

An assessment into the state of transformation disclosure for the top 50 companies listed on the Johannesburg Stock Exchange

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ABSTRACT

The main purpose of this study is to examine the current extent of transformation disclosure in the integrated reports/annual reports of the top 50 listed South African companies on the Johannesburg Securities Exchange (JSE) for the 2018 year. A longitudinal assessment to discern the developments in transformation disclosure trends over a 5-year period (2014 -2018) was also undertaken. Transformation for purposes of this study refers to transformation of the workplace “to be truly non-racial and non-sexist within companies”. Transformation is very topical in South Africa bearing in mind the historical injustices of the past and thus the need for redress. Disclosure relating to transformation is argued to be a pivotal contributing instrument that could empower stakeholders towards holding companies accountable. The specified transformation disclosure is required by the Employment Equity Act and is considered to be mandatory. The transformation disclosure reported by companies within their annual reports/integrated reports was thus critically scrutinised by application of a scoring technique relating to a closed list of 15 variables selected.

Results showed that disclosure relating to the transformation variables was low overall despite there being a statutory requirement, with the highest scores recorded around the corporate social responsibility variable. The stunted level of transformation disclosure has wider implications for users of these reports and their ability to be afforded the opportunity to facilitate action and thus exercise accountability in relation to these companies.

RESEARCH OBJECTIVES

Objective 1: To examine the current extent and nature of transformation disclosures within the ‘Top 50’ South African companies listed on the Johannesburg Stock Exchange for the 2018 year.

Objective 2: To assess the developmental trends (longitudinal study) relating to transformation disclosure over a 5-year period (2014 – 2018) for the top 50 companies.

Objective 3: To examine the reliability of the data disclosed by the top 50 companies in the annual reports when compared to the information, which had been submitted, by the company to the Department of Labour for the 2014 and 2018 years under investigation.

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1. INTRODUCTION

In South Africa, transformation has a particular meaning relating to the need to redress the imbalances that were created by the legacy of the apartheid regime. Companies listed on the Johannesburg Stock Exchange contribute a notable portion to the economy of the country and are thus considered important contributors to the transformation agenda. Government has made progress through enacting extensive legislation geared towards transforming the economy since 1994, however it has been noted that “the pace of transformation has been too slow and the benefits have been distributed unequally” (Budget review, 2017).

This study is thus important as there remain concerns around the effectiveness of the legislations employed and the lack of commitment and accountability of companies towards achieving transformation (Department of Labour, 2018). Transformation for purposes of this study refers to the transformation of the workplace “to be truly non-racial and non-sexist within companies” (South Africa, 1996). Transformation in the workplace is a process to change the current racial, gender and economic status of the workplace to reflect the South African population demographics.

The paper argues that transparent disclosure relating to transformation has a role to play through empowering the stakeholders towards holding companies accountable. A quality reporting process is argued to quite simply be governed by the principle of accountability, which is itself underpinned by the principle of inclusivity, i.e. accountability to all stakeholder groups according to Cooper & Owen (2007).

The annual reports produced by companies are considered to be the most extensively distributed documents that companies use to communicate with stakeholders. Disclosure within these reports is seen as important and has been argued to play a role that has a broader impact than just reporting and can influence in shaping what is considered important in society. Over the past four decades there has been a steady evolution in social, environmental and ethical reporting. Companies have been expected to achieve integration of sustainability and governance information within their annual report. Such integration was deemed essential if businesses were to embed stakeholder accountability into the heart of their operations in a meaningful way

(Solomon and Maroun, 2012). The corporate annual reports/integrated reports would thus be taken as the data source to measure the level of transformation disclosure in this study.

There has been very little research around company transformation disclosure patterns in South Africa and consequently the role that the annual reports/integrated reports have to contribute towards addressing particular stakeholder needs. This paper is an attempt towards assessing company transformation disclosures made by companies in South Africa and seeks to expand on the current research content available relating to the topic in South Africa.

The main objective of this study is to examine the current extent of transformation disclosure in the integrated reports/annual reports of the top 50 listed South African companies on the Johannesburg Securities Exchange (JSE) for the year 2018. A longitudinal assessment to discern the developments in transformation disclosure trends over a 5-year period (2014 -2018) would also be undertaken. The transformation disclosure was critically scrutinised by application of a scoring technique relating to a closed list of 15 variables selected.

Lastly, the reliability of the data disclosed in the annual/integrated reports was scrutinised by comparing the disclosure information to the information, which the company submitted to the Department of Labour for the 2014 and 2018 years under investigation.

This study is organised as follows: the first section of this paper will explore the history of South Africa and how companies came into existence and why the need for redress became important post 1994. The next section of the paper provides the regulations and laws enacted by the government to date towards addressing transformation. The section after will then explore the importance of disclosure and the role it has to play towards accountability and contributing to the on-going dialogue around transformation. The section thereafter references back to the legislation and laws considered in previous sections, focusing on the progress made by the regulations to date. The subsequent section focuses on voluntary versus mandatory disclosure and explicitly defines what is considered mandatory versus voluntary reporting relating to transformation within the annual reports. The following section describes the research

design, including the sample and data; and the final sections will present the results of the study and then conclude.

2. LITERATURE REVIEW

ORIENTATION AND BACKGROUND OF THE STUDY

Chabane et al (2006) refers to the history of big companies in Southern Africa and how it is inevitably and closely tied in with the discovery of precious metals and diamonds. Colonial and apartheid policies resulted in a system of racial capitalism underpinned by a series of racial laws that confined blacks to the fringes of the national economy in South Africa. Between 1924 and 1933, the government was pressured by well-organised Afrikaner farmers to make large amounts of capital available to them in the form of direct assistance and subsidies, tariff protection, research, administration, and the dissemination of information according to Iheduru, 2004. Iheduru, 2004 further observed that the state under such pressure then directed official business to Afrikaner banks and allotted valuable state contracts to Afrikaners. Afrikaner business people channelled state capital into banks, investment houses, insurance companies, and publishing houses from which some of the corporate behemoths in South Africa today emerged. Black africans, on the other hand, were seen as a source of cheap labour, and systematically subjected to oppressive legal and administrative hurdles to prevent their entrepreneurial development, among other apartheid goals. Apartheid can be seen as the attempt of the capitalist class to meet the expanding demand for cheap black african labour in the era of industrial manufacturing capital and conversely at the same time it is the realisation of the demand of white workers for protection against the resulting increased competition from black workers according to Wolpe (2017).

The above review allows for an appreciation of how companies in South Africa were formed and hence the skewed representation of white individuals in top management and senior management positions.

WHY TRANSFORMATION IS IMPORTANT

According to Juggernath et al (2011) , “apartheid entrenched race and gender-based discrimination in almost every facet of social, economic and political life. Under the apartheid regime, white people were given preferential access to ownership of land and business assets, education and amenities, which were denied to black people “The preferential access resulted in an estimated 58% of all South Africans – and 68% of African South Africans – living in poverty and South Africa’s Gini coefficient being 0.56 in 1995” (Juggernath et al, 2011) .The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution, it can be taken to represent inequality.

The latest recorded Gini coefficient by the World Bank report in 2015 being 0.63 with labour market incomes being the largest contributor to inequality in South Africa, contributing more than 90 percent of the overall Gini coefficient between 2006 and 2015 (The World Bank & Statistics SA, 2018).

A contributor to the high levels of poverty being that the country is faced with a shortage of skilled labour and an abundance of lowly skilled or unskilled labour as a side effect from apartheid. The apartheid-wage gap, that is, the ratio between the highest paid executive and the lowest paid worker, remains high. Labour market discrimination, such as job reservation, as well as unequal education and training opportunities in the past, has ensured that white South Africans continue to enjoy a discriminatory advantage over blacks Luiz (2007).

The report by the World Bank also argues that one of the contributors it identified is the racial and gender disparities that are still predominant in the South African labour market, resulting from the enduring legacy of apartheid. Race was argued to still affect the ability of a person to find a job, as well as the wages received once employed (The World Bank & Statistics SA, 2018).This study thus touches on the importance that transformation disclosure by companies in South Africa could have towards enabling stakeholders to hold companies accountable.

The World Bank report (2018) further asserts that unlocking the full potential of labour markets and promoting inclusive growth through skills creation among possible areas

of intervention that will accelerate poverty and inequality reduction. It also argues that interventions that simultaneously stimulate growth and reduce inequalities are likely to have much more impact than interventions that only stimulate growth or only reduce inequalities.

Transformation in South Africa can therefore be argued to be a pivotal tool for redressing the unfair advantages afforded to white citizens and the discrimination against black citizens in the past, while also assisting the economy in growing. It is therefore argued that transformation makes business sense.

Another rationale for the importance of transformation being the social importance and the benefits from having diverse labour markets. Swart et al (2011) illustrates and discusses through their study the importance of positive intergroup contact and roles of outgroup forgiveness and trust for fostering positive intergroup relations within post conflict societies in general. People often see themselves and others in terms of group categories such as nationality, race, gender, or occupation. Because this categorisation process is so prevalent when individuals think about the social world, group membership is an important means by which a person derives a definition of self and a sense of self-esteem. In-groups are the social groups to which a person psychologically identifies as being a member based on race or gender as an example. For purposes of this study the two groups the in-group and outgroup can be taken to represent the previously disadvantaged groups and the groups that were advantaged under apartheid. The paper by Swart et al (2011) argues that the benefit that positive intergroup contact fostered resulted in less prejudice amongst the groups. The positive intergroup contact increased learning about the outgroup; reappraisal of in-group norms relating to intergroup contacts; change in behaviour toward other group members in general; and the generation of affective ties within the dyadic relationships, which include both the reduction of negative affect and the augmentation of positive affect. The study further adds that the positive experiences by both groups were extended to not only the participants but to other outgroups not involved in the original contact setting (Swart et al , 2011). Linking the above literature to the importance of transformation implies that there is a positive social benefit that could be garnered especially in the work place towards reducing the levels of prejudice that can still be seen in South African societies post-apartheid. These benefits could also have the potential of being further amplified from the work place to the rest of society.

To further supplement to the importance of transformation in South Africa, a study done by Adam (2018) is discussed. The study refers to the fact that most white-owned firms had concluded that they needed black managers in order to reach and sell to an expanding black market, and that their enterprises are likely to be more accepted if their employees reflect their customer profiles (Adam, 2018). In addition, Adam (2018) argues that there is no doubt that the broader the talent pool, the better the selection of brains and skills for senior management, and this helps to explain why some of South Africa's most successful companies appear to embrace affirmative action wholeheartedly.

REGULATIONS, LAWS AND GUIDELINES TO PROMOTE TRANSFORMATION

After 1994 (Post-apartheid), the South African constitution was promulgated and is a text which envisages a dynamic system of competing values within the framework of the three core values of freedom, equality and human dignity (South Africa, 1996). According to the government the Employment Equity Act, Skills Development Act, Promotion of Equality and the Prevention of Unfair Discrimination Act, and the Broad Based Black Economic Empowerment Act are examples of the legislation enacted by the government to reverse the legacy of discrimination and inequality during apartheid. Scholars noted these legislations to be progressive taking into account the history of South Africa (Horwitz & Jain, 2011). For purposes of this study only the following regulations relating specifically to promoting transformation will be addressed in the literature, Employment Equity Act, Broad Based Black Economic Empowerment Act, Skills Development Act and the Companies Act.

The King IV Report and the Integrated Reporting Framework (released by the IIRC in December 2013) will also be considered and discussed, as guideline's that support disclosure.

Even before the establishment of any mandatory affirmative action or empowerment strategies, some voluntary redress initiatives were undertaken in the private sector. These efforts were, however, fragmented, of a very diverse nature, and not nearly of the magnitude that would be required to satisfy the expectations of a majority population denied access to many aspects of the South African economy for years according to Burger & Jafta (2010).

Employment Equity Act (EEA)

The Constitution became the highest law in the post-apartheid South Africa and under Chapter 2 section 9 the Bill of rights provides for the law of equality within the Constitution. The Constitution (South Africa, 1996) states that the government must make laws that provide benefit to the people who continue to suffer from inequalities as a result of past laws. The Employment Equity Act (EE Act) can be thus be traced to the provision of equality in the constitution (Mhambi, 2014).

In the preamble to the EE Act it states that “as a result of apartheid and other discriminatory laws and practices, there are disparities in employment, occupation and income within the national labour market; and that those disparities create such pronounced disadvantages for certain categories of people that they cannot be redressed simply by repealing discriminatory laws”. It further continues to state that ‘in order to promote the constitutional right of equality and the exercise of true democracy ;eliminate unfair discrimination in employment ;ensure the implementation of employment equity to redress the effects of discrimination ;achieve a diverse workforce broadly representative of our people; promote economic development and efficiency in the workforce ; and give effect to the obligations of the Republic as a member of the International Labour Organisation (Department of Labour, 1998).

The Employment Equity Act was thus intended to be a key tool towards bridging the gap which existed in the workplace as a result of apartheid (Mhambi, 2014). The act applies to government agencies and private sector employers employing 50 or more employees or those with a specified financial turnover as well as the government departments and agencies throughout the country (Horwitz & Jain, 2011). These employers are sometimes referred to as ‘designated employers’ for purposes of the study. The study focuses on the private sector employers and public sector has been scoped out.

