economic performance reporting, most of the highly reported in-direct economic issues such as employee benefits and/or salaries; financial contributions to community; local employment and usage of local suppliers and initiatives towards poverty alleviation have some social implications. For example, local employment and usage of local suppliers, in particular, fulfils the requirements of the Broad Based Black Economic Empowerment (BBBEE) legislation in South Africa. Dawkins and Ngunjiri (2008) pointed out that the high level of Johannesburg Stock Exchange Company reporting on diversity policies and programs is clearly influenced by the BBBEE requirements designed to increase the involvement of the previously disadvantaged persons in the economy. In a related study, Unterlerchner and Malan (2008) also revealed high reporting on BBBEE related to in-direct economic aspects such as Black Economic Empowerment (BEE) transformation and BEE procurement. All these suggest a close relationship between in-direct economic aspects of sustainability and social sustainability pressure that prompts most mining companies to report more on in-direct economic issues.

Social Performance

Social performance reporting showed highest reporting among the companies of all the three indicators. Previous studies (Roodt 2009; Perez and Sanchez 2009; Hamann and Kapelus 2004; Cronje and Chenga 2005) also showed that social performance is one aspect of performance indicators whose reporting by mining companies has greatly improved relative to the other two performance indicators. Arguably, social performance was found in 2002 as the weakest aspect of performance reporting with many companies apparently still unsure of how to report on social performance (Matthews et al. 2002). Similarly, two years later, Hamann and Kapelus (2004) also found that companies' public reports in South Africa were primarily accommodating an as yet vague set of corporate social responsbility-related expectations with proactive engagement with the social challenges around mines and labour-sending-areas. Despite this evidence, the high reporting found in the current study is in tandem with the general consensus among various researchers (Hamann and Kapelus 2004; Cronje and Chenga 2005; Perez and Sanchez 2009; Roodt 2009) who argue that relatively high progress in social performance reporting can be understood within the historical socio-economic and political context of the South African mining industry. Perez and Sanchez (2009) argued that community pressure groups are a major source of influence on companies' social disclosure practices. In concurrence, Roodt (2009) further pointed out that in the South African context, social responsibility as a corporate governance concern takes an added urgency and relevance, given social inequalities that characterise the country as a developmental state, developing economy and society in transition.

On a different but related argument, Dawkins and Ngunjiri (2008) have attributed the high so-

cial performance among South African companies in general to the mandatory aspect of corporate governance and sustainability reporting in the country. They argued that, the passage of the Broad Based Black Economic Empowerment legislation, in particular, has made most social sustainability items mandatory. Apart from this legislative power, Dawkins and Ngunjiri (2008) also emphasised the importance of institutional pressure and stressed that, the high social reporting performance in South Africa has also been pushed by the Johannesburg Stock Exchange. In 2004 for instance, the Johannesburg Stock Exchange launched the socially responsible investment index to facilitate investment in companies that have integrated the triple bottom line approach into their business activities (Unterlerchner and Malan 2008).

Low reporting results on human rights policy and management of lands rights policy and grievance mechanism are not a big surprise given that Perez and Sanchez (2009) recently pointed out that topics like land rights are still in development for some mining companies.

Environmental Performance

Results indicate low reporting on product responsibility indicators among the surveyed companies. This is not new among mining companies in South Africa as Matthews et al. (2002) also found that product responsibility also emerged as the lowest scoring section with most businesses apparently failing to find these indicators relevant. However, Matthews et al. (2002) stressed that even if these indicators do seem irrelevant to the business, it is worth stating this reason for not reporting, which is what some companies in this current study did.

Results on environmental issues that directly affect climate change positively concurred with results from previous studies. Matthews et al. (2002) had earlier found that most mining companies' reports addressed the basic issues of total energy, water use and greenhouse gas emissions, implying that reporting on climate change issues within the mining sector has remained relatively high from 2002-2010. In a related study focusing on all 2006 Johannesburg Stock Exchange companies, Unterlerchner and Malan (2008) also found that several companies in the survey reported a target to reduce their greenhouse emissions and/or energy use, as well as the usage of water in the production process. They argued, however, that, overall, progress in this regard may be too slow. What is particularly interesting about that result, as was also the case for biodiversity, was that, companies classified in the resources sector were most prominent in including information on climate change and carbon emissions in their published annual report (71%), followed by 33% of companies in the Information Communication Technology sector, 24% of retail sector companies and 22% of the food and beverages companies. In all other sectors, less than 20% of companies addressed this matter (Unterlerchner and Malan 2008). High reporting results in this study both on climate change related issues and on biodiversity suggests that mining companies are taking a much bigger responsibility in these issues, understandably so because their activities also have a disproportionately huge effect on climate change and biodiversity. This is the reason why, for many years, the mining industry has globally been under scrutiny for the significant ecological footprint of its activities (Perez and Sanchez 2009).

CONCLUSION

The study revealed quite interesting outcomes of governance, corporate social responsibility and sustainability reporting within the South African mining industry. Overall, reporting is relatively high within the sector although there is a great room for improvement.

Corporate governance reporting is relatively high within the mining sector, especially on issues such as the organisation's sustainability vision and strategy, statement from the Chief Executive Officer, scope of the report and organisational contact information. Although most companies reported well on issues of community engagement and stakeholder engagement, the sector can still do more on these issues given the importance placed on them by the Global Reporting Initiative within the mining sector. Most mining companies prefer to report Board composition in the Annual Report rather than in the Sustainability Report, a practice that stands in stark contrast with the Global Reporting Initiative requirements.