In terms of the Employment Equity Act ,the designated employer is required to prepare and submit an implementation of employment equity plans which will achieve reasonable progress towards employment equity in that employer’s workforce. The employers that are public companies are also required to publish a summary of the report submitted to the Department of Labour in their annual financial report

(Department of Labour, 1998). Listed companies are a subset of public companies whose shares are traded freely on a stock exchange.

Broad-Based Black Economic Empowerment (B-BBEE) Act

According to the Department of Trade and Industry post 1994, the government has embarked on a comprehensive programme to provide a legislative framework for the transformation of South Africa's economy. In 2003, the Broad-Based Black Economic Empowerment (B-BBEE) Strategy was published as a precursor to the B-BBEE Act, No. 53 of 2003. The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy (Republic of South Africa (RSA), 2014).

The Act provides a legislative framework for the promotion of BEE (Black Economic Empowerment), empowering the Minister of Trade and Industry to issue Codes of Good Practice and publish Sector transformation Charters, and thus pave the way for the establishment of the B-BBEE Advisory Council. The B-BBEE Codes of Good Practice emerged in February 2007 as an implementation framework for B-BBEE policy and legislation. After the implementation thereof, institutional mechanisms were established for the monitoring and evaluation of B-BBEE in the entire economy.

A reporting requirement under section 13G (2) of the B-BBEE Act exists for all public companies listed on the JSE to provide the Commission with a report on their compliance with this Act (Government Gazette of the Republic of South Africa, 2014). The need to disclose BEE interventions and performance were reinforced initially by the local code of corporate governance (King Committee). This is a recommendation and a formal requirement to disclose information relating to B-BBEE in the annual reports of companies was not discernible.

Sectorial Charters

Various Transformation Sectorial Charters exist that are specific to each industry/sector. For this study, we will briefly discuss the two charters that are relevant based on the largest sectors represented in the sample chosen (Refer to Table 4 and 5). These are the Financial Sector Charter and the Mining Sector Charter.

Financial Sector Charter

The Financial Sector Charter came into effect in January 2004 as a transformation policy based on the terms of the Broad-based Black Economic Empowerment [B-BBEE] Act (53 of 2003). The Financial Sector Charter (FSC) is a voluntary agreement to promote social and economic integration and access to the financial services sector. The Financial Sector Charter commits to "actively promote a transformed, vibrant, and globally competitive Financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy" (NEDLAC Financial Sector Summit, 2002).

The FSC was the first voluntary BEE Charter that represented commitment from an entire sector of the economy to transform the financial services industry in line with the Broad-Based Black Economic Empowerment (B-BBEE) Act in order to reduce inequalities that prevent people and South Africa from reaching their potential (Republic of South Africa (RSA), 2017). Based on the FSC it could thus be expected to see the fruition of the commitment from the entire sector through the enhanced transformation disclosure for companies within this sector.

Mining Sector Charter

The mining charter relates to the codes, aimed at distributing the industry's mineral wealth more equally among citizens after the injustices of apartheid and was first issued in 2004 and updated in 2010. The charter did not bear much fruit and was thus subsequently proposed to be updated to become more stringent.

Although not providing prescriptive disclosure requirements, the Mining Charter (revised in 2010) creates a framework for the transformation of the mining industry and includes various targets that should be achieved by mining companies within a certain timeframe (The Mining Charter, 2010).

There is a consultative process underway to amend this charter (ending 30 August 2018) which will result in more updates. The updates worth noting, related to employment equity in the charter stating that 50% of appointments to boards must be black of which 20% representation must be women, which is also applicable to

appointments at an executive management level. For senior management, this is at 60% for black people of which 25% must be women.

Skills Development Act (SDA)

The Skills Development Act 97 of 1998 is a law enacted in South Africa in 1998. The Skills Development Act was aimed towards developing the skills of the South African workforce and to improve the quality of life of workers and their prospects of obtaining employment. This would be achieved through promoting education and training in the workplace. The act also aimed to improve productivity in the workplace and the competitiveness of employers and to promote self-employment (Department of Labour, 2008).

The 14th Commission of Employment Equity (CEE) reported that the impact of the Skills Development Act to redress the inequality in the workplace appears to have been minimal and was thus not as effective as desired. Employers still complain of a lack of a skilled labour pool from which to draw from to increase the percentage of employees from designated groups at the top four occupational levels of companies (Refer to Table 6 in the Appendix for the occupational levels of companies). This is particularly concerning when the training and development activities reported by designated employers seemed to favour the white population group. Year-on-year, the statistics indicate that the white population group remains favoured for training and development, while males remain favoured in terms of gender. Thus, the two pieces of legislation (namely EEA and SDA) that are supposed to be supporting each other in driving transformation are not achieving the desired outcomes (Department of Labour, 2018).

One of the key reasons offered by the 14th CEE report is the lack of commitment from the top management of designated employers.

Companies Act

Within the Companies Act (Act, 2011) in terms of regulations 43 and 72(4)(5) the regulation states that a Social and Ethics committee must be established for:

- a) every state-owned company;
- b) every listed public company; and

c) any other company that has in any two of the previous years scored above 500 points in terms of their Public Interest Score card.

The Social and Ethics Committee is a governance committee and plays a key role in relation to corporate governance. It has a focused mandate and in most cases, overlaps with activities that fall within other operational committees, such as the transformation committee, environmental, health and safety committee and the employment equity committee (Pandor, 2015).

It could hence be expected that reporting around transformation and any non-compliance relating to regulations would be reprimanded internally within the company by this committee (Social and Ethics). The reports from this committee are recommended to be made available to the public by the King IV Report (The Institute of Directors in Southern Africa, 2016).

King IV

To understand the history around reporting in South Africa one needs to appreciate the role of the King Code of governance.

In 1894, The Institute of Accountants and Auditors in the South African Republic was formed, influenced heavily by the Institute of chartered Accounts in England and Wales (ICAEW), established in 1880. Operating in a similar fashion to its British counterparts, the accounting profession in the then Union of South Africa became a repository for technical accounting and integral part of the country's emerging mining, industrial and capital sectors (Burchell et al., 1980). In the years preceding South Africa's first democratic government, the South Africa audit profession developed in relative isolation, especially as a result of the country's political and economic exclusion during the height of Apartheid. When it came to corporate governance, the relationship between shareholders and companies was regulated mainly by company law. Prior to 1994, formal codes of best practice recommending, for example, the use of a unitary board complemented by independent committees, were non-existent. This changed in 1990, when the release of Nelson Mandela marked South Africa's reintroduction to the global arena (Maroun et al, 2014). The end result was that the international community trusted neither right-wing South African leadership nor, automatically, its democratically elected successor. For this reason Maroun et al (2014) states that

much of the country's governance-related reform was, and still is, focused on winning trust in South Africa's corporate governance systems.

The King Code of Governance for South Africa in 2009 (King III), contained the principle that "the board should appreciate that strategy, risk, performance, and sustainability are inseparable" and recommended that companies prepare an integrated report to reflect this. As the principles of King III were included in, the listings requirements of the Johannesburg Stock Exchange (JSE), listed companies were required to prepare an integrated report or explain why they were not doing so. King III did not, however, elaborate on how this report should be structured or the content it should contain. In order to assist with the drafting of such a report, the International Integrated Reporting Committee (IIRC) emerged and brought together various expertise to develop the International Framework, released in December 2013. Today, South African companies follow the best practice guidance of the framework under the overarching corporate governance principles and recommended practices of the recently released King IV Code (Leigh & Roberts, 2017). The recently released King IV Report on Corporate Governance for South Africa references the International IR Framework.

King IV proposes the stakeholder-inclusive approach and argues that there is an interdependent relationship between the companies and its stakeholders, and the company's ability to create value for itself depends on its ability to create value for others. It continues to state that rather than prioritising the interests of the providers of financial capital, the governing body gives parity to all sources of value creation, including among others, social and relationship capitals as embodied in the stakeholders (The Institute of Directors in Southern Africa, 2016).

King IV further recommends the existence of a social and ethics committee (mandatory for specified companies in terms of the Companies Act) as a manner to ensure oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. The transformation agenda is expected to be driven and reported under the work/responsibilities done by this committee within the reports of companies.

Principle 5 of the King IV code further clarifies that the governing body (which correlates to “Top Management” under the Employment Equity Act) is responsible for ensuring that the appropriate reports are produced that enable stakeholders to make informed assessments (The Institute of Directors in Southern Africa, 2016).

It must also be noted that only companies with a primary listing on the JSE would be bound by its listing requirements which include complying King-III (and hence the need to prepare an integrated report) or providing reasons for not doing so (Carrels et al, 2013).

Integrated Reporting

Integrated reporting is a holistic approach to enable investors and other stakeholders to understand how an organisation is really performing. Addressing the wider as well as longer-term consequences of decisions and actions, an integrated report makes clear the link between financial and non-financial value. The relationship between an organisation's strategy, governance and business model should be transparent through such reporting. It also gives an analysis of the impacts and interconnections of material opportunities, risks and performance across the value chain. One of the objectives of the integrated reporting is to improve the quality of information available to providers of financial capital (IIRC, 2011). The potential shift from sustainability reporting to integrated reporting presents a significant opportunity for companies to embed social and environmental issues into the primary corporate reporting mechanism. An integrated report should ultimately replace all other forms of corporate reporting and should represent the primary vehicle for communicating with shareholders and other stakeholders (IIRC 2011).

The concept of integrated reporting has been undertaken by two separate bodies when looking at the South African context, the King Report on Governance for South Africa (King IV Integrated Reporting Council of South Africa (IRCSA), 2011), and the International Integrated Reporting Council (previously the International Integrated Reporting Committee in the UK)(IIRC, 2011). Preparing an integrated report was required commencing 1 March 2010 for companies listed on the Johannesburg Stock Exchange in South Africa (otherwise, the company had to explain why they are not

doing so). The relevant international framework around integrated reporting was only released in December 2013.

The integrated report is intended to be the outcome of integrated thinking and the integrated reporting process, but often an integrated report is a combination of the traditional silos in a company according to a survey done by PwC around integrated reporting (PwC,2014). The integrated thinking approach recognises that stakeholder relationships and the essential resources used by the company are interconnected and interdependent, both functionally and operationally. The PwC survey further reveals that a “handful of brave pioneers are embracing the concepts within the IR Framework and inevitably benefiting from a clearer perspective of the company’s dependency on resources and stakeholder relationships” (PwC,2014). The survey further identifies the vast potential that South African companies have towards developing their reporting, while also highlighting and recognising certain strides that have been made towards the pervasive change that are required in corporate reporting today.

The rationale underlying the introduction of integrated reporting was outlined succinctly by the Integrated Reporting Committee of South Africa (IRCSA) as follows:

The string of corporate collapses over the past decade has led many stakeholders to question the relevance and reliability of annual financial reports as a basis for making decisions about an organisation. Reports based largely on financial information do not provide sufficient insight to enable stakeholders to form a comprehensive picture of the organisation’s performance and of its ability to create and sustain value, especially in the context of growing environmental, social and economic challenges. Sustainability reports have similarly suffered weaknesses, usually appearing disconnected from the organisation’s financial reports, generally providing a backward-looking review of performance, and almost always failing to make the link between sustainability issues and the organisation’s core strategy. For the most part, these reports have failed to address the lingering distrust among civil society of the intentions and practices of business. Stakeholders today want forward-looking information that will enable them to more effectively assess the total economic value of an organisation (Mervyn King’s Foreword, IRCSA 2011:1)
Solomon and Maroun (2012)

Another study done in the UK on integrated reporting by Brown & Dillard (2014) argued however that integrated reporting, as conceived by the IIRC, provides a very limited and one-sided approach to assessing and reporting on sustainability issues. While the business case framing on which it rests might assist in extending the range of phenomena accounted for in company reports, it remains an ideologically closed approach that is more likely to reinforce rather than encourage critical reflection on “business as usual” practices. Recognising that the meaning and design of integrated reporting are still far from stabilised, the authors also illustrate more enabling possibilities aimed at identifying and engaging diverse socio-political perspectives.

One of the objectives of integrated reporting is to provide a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time (IIRC, 2011).

Given the importance of transformation and the dialogue currently taking place in South Africa, one would expect to find information within the integrated reports of the most influential companies by market capitalisation taking cognisance of the integral role these companies play in the economy. In order for businesses to remain relevant in South Africa and create value in the long-term, it would thus be pivotal for a company to report how the company manages and reports on social and relationship capital and human capital.

WHO IS MONITORING AND WHAT ARE THE CONSEQUENCES OF NON-COMPLIANCE?

Despite the progressive regulations, laws and guidelines that exist to date around transformation, there has been minimal impact as the pace of transformation continues to be slow (Department of Labour, 2018) . It thus becomes apparent that these regulations and guidelines need to be monitored more closely or in some cases amended to yield better results.

Employment Equity

The Department of Labour on an annual basis receives data from designated employers which enables monitoring and progress relating to the regulation. Based on the information submitted by the employers, the Annual Commission for Employment Equity reports (CEE) are produced to the public. The pattern of findings continues to note the low levels of transformation for the past 18 years. In 2017, the private sector and universities earned a special mention, "Further analysis into the level in terms of various business types, indicates that the representation of the white population group has remained largely dominant at the top management and senior management level for the Private Sector as well as for the Educational Institutions. The continued high rate at which the white group appears to be afforded preferential treatment for recruitment, promotion and training opportunities at this level is of concern. This trend renders it highly unlikely to achieve equitable representation at this level in the near future" (Department of Labour, 2017). The 2018 CEE Report repeats similar finding around Top management and senior management positions being occupied by the white population group (Department of Labour, 2018).

Incentives for companies to implement Employment Equity programmes are argued to be provided by the statutory need to submit equity plans and reports with the Department of Labour and the availability of preferential treatment to companies that wish to do business with government, or where many large companies have sourcing policies that examine the equity and black empowerment status of their suppliers (Juggernath et al., 2011).

Over and above the incentives afforded through preferential treatment, the Director-General may apply to the Labour Court to impose a fine in accordance with Schedule 1 if a designated employer fails to prepare or implement an employment equity plan in terms of this section. For a first-time offence, an employer will be subject to a fine, the greater of R1 500 000 or 2% of the employer's turnover. If the employer has contravened the provision once before the fine shall be the greater of R1 800 000 or 4% of the employer's turnover. The fine increases depending on the repetition of the contravention.

Lastly the 17th CEE Report recommended that the Minister promulgate section 53 of the EE Act which ensures that employers, both designated and non-designated that are non-compliant are not awarded government contracts. Government was committing to not continuing to reward noncompliant companies by doing business with them (Department of Labour, 2017).

Internally within the company, the Social and Ethics committee should be monitoring the compliance with the various Acts around transformation and the progress relating to transformation. The committee has the usual powers and obligations of a board committee and theoretically should be able to enact change.

Broad-Based Black Economic Empowerment

A reporting requirement under section 13G (2) of the Broad-Based Black Economic Empowerment (B-BBEE) Act, 2013 exists for all public companies listed on the JSE to provide the Commission with a report on their compliance (Government Gazette of the Republic of South Africa, 2014).

The Department of Trade and Industry's Broad-based Black Economic Empowerment Commission announced that they intend to initiate investigations against specific entities for possible violation of the B-BBEE Act. The penalty for violations of this Act includes fines up to 10% of annual turnover and individuals can be fined or imprisoned for up to 10 years. The companies can also be barred from contracting with state-owned entities for 10 years.

The slow pace of transformation can be attributed to the lack of skills within government to monitor. "Government is the largest producer of goods and services", said Commissioner Zodwa Ntuli and "If government can have its house in order, complies with the Act and refuses to do business with any company without the highest BEE levels; then companies would then start taking transformation seriously"(Saba, 2018).

PROGRESS RELATING TO THE TRANSFORMATION INITIATIVES

In the 2014 the 14th Commission for Employment Equity (CEE) Annual Report was published, it reflected that the public sector had managed to transform to a level where the previously disadvantaged groups are better represented at top management level than in 1994. The report further stated that the strong transformation in the public

sector had however not been matched by the private sector. Sixteen years after the enactment of the Employment Equity Act, the statistics still showed that the majority of companies in the private sector had not fully dealt with the inequalities in the workplace. The Department of Labour in response to the slow pace of transformation observed in the workplace introduced amendments to the Employment Equity Act.

The 2018 Commission for Employment Equity (CEE) Annual Report shared the following closing observations and remarks ,’ the lack of equitable representation at the Top Management level does not bode well for the future sustainable economic growth of the country as companies continue not to be inclusive and representative of the demographic population distribution in the workplace in terms of population groups, gender and disability’(Department of Labour, 2018).

The 2018 reports further elaborates that the White Population Group and the Indian Population Group appear to do well in the Private Sector, particularly at the upper-four occupational levels (Refer to Table 6 for the occupational levels). The representation of the Male Group also remains dominant in the Private Sector.

It becomes clear that initiatives legislated by government continue to struggle to achieve the desired results and the treasures of history continue to be buried in inequality. South Africa remains a product of its long and complicated history.

It is thus important to obtain an understanding of some transformation barriers found in literature as evidenced below:

The lack of leadership commitment was a key reason noted by Booyesen (2007) and these observations concur with the findings from the Department of Labour report around Top management’s ‘lack of commitment’(Department of Labour, 2018).

The relative lack of translation of policy and strategy into action plans was another challenge observed. It also seems that the implementation of the policies is only loosely coordinated. This was another reason noted by Booyesen (2007) where the disclosure around the policy did not relate to the numbers reported.

No observable consequences of non-compliance was another factor noted in the study, ”EE does not have any teeth, there is a lack of consequence when going outside of the system and policies. “ (Booyesen, 2007).

The last barrier that will be discussed also linked to the lack of commitment from management being “White males cannot find jobs elsewhere and feel scared and therefore hold on to their jobs. It is about addressing white fears.” (Booyesen, 2007). This barrier could provide an understanding towards the lack of transformation at the top management within companies. The argument could be made that if transformation at this level was achieved then significant progress towards the transformation agenda on all fronts (including disclosure) would consequently be achieved.

The conversations and dialogues that result in decisions being made in the company lies with top management which seems to be mainly occupied by the white population groups and this constitutes the root cause of why the Department of Labour struggles to see the transformative changes within the private sector. Disclosure through the annual reports is seen as the tool that top management use to communicate with their stakeholders as they have ownership over these documents, and it can be implied that these are the areas that management consider as being important.

Juggernath et al. (2011) quotes a study done by Reddy (2006) stating that initiatives to bridge the divide, particularly the socio-economic gap, between the previously advantaged and disadvantaged groups, cannot rest solely on the State. This speaks to the fact that the public at large should also have a role to play and contribute towards ensuring that transformation is happening.

The annual reports of the companies are argued to be the tool that should be used to communicate with stakeholders and thus they have an important role to play towards assisting with monitoring and accountability of the companies.

THE IMPORTANCE OF DISCLOSURE

In the section, we focus on why disclosure is important as a communication tool with shareholders and stakeholders.

According to Cooper & Owen (2007) , A primary goal of reporting is to contribute to an ongoing stakeholder dialogue. Reports alone provide little value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviour of both the reporting company and its stakeholders. Taking into account the South African context one of the important and on-going dialogues being that of transformation.

Cooper & Owen (2007) also conclude that the “dialogue as a process and practice of accountability” has the potential to “restore the balance”, such that the “instrumental pursuit of power and profit” cannot be undertaken “without regard to the wider social or environmental consequences of the pursuit of such interests”. Therefore, the study suggests that if accountability is to be achieved stakeholders need to be empowered such that they can hold the organisations accountable.

The International Auditing Standards body asserts that accountability and transparency are two important elements of good governance that are supported by disclosure. Transparency is a powerful force that, when consistently applied, can help fight corruption, improve governance and promote accountability. Accountability and transparency are not easily separated: they both encompass many of the same actions, for instance, public reporting according to Marais et al (2017) . Marais et al. (2017) continues to argue that in “assessing transparency vis-à-vis access to information, one needs to consider both the nature of the information itself – relevance, quality, consistency – as well as the conditions surrounding the provision of such information, including the processes and procedures for recording, storing, granting access, and retrieval”.

Irrelevant information within the reports can also be seen to “mask important issues and may divert attention away from critical issues, while information that is incomplete or of poor quality can erode confidence in the validity of the information provided” according to Auriacombe & Cloete (2008).

A PwC survey also noted that 80% of respondents’ perception of the quality of a company is reporting impacts their perception of the quality of its management. In addition, 82% of investment professionals surveyed revealed that when companies present information clearly and concisely, they feel more confident in their own analyses. This could suggest that for such companies there is a lower uncertainty or risk premium, which could have a longer-term impact on the company’s ability to raise finance, or on its share price volatility (PwC, 2014).

Through Google searches on 25/09/2015, it was established that transparency co-occurs with the word accountability about 10% of the time when the search is on international sites. When the search is restricted to .za domains (South Africa), this percentage jumps to 50%. On .gov. za searches (South Africa government websites),

transparency co-occurs with accountability up to 75% of the time which allows the reader to understand that in order to hold companies accountable to the transformation agenda, some level of transparency is required (Marais et al., 2017)

Alternatively, the reverse side of this non-disclosure (lack of transparency) was noted to possibly imply that firms may not be complying with the legislation, since to do so would open them to challenge where it is known that they do not have the appropriate policies (Adams et al, 1995).

EY's Excellence in Integrated Reporting Awards 2018 report makes mention of the role that integrated reports have to play in the restoration of public trust, 'The revelations in the last 24 months about state capture and corruption have brought into sharp focus the importance of public interest and trust. It is only through greater transparency and communication that companies will start to rebuild trust'. The CEO of Africa EY is further quoted 'This is an opportunity for Boards to take a leadership role over the governance of their integrated reports and to ensure that their companies, in addition to serving their financial stakeholders, are also playing a responsible and ethical part in the communities and countries in which they operate' (EY, 2018).

Consequently, as a result of the increased focus on the effectiveness of transformation initiatives in the country, a company that does not disclose sufficient information around the topic could face potential reputational risk as they could be seen not to contribute to the ongoing dialogue. Transparent reporting on the level of transformation could thus mitigate a company's reputational risk, increase value and regain society's trust. With transparent disclosure, a company will also be discouraged from participating in non-transformation avoidance activities. It can thus be argued that requiring greater transparent transformation disclosure from companies in South Africa could be an important strategy towards ensuring effective transformation within the companies, as the companies could be held accountable by the public.

Disclosure is the responsibility of the governing body (top management) according to King IV, conversely it can be understood that lack of transformation at this level is likely to have an adverse effect on the level of transformation disclosure.

THE ROLE OF FOREIGN COMPANIES IN SOUTH AFRICA

Foreign companies have a long and complex history in South Africa according to Gelb (2003). Their presence pre-dates the discovery of diamond and gold deposits in the late 19th century but was accelerated sharply by those events. Foreign mining houses led the development of the industry in South Africa, gradually becoming South African companies through the first part of the 20th century, while also moving beyond mining into other sectors. Foreign direct investment by British, European and US companies played a leading role in the development of the secondary industry from the 1920s until the 1970s. By this time, foreign investors were identified as substantial beneficiaries of the South African economic growth – at the expense of the black majority – by the growing international antiapartheid campaign. Increased foreign direct investment has been identified by many policymakers as ‘the’ key to improving the growth performance of the economy. The argument is most often made on largely macroeconomic grounds – low domestic savings in South Africa are identified as the binding constraint on growth, which can be alleviated by net inflows of foreign capital. (Gelb, 2003). Foreign companies still constitute a sizeable portion of the companies listed on the JSE (Johannesburg Stock Exchange) in 2018.

THEORETICAL LITERATURE

The Agency, stakeholder, legitimacy and decision usefulness theories were referenced in relation to reporting practices. A brief explanation of each theory is provided below.

Agency theory

Ross (1967), argued that the separation of owners (shareholders) from effective control of their companies made it possible for directors (or managers) of companies to perform their control function in such a manner that they, and not the owners (shareholders), were the primary beneficiaries of the companies' business endeavours.

Agents correspond to management, whereas principals correspond to owners (shareholders) from a companies' perspective. Agency costs stem from the assumption that the two parties, agents and principals, have different interests. Monitoring costs are paid by the principals, to limit the agents' unusual activities (Waweru, 2018).

The studies, which further elaborate on the impact that the agency relationship has on disclosure as it often leads to the information asymmetry problem due to the fact that management can access information more than shareholders (owners) can.

Regulations are often a tool that assist with mitigating the agency problem, as they require management to fully disclose some mandatory information. However, full disclosure is never guaranteed even in the presence of regulations. The absence of full disclosure is explained by the conflict that exists between the interests of management and shareholders. Corporate reporting regulations are intended to provide investors with the minimum quantity of information that helps in the decision-making process (Waweru, 2018). The concept of corporate governance is another concept formulated to address the issues caused by the separation of ownership from corporate control.

To conclude according to the agency theory, an agent has the obligation to full disclosure of information for the benefit of the principal. Voluntary and mandatory

disclosure can act as a controlling tool to restrict the tendency towards opportunistic behaviour for personal gain by managers (Waweru, 2018).

Stakeholder theory

Sweeney & Coughlan (2008) argue that Freeman's now classic definition of stakeholders, arguably the most popular definition cited in literature proposed that stakeholders are 'any group or individual who can affect or is affected by the achievement of a corporation's purpose'. Stakeholder theory recognises the fact that most, if not all firms have a large and integrated set of stakeholders to which they have an obligation and responsibility. The theory challenges the view that shareholders have a privilege over other stakeholders. Sweeney & Coughlan (2008) further state that shareholders, are argued, as merely one of the several claimants on the company. This theory embodies the need to balance the claims of shareholders with those of other stakeholders and through this balancing act, the company can attract and maintain the support of their stakeholders (Sweeney & Coughlan, 2008).

Voluntary and mandatory disclosure of transformation information in annual reports is thus conceived as a strategic initiative to cultivate good communications with stakeholders and can help foster the success of a company.