Considering all performance indicators in general, mining organisations are still reluctant to outline sustainability goals, at least not in a measurable manner. This is probably because

setting clear goals enables stakeholders to objectively measure the sustainability practices of organisations and also raise their future expectations, a risk that most organisations are not prepared to take. Results have also shown social performance reporting as the most comprehensively addressed issue within the mining sector compared to the other indicators of economic and environmental performance. This has mainly been attributed to the pressure (real and/or perceived) on mining companies to close the socio-economic performance gap created by the exclusive and repressive apartheid system, a system that was mainly driven by the mining industry. Accordingly, most companies reported comprehensively on issues that have direct socio-economic implications for the poor working-class population, such as community projects and foundations; social impacts affecting community including HIV/AIDS; women employment; training and development, number of employees (including historically disadvantaged South Africans) and safety of contractors.

Reporting on economic performance was hugely influenced by social and political pressure. Accordingly, issues such as employee benefits and/or salaries; financial contributions to community; local employment and usage of local suppliers and initiatives towards poverty alleviation were among the most comprehensively reported items. Interestingly, issues such as local employment and usage of local suppliers actually have a legislative backing in South Africa, as they fulfill the requirements of the Broad Based Black Economic Empowerment legislation, and it is not a surprise that they were well addressed by most companies.

Based on the results of previous studies, there was a marked improvement in reporting on environmental performance in the mining sector on issues like policies and plans on closure and rehabilitation; financial provisions for closure; prevention of environmental accidents (tailings dams etc.), biodiversity and waste management. Previous studies have mainly found high quality reporting in the areas of greenhouse and ozone depleting gases emissions, energy consumption and water consumption. Similar results also emerged from this current study, that is, issues that directly affect climate change such as greenhouse and ozone depleting gases emissions; energy consumption, impacts on biodiversity and water consumption were also among the most comprehensively addressed by most mining companies. This was a particularly interesting result given that climate change mitigation and protection of biodiversity are among the hard pressing global issues that South Africa is facing given its regional economic power and the large body of rich biodiversity that is has to protect.

RECOMMENDATIONS

The research findings from this study might be useful to various governance and sustainability stakeholders in South Africa, particularly the government policy makers, and the mining sector executives. In terms of corporate governance, it is strongly recommended that mining organisations closely follow both the Global Reporting Initiative Guidelines and the Global Reporting Initiative Mining and Metals Sector Supplement on all what should be reported in the Sustainability Reports. This is particularly so because results showed that, contrary to the Global Reporting Initiative requirements, some companies are currently reporting Sustainability Report items like Board composition in their Annual or Financial Reports and omitting them in the Sustainability reports. Most governance and sustainability stakeholders prefer to follow the more specific sustainability reports and it will amount to poor transparency, accountability and fairness if companies omit such key information from those reports.

Although reporting on stakeholder and community engagement is relatively quite high within the mining sector, organisations should continue to improve their reporting on these items given the emphasis that GRI places on these issues for mining companies. Since many mining companies are already performing well in these items, it will be easy for the struggling companies to follow examples from those that are currently reporting well within the sector.

As for social performance, mining organisations are reporting more on the social performance issues that have direct socio-economic implications. The study recommends an improvement in reporting on the other social issues like *human rights* and *management of land rights and grievance mechanism*. Given the potential of mining operations to displace populations, reporting on *management of land rights and grievance mechanism* is unjustifiably too low within the mining sector. The issue of resettle-

ment, which is closely aligned to land rights, was also emphasised in the 2005 GRI Mining and Metals Sector Supplement and companies can refer to that document for details on how to address that issue. Poor performing companies can also refer to sectoral leaders on how to address these critical issues.

In terms of economic performance, the study strongly recommends management of mining organisations to improve their reporting on policies aimed at addressing corruption and bribery. Following the globally publicised corporate scandals, most stakeholders lately became very interested in issues of corruption and white-collar crimes by corporate executives of key organisations. Mining companies can therefore earn themselves high credibility and win more stakeholder goodwill if they improve on their reporting of their policies of addressing corruption and bribery.

Lastly, there is need for mining companies to improve on their reporting of environmental performance issues like *nonrenewable resources consumption, land used or disturbed* and *emergency preparedness and response*. The issues of land used and emergency preparedness and response are particularly important because of their close link to *impact assessment*, the later being one of the issues that the Global Reporting Initiative Mining and Metals Sector Supplement strongly recommends mining organisations to report through narrative descriptions.

As for the South African government, results of the study might be useful for its future amendments to the current mining policy framework. The government can, in particular, use the results to identify policy faulty lines, areas of conflict and undue inflexibility for the benefit of all key governance and sustainability stakeholders.

Future researchers can possibly use this study as a foundation for other sector-specific corporate governance, corporate social responsibility and sustainability comparisons in other equally critical South African sectors such as energy, oil and heavy manufacturing. It might also be interesting for future researchers to do some cross-sector comparison of sustainability reporting within the mining sector with that of other critical sectors like oil and heavy manufacturing. Comparing sustainability practices within the South African mining sector with that of regional counterparts might also be another interesting future research direction.

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