To conclude it has been argued by Freeman that it is impossible for a company to maximize long-term value if it does not maintain good relations with stakeholders by supporting their information needs (Waweru, 2018).

The integrated reports in South Africa can be seen as the public documents that seek to address the information needs of the various financial capital providers and stakeholders.

Legitimacy theory

A study done by Kiyanga explains that the legitimacy theory shows that companies disclose contextual information with the aim of being accepted by society. Applications of Legitimacy Theory are common in the social and environmental areas. Kiyanga further argues that however, unlike the other two theories, which focus on the interests of stakeholders, this theory focuses on the interest of the company. Nevertheless, the two theories discussed above, are related in that when an entity communicates with a

view to influence its image to all its stakeholders, it may at the same time satisfy the information needs of the same stakeholders (Kiyanga, 2014)

Decision usefulness theory

This theory indicates that important information needs to be in the public domain so that the true worth of a company can be seen from physical resources, financial resources and human resources. This allows the investors to make informed decisions whether they wish to be associated with the company or not, explaining that in order to provide useful information, companies need to identify and fulfil the demand from various stakeholders for information that will help them in gauging management efficiency and the future value of the companies. However, companies tend to only supply information that is perceived to be useful (Waweru, 2018).

The next section will look at the disclosure requirements for South African listed companies both those that are mandatory and some that are voluntary and seen to be good practice relating to transformation.

According to Waweru, 2018 mandatory disclosure is a basic market demand for information that is required by various statutory laws and regulatory bodies and has been ruled at global, regional or national level through professional organisations or government authorities. Corporate voluntary disclosures, being in excess of requirements, represent free choices on the part of management to provide information to users of the annual reports (Waweru, 2018).

MANDATORY REPORTING

The Employment equity act (Department of Labour, 1998) requires that a designated employer must prepare and implement an employment equity plan which will achieve reasonable progress towards employment equity in that employer's workforce and further that this report must be submitted to the Department of Labour every year if the employer employs 150 or more employees. Furthermore, section 22 of the act requires that these public companies publish summaries of their employment equity report in their annual financial reports.

This thus constitutes a mandatory disclosure requirement for designated employers. Designated employers meaning an employer who employs 50 or more employees or an employer that employs less than 50 people but has annual turnover of a small business greater than that specified in Schedule 4 of the act.

VOLUNTARY REPORTING

A study done by Graham et al (2005) found that managers make voluntary disclosures to reduce information risk and boost stock price but at the same time, try to avoid setting disclosure precedents that will be difficult to maintain. Companies voluntarily disclose information to facilitate “clarity and understanding” to investors. Executives believe that lack of clarity, or a reputation for not consistently providing precise and accurate information, can lead to under-pricing of a firm’s stock. In short, disclosing reliable and precise information can reduce “information risk” about a company’s stock, which in turn reduces the required return.

The reporting done outside of the Employment Equity Act requirements (mandatory), that is recommended by other guidelines (voluntary) can be summarised into the areas below.

King IV recommends the preparation of an integrated report using the IIRC framework. The framework makes reference to the six capitals. The disclosure around transformation could be linked to the human capital. The term human capital is widely used by social theorists, economists and management theorists. Although there are nuances between definitions, there is broad consensus within the literature about the meaning of human capital. According to some literature, it is generally understood to consist of the individual’s capabilities, and the knowledge, skills and experience of the company’s employees and managers, as they are relevant to the task, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning. It embodies the competencies (tacit and implicit knowledge and attitudes, including skills acquired through formal education, childhood education and on the job training), and capabilities (sum of expertise and capacity: ability to carry out an organisational activity) and talent (Panda, 2007). Disclosure relating to the transformation levels of the workforce could thus be reasonably expected to the

reported under human capital within the integrated reports. The human capital definition as per IIRC framework can be summarised to be – People’s competencies, capabilities and experience, and their motivations to innovate, including their: o alignment with and support for an organization’s governance framework, risk management approach, and ethical values (IIRC, 2011)..

The Social capital is also another area that should be considered where reporting relating to external transformation initiatives could be reported. In a study around the six capitals meaning, social and relationship capital was accepted to maybe include relationships within a company, as well as those between a companies and its external stakeholders, depending on where social boundaries are drawn (Panda, 2007). Reporting relating to transformation could thus also be expected under Social Capital. The definition provided in the IR framework for this capital being the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being (IIRC, 2011).

Lastly, the information disclosed by the Social and Ethics committee legislated by the Companies Act and recommended by King IV could also be another area where the transformation information could be found.

The disclosure above could be seen a voluntary as it is seen as recommended rather than legislated.

According to Abeysekera (2014), the management in companies use discretion to make voluntary disclosures to meet the needs of those stakeholders but these voluntary disclosures are a trade-off between a legitimate need for disclosing information to act fairly with stakeholders and an equally legitimating need for withholding information to maintain a competitive advantage.

3. METHODOLOGY

At the beginning of the paper, the main purpose of the study was described as examining the current extent of transformation disclosure through analysing the integrated reports/annual reports of the top 50 listed South African companies on the Johannesburg Securities Exchange (JSE) for the year 2018. A longitudinal assessment to discern the developments in transformation disclosure trends over a 5-year period (2014 -2018) was also undertaken. The

The Department of Labour issues an annual report reflecting the state of transformation for all companies that have made the relevant submissions in South Africa (Public and private). These annual reports would also be utilised in conjunction with the integrated reports/annual reports for the selected companies as a tool to assess transformation disclosure patterns and the progress relating to transformation initiatives to date. The 2014 and 2018 integrated reports/annual reports were sampled in order to have comparative years that will allow for progress to be assessed for each company included in the sample.

The main research objective for this study was:

O1: Assessing the level of transformation disclosure in the 'Top 50' South African companies listed on the Johannesburg Stock Exchange for the 2018 year.

Sample selection

The Top 50 listed companies on the Johannesburg Stock Exchange (JSE) will be selected as a sample for the 2018 year in order to note the current state of transformation. The sample was selected for 2018 on the basis of their market capitalisation based on Bloomberg data as at 30 June 2018 as this was the latest available data at the time of this study.

The sample of companies selected represented more than 80 % of the market capitalisation of all JSE listed companies. The firms are spread across 19 industries/sectors. Firms from the mining industry have the greatest representation

with nine companies that made up 19 % of the sample selected by market capitalisation as be seen below.

Sector number	Sector	Count of Companies	% Market Cap
1	Mining	9	19,4%
2	Beverages	1	17,8%
3	Tobacco	1	14,1%
4	Media	1	11,0%
5	Financial Services	8	7,6%
6	Personal Goods	2	5,6%
7	Banks	4	5,2%
8	Insurance	4	3,8%
9	Mobile Telecommunications	2	2,8%
10	Oil and Gas	1	2,8%
11	General Industrials	3	2,1%
12	Real Estate Investment & Services	3	1,5%
13	Health Care Equipment & Services	2	1,4%
14	Food & Drug Retailers	2	1,3%
15	Real Estate Investment Trusts	2	1,0%
16	General Retailers	2	0,9%
17	Pharmaceuticals & Biotechnology	1	0,8%
18	Food Producers & Processors	1	0,4%
19	Forestry & Paper	1	0,4%

The listed companies were chosen as they are public companies and the integrated/annual reports are public documents that are readily accessible. According to Wagiciengo & Belal (2012) annual reports remain the most important sources of information for many stakeholders and further have the advantage of being regularly produced and thus offer the opportunity for a comparative analysis of management attitudes and policies across reporting periods. Other reasons quoted for the use of annual reports as a source of information being (a) The reports are similar to audited financial statements and perceived to be highly credible,(b) The reports represents a company's best effort to respond to its stakeholders , because they provide discretionary information in addition to regulatory data, and are useful indicators of a companies' priorities according to Dawkins Cedric (2008)

In addition, credibility for using annual reports/integrated reports is provided by ISA 720 (Revised) that states that the auditor has certain responsibilities under ISA 720 (Revised) when other information has been identified in an entity's annual report (*The*

Auditor's Responsibilities Relating to Other Information, was issued by the International Auditing and Assurance Standards Board (IAASB) in April 2015 and is effective for audits of financial statements for periods ending on or after 15 December 2016). The standard states that the auditor needs to read and consider other information for material inconsistency with the financial statements or the auditor's knowledge obtained during the audit. Any material inconsistency may either indicate a material misstatement of the financial statements or of the other information, either of which may undermine the credibility of the financial statements and the auditor's report. The revised standard assists the auditor in avoiding being knowingly associated with information the auditor believes contains materially false or misleading statements. The Independent Regulatory Board for Auditors (IRBA) approved the adoption, issue and prescription of ISA 720 (Revised) for use by registered auditors in South Africa in July 2015.

Accordingly, for purposes of this study, data contained in the annual reports/integrated reports was evaluated and data posted on company web sites and in separate social responsibility and sustainability reports were excluded as they were also out of scope for ISA 720(Revised). While the information is publicly accessible, the information thus would not have the same degree of credibility.

Only the integrated or annual reports were analysed, as it was not possible to track when information had been posted on company Web pages, these disclosures were not included in the disclosure analysis (Maroun et al, 2018).

An important factor noted previously in this paper being that the reports of companies can be accepted as a barometer of a company's attitude towards corporate reporting (also relating to transformation disclosure) and what they view as a priority because a company has complete editorial control over the document and it is the most widely distributed public document produced by the company to respond to stakeholders (Wagiciengo & Belal, 2012).

The second objective of this study was:

O2: Assessing the developmental trend (longitudinal study) relating to transformation disclosure over a 5-year period (2014-2018).

This part of the study would seek to establish if there have been changes in transformation disclosure for the companies mentioned in the sample.

The 2014 year was selected as the International Framework relating to integrated reports, was released in December 2013. The 2014 year would thus constitute the first year where this Framework could be employed by most companies.

The analysis conducted under O1 and O2 will be explored by stratification of companies into sectors and by local versus foreign companies as a means to gain further insight into the observations around the sample.

O2A: Assessing the developmental trend (longitudinal study) relating to transformation disclosure over a 5-year period (2014-2018) by sectorial classification of companies.

O2B: Assessing the developmental trend (longitudinal study) relating to transformation disclosure over a 5-year period (2014-2018) by local versus foreign classification of companies.

Data collection

The annual/integrated reports for the sample companies were collected from the various company websites for the 2014 and 2018 reporting years accordingly.

It was noted that not all the companies selected had a comparative report for the 2014-year as some had only listed post 2014 and other companies had been part of a merger/acquisition deal during the interim period. The current state of disclosure could only be analysed for the companies that had comparatives, as the level of improvement could thus not be analysed due to the lack of comparative data. The companies that did not have comparative data were therefore not included in the study.

Data analysis

The methodology used is quantitative.

A study done by Padia & Yasseen (2011) that sought to examine the extent of strategy disclosure and another done by Wagiciengo & Belal (2012) on the Intellectual capital disclosure was used to inform the type of methodology that could be used to analyse qualitative information within financial statements. The methodology will be addressed in detail in the next paragraphs.

The study is an analytical study in which the narrative components of Annual reports/Integrated reports were analysed using fifteen variables as per the table below (Table 1).

The variables were compiled based on the mandatory and voluntary reporting requirements. The mandatory requirements were informed by the Employment Equity Act Section 22, which relates to the publication of transformation related information within the annual reports of companies. The implied transformation disclosures in the IIRC framework, King IV and the Companies Act were grouped under voluntary requirements.

Mandatory and voluntary requirements were thus used to inform the number of variables that will be used to score the annual reports/integrated reports and the first 10 companies analysed were also used to validate and update with feedback to further inform any additional reporting variable patterns observed that were not catered for relating to transformation disclosure.

Table 1: Transformation disclosure criteria

	Category	Transformation disclosure criteria	V/M¹	Decision rules
1	All categories (Race, Gender and Skill level)	Full Disclosure as per Employment Equity submission	M	Full disclosure relating to the current workforce of the company split by race, gender and skill level as per EE submission.
2	Race	Partial Employee Disclosure Relating to Race Demographics	M	Reporting of the workforce of the company split by race only (gender and skill level not provided)
3		Partial Board Disclosure Relating to Race Demographics	V	Reporting of the board composition of the company split by race only
4		Partial Disclosure Employee Relating to Race Demographics by Skill Level ²	M	Reporting of the workforce of the company split by race & skill level
5	Race and Gender	Partial Employee Disclosure Relating to Racial demographics And Gender	M	Reporting of the workforce of the company split by gender & race
6		Partial Board Disclosure Relating to Racial demographics And Gender	V	Reporting of the board composition of the company split by gender & race
7		Partial Disclosure Relating to Employee Race demographics And Gender by Skill Level²	M	Reporting of the workforce of the company split by race, gender & skill level
8	Gender	Partial Employees Disclosure Relating to Gender	M	Reporting of the workforce of the company split by gender only
9		Partial Board Disclosure Relating to Gender	V	Reporting of the board composition of the company split by gender only
10		Partial Disclosure Relating to Gender by Skill Level ²	M	Reporting of the workforce of the company split by gender & skill level
11	Differently abled	Partial Disclosure Relating to Disabilities	M	Any quantification of employees with disabilities that are employed by the company.
12		Partial Disclosure Relating to Disabilities by Skill Level ²	M	Any quantification of employees with disabilities that are employed by the company by skill level.
13	Other	Disclosure Relating to B-BBEE	V	Any mention/discussion of corporate B-BBEE score in the current year
14		Disclosure Relating to Social Corporate Responsibility	V	Any mention/discussion of corporate social responsibility initiatives done in the current year
15		Other related employee equity disclosure	V	Any mention relating to empowerment of the underrepresented group for example skills development

¹ Voluntary (V) and Mandatory (M) reporting requirement

² Skill level refers to occupational category as per EE Act (refer to Table 6 for full list of categories)

To examine the nature and extent of transformation disclosure the study would apply a content analysis method, the method remains popular in related papers as it seeks to analyse public information systematically, objectively and is considered a reliable approach to determine the content of written publications and to make replicable and valid inferences (Wagiciengo & Belal, 2012). This entailed “codifying qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information”, in this case, the nature of transformation disclosure made by the sampled companies (Maroun et al, 2018).

Table 1 above reflects the content analysis framework divided into five broad categories and the decision rules used to conduct the study to ensure consistency and identification of information.

The annual/integrated reports of each of the fifty companies were individually inspected and an individual score on each of the 15 variables was compiled per company for the 2014 and 2018 year.

A score of zero would denote no disclosure, and a score of one would denote disclosure observed for the variables. Separate variables were created to provision for partial disclosure instead of allocating a partial score of 0.25, 0.5 or 0.75 as noted in similar studies to reduce subjectivity.

The companies in accordance with the Employment Equity Act are required to submit information to the Department of Labour reflecting their current workforce composition stratified by race, gender, skills level (Refer to Table 6) and disabled employees. The company must also disclose this information within the annual reports as per Section 22 of the Act.

The final objective of the study was:

O3: Assessing the reliability of data disclosed in the annual reports/integrated reports of the companies through comparing it to the information submitted to the Department of Labour for the 2014 and 2018 year.

The data submitted to the Department of Labour was requested for the sample selected where a submission was made.

The following criteria would be applied.

1. *Has the company submitted the required report to the Department of Labour*
2. *If yes for criteria 1, then the accuracy of the information reported within the annual report/integrated report was evaluated*

For the first criteria, a score of zero would denote no submission made by the designated employer to the department of labour, and a score of one would denote a submission observed for the variable.

For the second criteria, in cases where a submission was not made, a not applicable would be captured and thus no score allocated. In cases where a submission has been made the score of 1 would represent the accurate detailed (Race, gender and Skill level) information being reported by the designated employer and a score of zero would mean that the company has failed to disclose the relevant information reported to the department of labour (non-disclosure would also be taken as 0 as the company has failed to report on information that it has available to the stakeholders as per legislated requirement). The information relating to the companies submissions were provided by the Department of Labour, this enable the researcher to assess if a company submission had been completed and submitted by the companies selected in the sample.

4. RESULTS

OBJECTIVE 1 (O1): RESULTS

The result scores are presented below relating to transformation disclosure for the 50 companies sampled for 2018. The summary of the results (Table 2 and Figure 1) lists the 15 variables and the corresponding scores per variables. Each variable should add up to 50, which is reflective of the total sample size for completeness. A score of zero denotes no disclosure, and a score of one denotes disclosure observed for the variables

Table 2: Transformation disclosure scores for 2018

	2018	
	0	1
1.Full Disclosure as per Employment Equity submission	42	8
2.Partial Employee Disclosure relating to Race Demographics	39	11
3.Partial: Board Disclosure relating to Race Demographics	33	17
4.Partial: Employee Relating to Race Demographics by Skill Level	49	1
5.Partial: Employee Disclosure relating to Racial demographics and Gender	48	2
6.Partial: Board Disclosure relating to Racial demographics And Gender	43	7
7.Partial: Relating to Employee Race demographics and Gender by Skill Level	48	2
8.Partial: Employee Disclosure relating to Gender	24	26
9.Partial: Board Disclosure Relating to Gender	24	26
10.Partial: Disclosure Relating to Gender by Skill Level	47	3
11.Partial: Disclosure Relating to Disabilities	42	8
12.Partial: Disclosure Relating to Disabilities by Skill Level	50	0
13.Disclosure Relating to BEEE	23	27
14.Disclosure Relating to Corporate Social Responsibility	8	42
15.Other related employee equity Disclosure	41	9

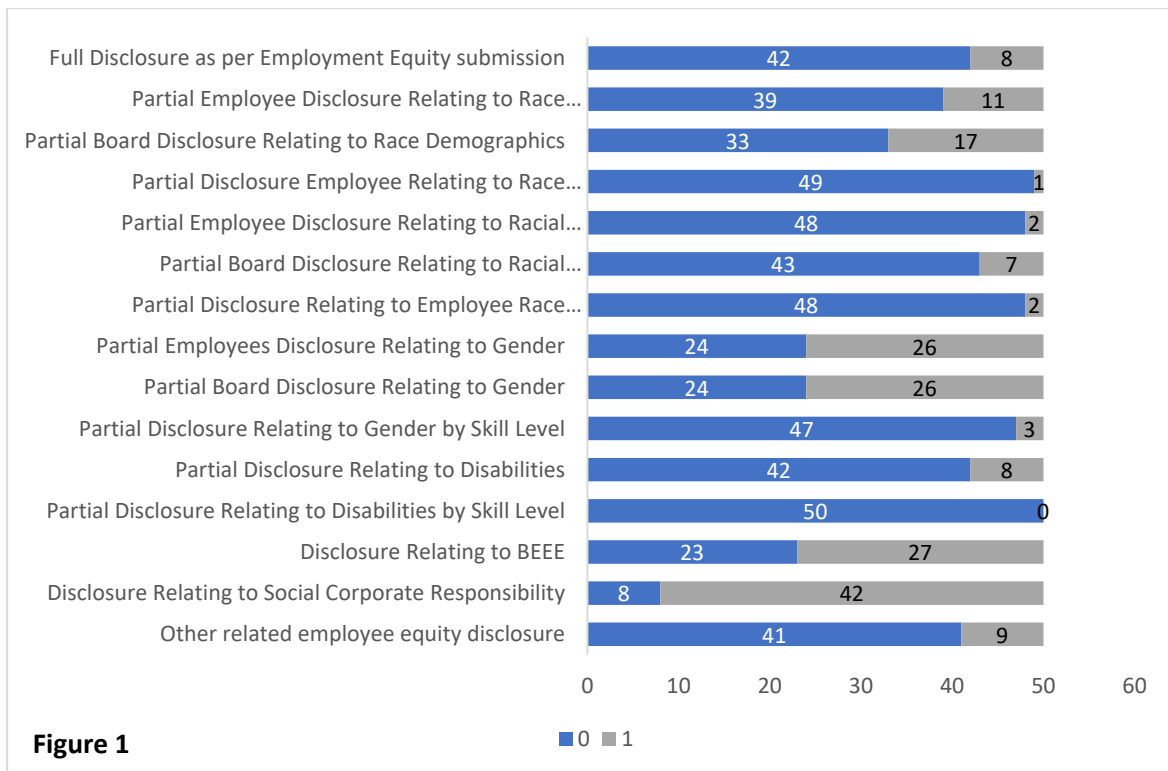


Figure 1: Visual representation of the results for 2018 disclosure patterns

The result above show that the level of transformation disclosure is generally low across majority of the 15 variables for the top 50 listed companies on the JSE for the 2018 year. The most reported category in 2018 being the variable around corporate social responsibility with 42 companies (84 %) disclosing information in this area.

The second most reported variable was disclosure relating to B-BBEE with 27 companies (54%) disclosing this information, while the least reported variable was that relating to employees who are differently abled by skill level where it was observed that not a single company disclosed information that complied with this variable. The observation relating to differently abled persons disclosure can be linked to the CEE report by the Department of Labour stating that the representation of persons with disabilities remains at 1% of the total workforce and their representation remains low at all six occupational levels. Data collected from Employment Equity Reports suggests that persons with disabilities from the white population groups and the male groups are also preferred candidates for critical occupational levels in the workplace (Department of Labour, 2018)

One of the most concerning finding observed being the non-compliance when taking into account the variables that are considered to be mandatory as they are legislated

through the Employment Equity Act. It was observed that only 8 out of the 50 companies disclosed detailed employee information by race, gender and skill level. Of this, 8 companies half of the companies (4) that disclosed were further observed to be operating in the Financial sector. It was also observed that the Mining sector had one of the lowest levels of disclosure and this would be discussed further under O2 results by sector. It was also note that that a significant number of these companies do not have their primary listing on the JSE and therefore do not produce an integrated report. Their reporting requirements would be dictated by the jurisdiction of incorporation. The annual reports of the company were analysed in these instances.

OBJECTIVE 2 (O2): RESULTS

The second objective investigated the development in transformation disclosure trends over the period 2014-2018. The results are presented in Table 3 and a visual representation in Figure 3 and 4

Table 3: Scores for sample companies

	2018		2014		
	0	1	0	1	N/A*
1.Full Disclosure as per Employment Equity submission	42	8	40	6	4
2.Partial Employee Disclosure relating to Race Demographics	39	11	38	8	4
3.Partial: Board Disclosure relating to Race Demographics	33	17	42	4	4
4.Partial: Employee relating to Race Demographics by Skill Level	49	1	45	1	4
5.Partial: Employee Disclosure Relating to Racial demographics and Gender	48	2	45	1	4
6.Partial: Board Disclosure relating to Racial demographics And Gender	43	7	41	5	4
7.Partial: Relating to Employee Race demographics and Gender by Skill Level	48	2	44	2	4
8.Partial: Employee Disclosure relating to Gender	24	26	30	16	4
9.Partial: Board Disclosure Relating to Gender	24	26	21	25	4
10.Partial: Disclosure Relating to Gender by Skill Level	47	3	39	7	4
11.Partial: Disclosure Relating to Disabilities	42	8	43	3	4
12.Partial: Disclosure Relating to Disabilities by Skill Level	50	0	45	1	4
13.Disclosure Relating to BEEE	23	27	19	27	4
14.Disclosure Relating to Corporate Social Responsibility	8	42	19	27	4
15.Other related employee equity Disclosure	41	9	39	7	4

*Some companies were only listed after 2014 and thus had no data for the 2014-year end

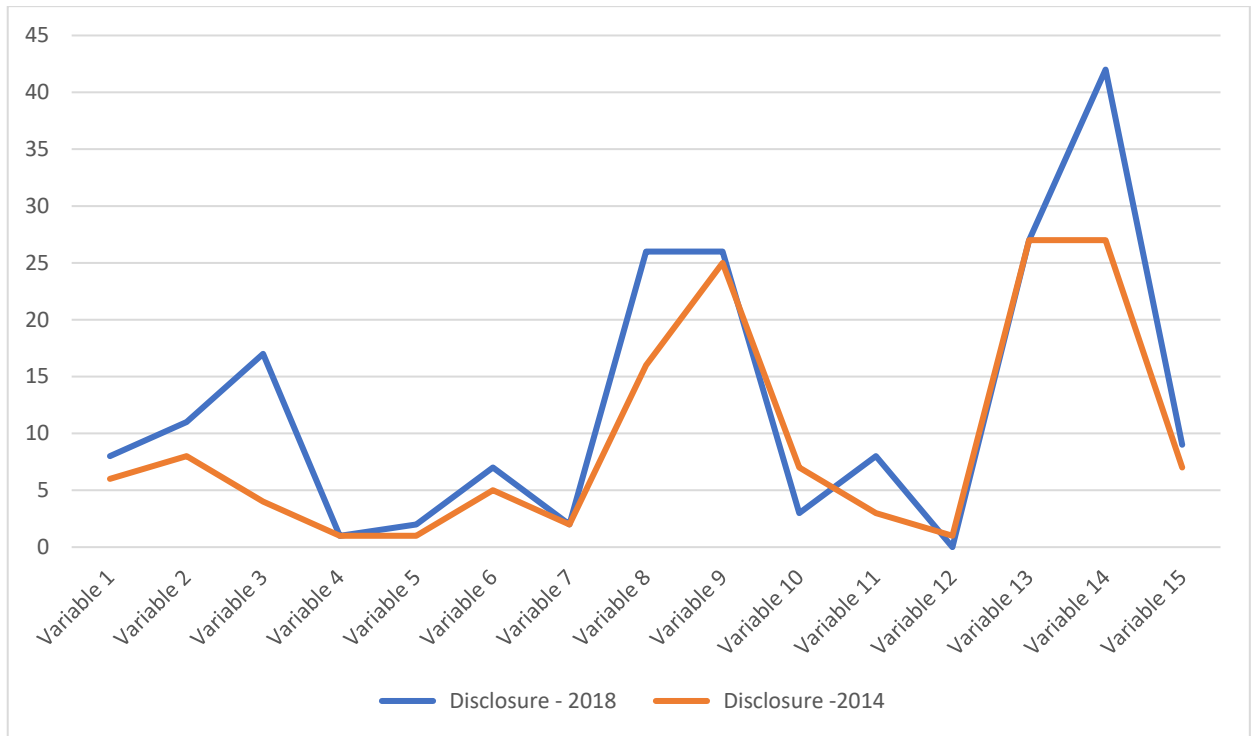


Figure 2: Visual representation of the results for 2014 compared to 2018 disclosure patterns

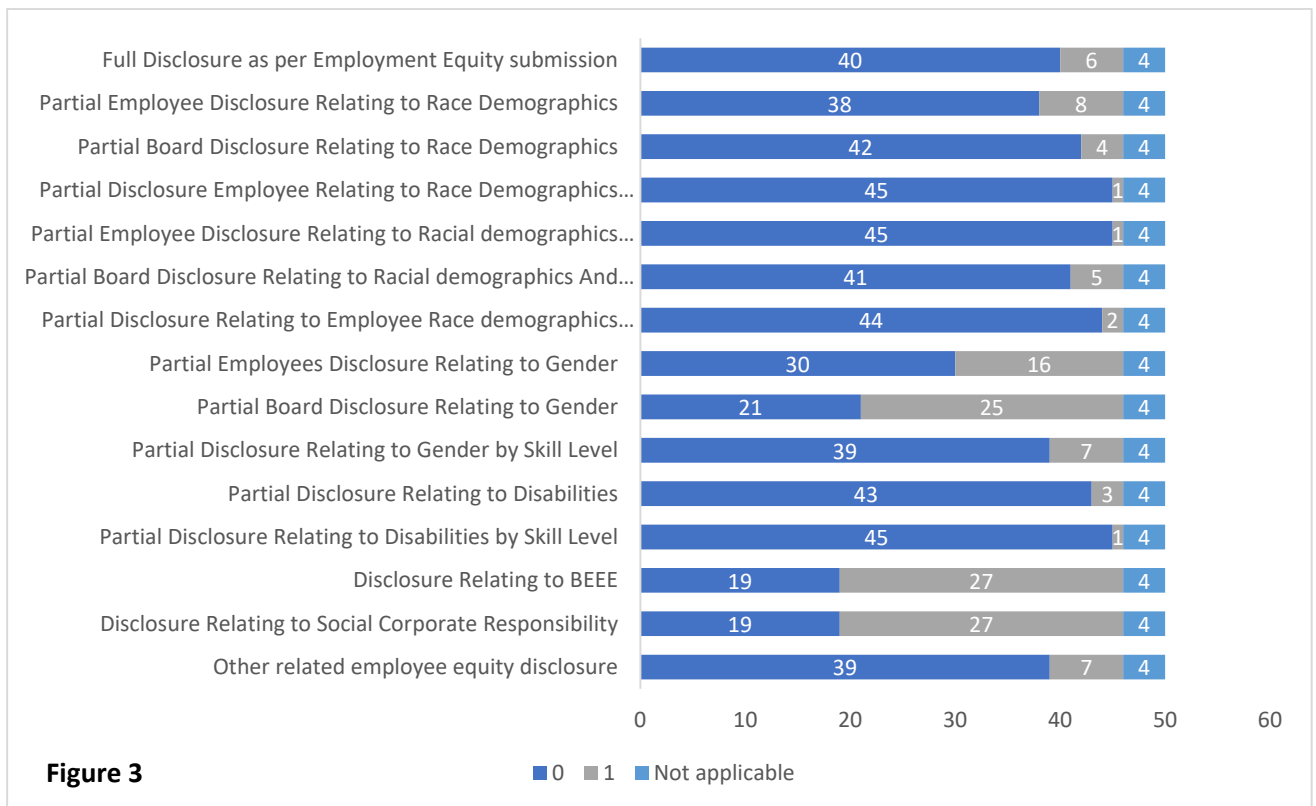


Figure 3: Visual representation of the results for 2014 disclosure patterns

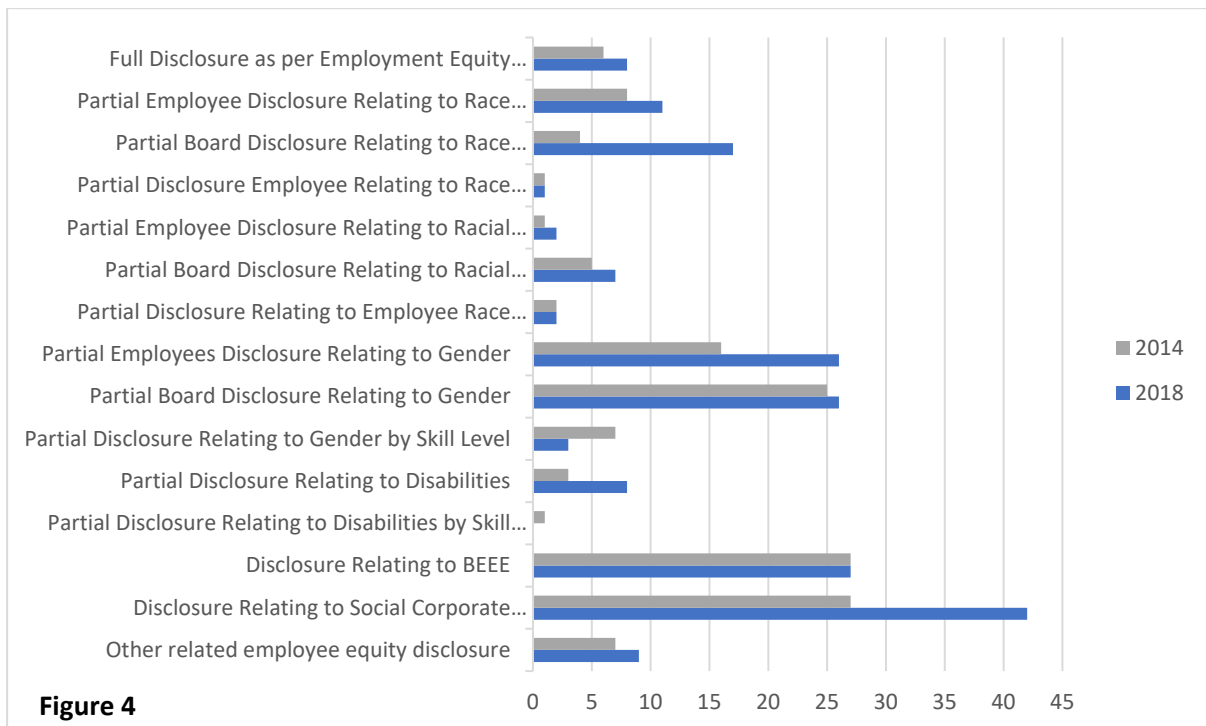


Figure 4: Visual representation of disclosure improvements per variable

Most of the variables above reflected an improvement in transformation disclosure over the 5-year period under analysis. The most significant improvement being that relating to the variable around corporate social responsibility which only 27 companies were disclosing in 2014 compared to the 42 companies in 2018 which represents an improvement of 25% (after excluding the 4 companies that listed post 2014). The second variable that saw a significant improvement being that around the race demographics of the board with only 4 companies disclosing this type of information in 2014 compared to the 17 companies for 2018 (which also represented an improvement of 25 %). A more diverse board is argued to have functional as well as symbolic benefits in virtually all circumstances for the long-term wellbeing of a company (Ntim & Soobaroyen, 2013). The emphasis placed around board diversity also observed under King IV could be part of the reason that has promoted the observed improvement in disclosure.

The third variable that showed improvement being the gender split in relation to the workforce. There were 16 companies disclosing this information in 2014 versus the 26 companies in 2018 (17% improvement). This implies that companies perceive the gender dialogue topic to be relevant hence the increased level of disclosure. However

within the gender disclosure there is still minimal disclosure of gender by the skill level which is also a key component relating the pay differentials between males and females (Bishu & Alkadry, 2017).

An area that has showed little to no improvement is pertaining to workforce race disclosure of the company. This is of concern as this reporting forms part of the mandatory reporting requirements and is key towards ensuring equality as part of the three core values of freedom, equality and human dignity embodied in the Constitution (South Africa, 1996).

The companies sampled were observed to score better on the voluntary reporting requirements versus the mandatory requirements overall. The mandatory disclosure requirement maybe was done for compliance purposes and may thus elicit a begrudging sense of compliance rather than a deeper commitment to meeting the goals of the legislation. The key group of individuals that could be seen to be responsible for meaningful transformation within the companies were the directors of the company (Horwitz & Jain, 2011).

Companies were also observed to be paying lip service to the transformation agenda in their reports, these companies went to great lengths to discuss the importance of transformation/employment equity as an important part of their business and that they will continue to monitor progress around these issues meanwhile these statements did not translate into observable numbers. This finding was also noted in the EY Excellence Awards Report 'At one point in the early stages of integrated reporting, we witnessed the compilation of beautiful marketing documents masquerading as integrated reports that were far-removed from the realities facing organisations. The current business environment demands more substance over form, and that organisations should explain the context and environment in which they operate to their stakeholders' (EY, 2018).

The persistent low levels of transformation disclosure as a trend may be explained by similar observation made by the Department of Labour in previous CEE reports around the 'lack of commitment from top management '(Department of Labour, 2018). Top management (Directors) was mainly represented by white males and thus the concern remained around the adverse effects that this could have towards an equitable representation at every other occupational level (Booysen, 2007).

OBJECTIVE 2A (O2A): RESULTS

The sample selected spanned across 19 sectors (Refer to Table 4 & 5) of which the biggest sectors represented in the sample by market capitalisation were selected for further analysis. These sectors selected were Mining (which contributed 19%) and the Financial sector (This includes the financials services, banks and Insurers – which contributed 16.6%). The full results for all sectors can be found in Table 8 of the Appendices.

Mining Sector

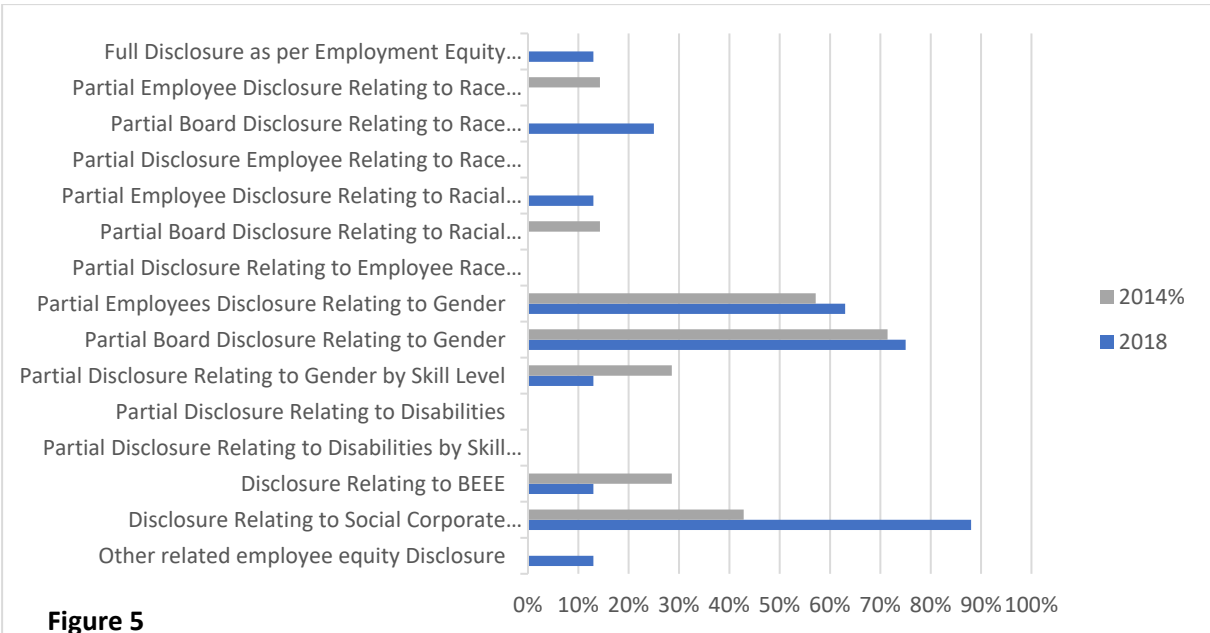


Figure 5

Figure 5: Visual representation of disclosure improvements for Mining sector

The biggest sector represented by market capitalisation was Mining and the results observed for this sector showed that the sector was lagging behind when it came to disclosure in relation to most of the variables (Refer to Table 8 in the appendix for a comparison across all the sectors).

The transformation disclosure pattern observed within the sectors was consistent to that of the broader population with an emphasis being observed around corporate social responsibility followed by board gender diversity and on the extreme side where no disclosure was noted was again around people who are differently abled.

It was also noted that the mandatory transformation disclosure variables for this sector were low with a level of 13 % for the full disclosure variable in 2018, which shows a significant improvement from 2014 when not a single company in the Mining sector was disclosing the full disclosure information. This is concerning considering, given the high social and environmental impact, as well as the significant contribution that the South African mining sector makes to the South African economy.

Financial Sector

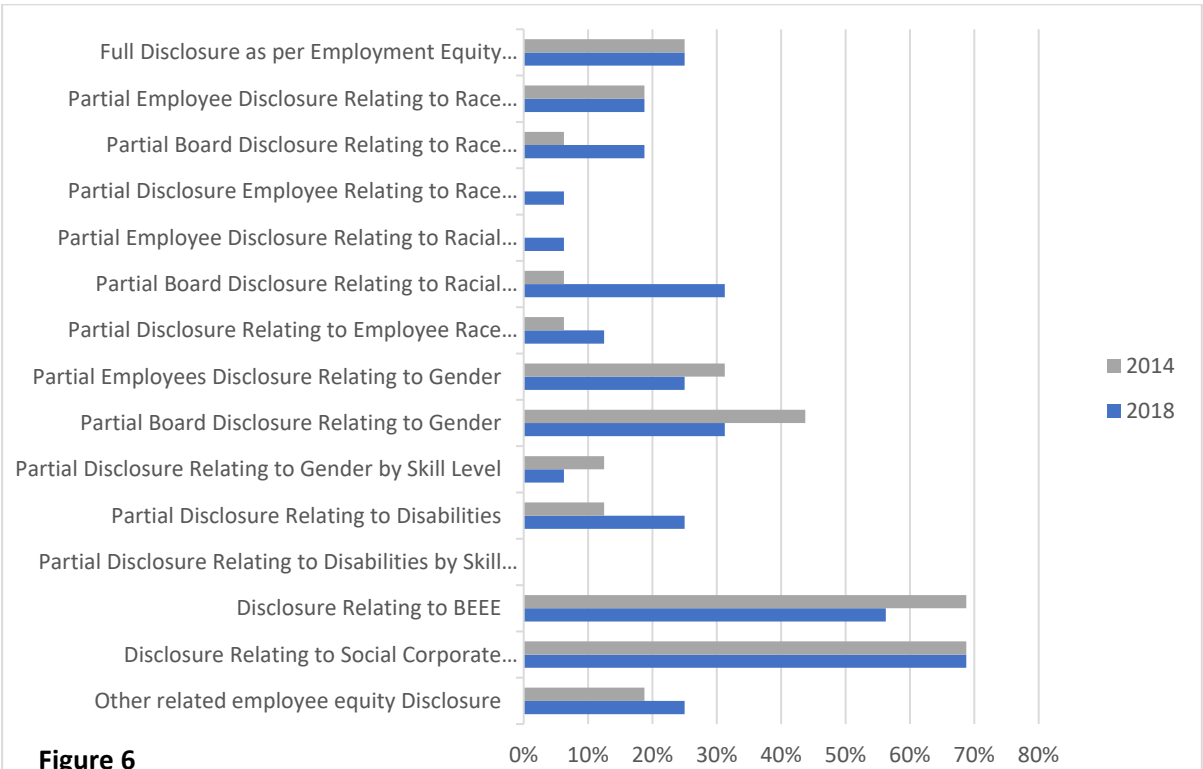


Figure 6: Visual representation of disclosure improvements for Financial sector

Companies in this sector had the highest levels of disclosure relating to the mandatory variables, conversely this could be taken to mean that the highest levels of compliance were observed in this sector when compared to other sectors (refer to Table 5 for results relating to all 19 sectors).

The transformation disclosure trend for the Financial sector has a strong correlation to the trends observed for the entire sample population, with the most significant variables reported by this sector being Corporate social responsibility, B-BBEE and board gender diversity. The variables noted to have shown significant improvements were disclosure relating to the board composition based on race and gender with a 25 %

improvement and disclosures relating to employees that are differently abled showing a 13 % improvement.

Based on these results, the Financial Sector could be perceived as making more strides towards transparent transformation disclosure and the reports could be argued to be contributing meaningfully to the transformation dialogue in this sector. The presence and commitment of the sector specific transformation charter could have an integral role to play towards the results observed.

OBJECTIVE 2B (O2B): RESULTS

The next analysis done was to compare the transformation disclosure relating to local companies versus companies that were domiciled overseas (foreign companies) for the 2014 and 2018 years. There are 35 local companies (70 %) represented in the sample and the remaining 15 (30 %) related to foreign companies.

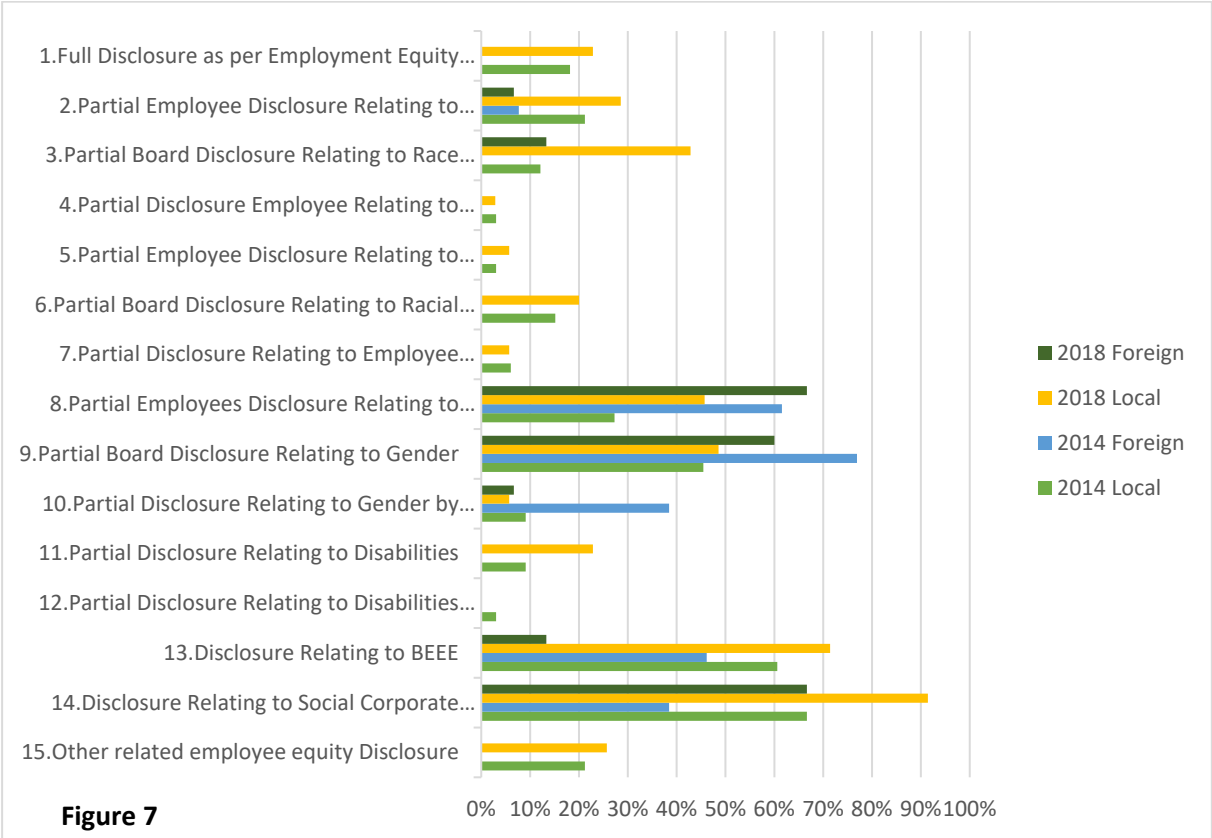


Figure 7: Local versus foreign analysis

It was noted that when it came to the reporting of the full mandatory employment equity disclosure the local companies disclosed more relevant information than foreign companies. This is due to the fact that their reporting requirements would be dictated by the jurisdiction of incorporation. The foreign companies were noted to be beneficiaries of South African economic growth and mostly through the utilisation of a South African Labour force. In other cases, the foreign companies have limited operations in SA and therefore did not have a transformation imperative.

The foreign companies did however have better disclosure when it came to issues around gender relating to the board and the workforce representation. This could be attributable to the fact that there are more stringent rules internationally around the gender agenda and the correlating gender pay gap (For example the United Kingdom and European Union have legislation around the reporting of the information , (Boll et al, 2016)).

OBJECTIVE 3 (O3): RESULTS

In order to assess the reliability of the disclosure within the company's annual reports/integrated reports; it was first determined whether the relevant company had submitted their employment equity report to the Department of Labour. Once this was established the relevant information was requested from the Department of Labour and then the information was compared to the results disclosed by the company.

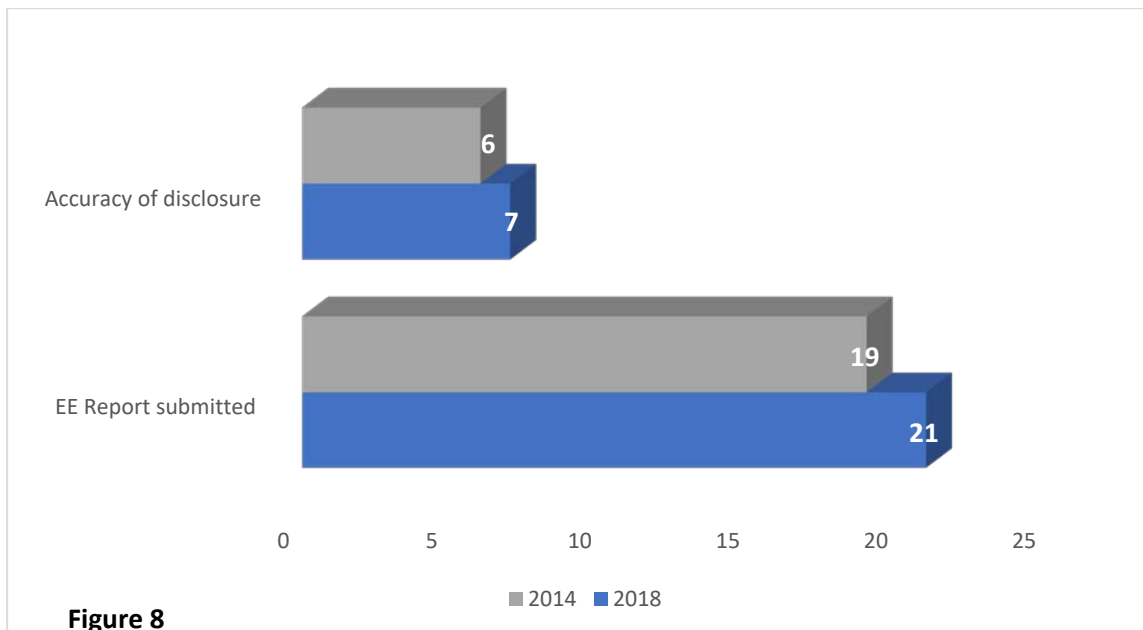


Figure 8: Accuracy of disclosure compared to submission

It was noted with concern that a number of companies were not submitting the relevant information to the department for monitoring and reporting as a starting point and thus reliability of the information disclosed in the annual/integrated reports could not be assessed for reliability. For the 2018 year it was found that 21³ out of the 50 companies reported the information to the Department of Labour (Refer to figure 8) when compared to 19 out of 50 for the 2014 year.

The second step was then to take the companies that had submitted the relevant information to the Department of Labour and trace this information through to the companies' reports (annual/integrated report). It was seen that in 2018, 7 out of the 21 companies had disclosed the information accurately in comparison to 6 out of 19 for 2014. These results should be of concern as they highlight that a large number of companies were not submitting the relevant reports to the Department of Labour (Non-compliance) and secondly when they do submit the reports, the results are not disclosed in the annual/integrated reports of the companies (Disclosure non-compliance).

The high pattern of non-disclosure was noted with concern, especially relating to the Employment Equity Section 22 requirement where companies had submitted a report

³ It was noted that a small number of the companies that did not necessarily operate or trade in the country and were mainly listed on the exchange were exempt from the submission.

to the Department of Labour but had opted to not disclose information within the annual/integrated reports despite having access to this information. Non-disclosure was noted to possibly infer that firms may not be complying with the legislation, since to disclose information would open them to challenge where it is known that they do not have the appropriate policies (Adams et al., 1995).

The EY's Excellence in Integrated Reporting Awards 2018 that seeks to recognise, encourage and benchmark standards of excellence in the quality of integrated reporting to investors and other stakeholders was also examined to assess whether there was any correlation to the results observed in the study. It was notable that most of the Top 10 companies that were recognised by the awards, 7 out of that 10 had disclosed some information relating to transformation. There was thus a strong positive correlation found between the awards and the level of transformation disclosure noted in this study.

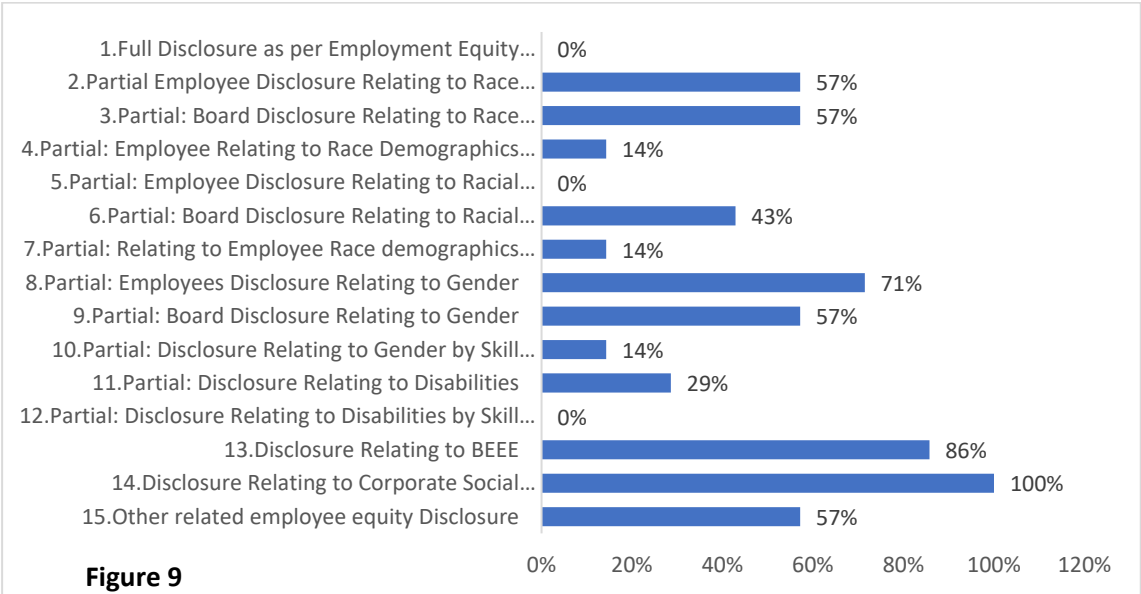


Figure 9: Level of disclosure for 2018 for the EY Top 10 companies

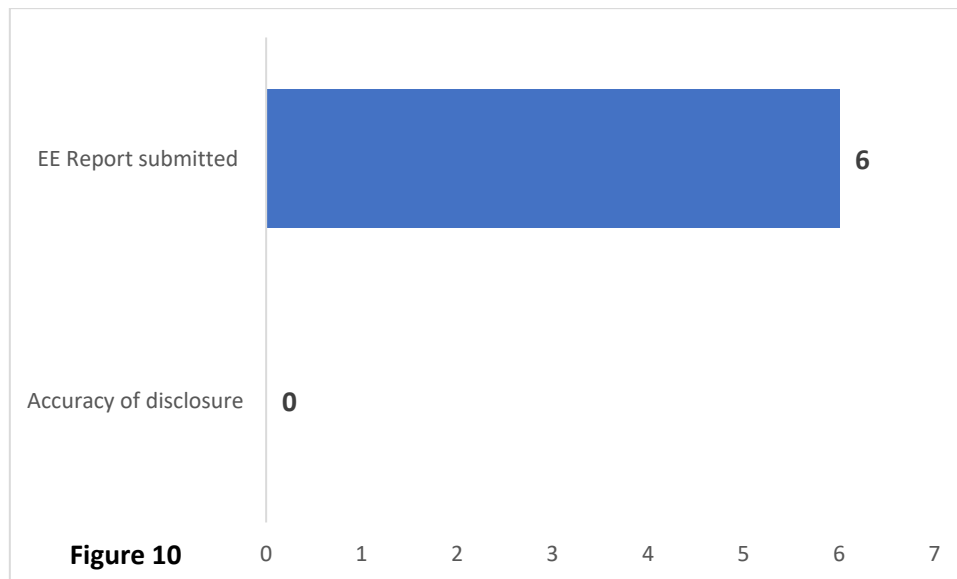


Figure 10: Reliability of data disclosed

From the observations made it remains clear that there is sub optimal disclosure done around transformation as not a single one of the Top 10 companies had reported on the full detailed information relating to transformation. The positive observation being that 6 out of the 7 companies were making the submission to the Department of Labour to be monitored, however the pattern of non-disclosure when the companies had the information readily available was noted with concern.

To summarise, the patterns of low levels for transformation disclosure observed (2018:7 out 21 and 2014:6 out of 19) could hinder the stakeholder from having a mechanism (via disclosure) to challenge and hold companies accountable (absence of transparency through silence) .The impact of the incomplete or poor quality information can erode confidence in the validity of the information provided and could lead to a trust deficit when it comes to the company’s annual reports (Marais et al., 2017).

5. CONCLUSION

The main research question was designed to assess the current extent and nature of transformation disclosures for the Top 50 South African companies listed on the Johannesburg Stock Exchange for the 2018 year. The second part of the study examined the development of reporting trends over the 5-year period (2014 -2018). The results obtained in the second part of the study would be explored by stratification of companies into sectors and by local versus foreign companies.

Lastly the study compared the information disclosed by companies in their annual reports/integrated reports with the data submitted to the department of labour for reliability.

The findings make a number of new contributions to literature.

Under objective 1 a large number of companies listed on the Johannesburg Stock Exchange, representing more than 80 % of the market capitalisation were found to not be making the required transformation disclosure, despite noting the importance of transformation in South Africa.

Under objective 2 the slight improvement overall in the transformation disclosure that companies made when comparing the 2014 and 2018 year was noted, the most notable improved disclosure area being that relating to disclosure around corporate social responsibility. Using the legitimacy theory it can be explained that the increased disclosure in the corporate social responsibility category could form part of corporate strategy to align with the societal expectations by demonstrating that they are addressing these issues (Wagiciengo & Belal, 2012).

On a sectorial level it was found that mining companies had a lower propensity towards transformation disclosure which was similar to a study done on the intellectual capital disclosure that showed a similar attitude from mining companies towards intellectual capital disclosures and their attitude towards disclosure (Wagiciengo & Belal, 2012).

On the contrary, the financial sector showed considerable progress relating to transformation disclosure. This was arguably due to the sectorial specific commitment around transformation made by the companies in this sector. Local companies reported more information relating to transformation versus foreign companies.

Under objective, 3 areas of concern were also noted around the lack of non-compliance from the companies by not submitting the relevant information to the Department of Labour in contravention of Section 22 of the Employment Equity Act. Another compelling observation related to the companies that had access to the information and made submissions to the Department of Labour but failed to disclose this information in their annual reports/integrated reports as required by Section 22.

A trend towards disclosing generic policies relating to transformation that were not necessarily supported with the relevant data on further inspection was noted. For example, one of the companies disclosed, “being pleased with the progress they had made on employment equity”, despite having an African representation of 5% on a senior to top management level.

Despite the improvements in disclosure over the years, the current level (2018) of transformation disclosure remains concerningly low and, in most cases, does not comply with the minimum mandatory requirement prescribed within the Employment Equity Act. Even the EY’s Excellence in reporting top 10 companies were seen to be falling short on their transformation disclosure and these are the companies that were paving the way in terms of quality reporting.

The importance of transformation has been discussed in previous chapter and the role that disclosure has to play towards accountability and thus serving as a useful tool to progress the transformation agenda. The Department of Labour annual reports findings state that the lack of equitable representation at the Top Management level does not bode well for the future sustainable economic growth of the country as we continue not to be inclusive and representative of the demographic population distribution in the workplace in terms of population groups, gender and disability. Top management are key individuals within the company that have authentic power to challenge and make meaningful change within the company as they have been entrusted with the role of governance (The Institute of Directors in Southern Africa, 2016)

The Department of Labour report continues to state that *‘representation at the Senior Management level still remains appalling for the African and Coloured Population Groups, with the representation of the White and Indian Population Groups still at more than double and the representation of females is at about half their EAP [Economically*

Active Population (EAP) includes people from 15 to 64 years of age who are either employed or unemployed and are seeking employment]. Drastic steps must be taken to capitalise on the opportunities in the workplace by developing, recruiting and promoting persons from designated groups at the Professionally Qualified level'(Department of Labour, 2018).

Disclosure by companies relating to transformation should be seen as an important contributor that could support the on-going dialogue around transformation within the country however the current state of disclosure would offer little in the way of opportunity for facilitating action on the part of the company stakeholders, and therefore be viewed as exercising accountability (Cooper & Owen, 2007).

In the absence of transformation disclosure, it can be argued that the stakeholders are not able to hold the largest companies that contribute a significant portion to the economy accountable towards meeting the larger goals of equality that are embodied in the Constitution.

6. RECOMMENDATIONS

There does seem to be awareness with most companies around transformation and the importance of its objectives in South Africa however, the appreciation of the role that disclosure could contribute towards ensuring accountability does not appear to be acknowledged.

Despite the awareness relating to the importance of transformation, the culture around non-compliance over the years has not changed. Prior papers have also found that ‘managers who may be adequately performing their ‘traditional’ jobs and generating income for the company, but who are not committed to the sentiments of employment equity are still rewarded and promoted within companies”(Thomas, 2003). In order to transform this culture, zero tolerance policies around non-compliance should be developed in companies and the reward structures for management be linked and affected negatively by instances of non-disclosure especially around transformation.

It was noted that there were wide differences relating to the accuracy of transformation disclosure when compared to the data submitted to the Department of Labour and some attention to the quality of information disclosed by companies was required. One possible suggestion is to adopt a disclosure framework, such as those proposed by the Global Reporting Initiative, to ensure that transformation disclosures meet a minimum threshold of relevance and reliability within the companies integrated reports (Ntim & Soobaroyen, 2013).

At some point in the future it would be notable if audit firms can provide assurance over the whole integrated report as this would further add integrity to the reports and the information reported (EY, 2018). The assurance on the reports is noted to be a long-term recommendation as there is a lot of work to be done in this area (EY, 2018) .

In the short term, a platform to recognise the ‘Top reporting companies around transformation’ could be implemented. There are various platforms that recognise companies that empower and make significant improvements to communities and these platforms can also have a role to play by ensuring that the transformation disclosure requirement is one of the criteria used to judge the companies.

The social and ethics committee members would be expected to take on more responsibility around the transformation agenda and the supporting activities within the

company. However, the level of transformation relating to the composition of these committee structures was questionable and could benefit from the committee applying transformation when it comes to its composition, before holding the rest of company accountable. A more diverse and transformed representation of boards in general has been argued to improve decision making and enhance a corporation's public image by conveying commitments to equal opportunity and inclusion when diversity is well managed. To achieve such benefits, diversity must ultimately extend beyond tokenism, and corporations must be held more accountable for their progress (Rhode & Packel, 2014).

The above recommendation also ties in with one of the key areas noted by the Department of Labour and a study done by Booysen, 2007 around the lack of commitment from top management. Top management are noted to be mainly white and lack diversity, and this can be seen as not being inclusive. Transformation at the top and senior management structure must be closely monitored and have tangible consequences when not achieved as this can affect transformation at all levels of the company.

The picture is further compounded by the employment equity plans that are submitted to the Department of Labour that reflects the company's outlook into the future, this reveals that companies are planning to remain or marginally improve on the low levels of transformation when it comes to top management and senior management skill levels. The company with the highest transformation targets relating to top management and senior management reported that they intended to have a 50 % representation in the future with the lowest target being a plan of 7% going forward.

A more engaging and transformative leadership culture would require senior executives of companies to be seen to be more visibly engaged in leading company change, the transformation of company structures including main boards, corporate culture and human resource capacity building (Horwitz & Frank, 2011). It is trusted that transformation at the top management and senior management levels would have a positive effect on the level of transformation disclosure currently observed.

7. LIMITATIONS

These results discussed in the previous chapter should be interpreted with caution, bearing in mind some limitations of the research as noted below.

The annual reports examined in this study are from very large companies and cannot be generalized to small and medium sized enterprises as it was noted in a study done that concluded that the quality of corporate social disclosures is linked to firm size (Cowen et al., 1987; Gray et al., 1993).

The study focuses on private sector employers and the public sector has been scoped out of the investigation.

Content analysis assumes that the content categories identified in written messages of annual reports have meanings that can be categorised; therefore, it is an acceptable method for coding annual reports. A decade ago, Milne and Adler (1999:237) referred to various studies that employed the content analysis research method to research the disclosures companies make in their annual reports. Recent literature (Abeysekera 2007:333; Boesso & Kumar 2007:281; Cowan & Gadenne 2005:173; Vandemaele, Vergauwen & Smits 2005:420; April et al 2003:167) still considers content analysis an acceptable research method for analysing annual reports, because the technique is particularly useful for extracting information which is not explicitly presented in a quantified and structured format, but is never-the-less implicit in the information according to Guthrie and Parker (1990).

Futures areas of research could be to investigate and further explore in order to obtain a deeper understanding into the motives underlying level of transformation disclosure by interviewing managers that prepare these reports.

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9. APPENDICES

Table 4 – Sector classification summary

Sector number*	Sector	Count of Companies	% Market Cap
1	Mining	9	19,4%
2	Beverages	1	17,8%
3	Tobacco	1	14,1%
4	Media	1	11,0%
5	Financial Services	8	7,6%
6	Personal Goods	2	5,6%
7	Banks	4	5,2%
8	Insurance	4	3,8%
9	Mobile Telecommunications	2	2,8%
10	Oil and Gas	1	2,8%
11	General Industrials	3	2,1%
12	Real Estate Investment & Services	3	1,5%
13	Health Care Equipment & Services	2	1,4%
14	Food & Drug Retailers	2	1,3%
15	Real Estate Investment Trusts	2	1,0%
16	General Retailers	2	0,9%
17	Pharmaceuticals & Biotechnology	1	0,8%
18	Food Producers & Processors	1	0,4%
19	Forestry & Paper	1	0,4%

*The reference will be used in table 5 below

Table 5 - Sector classification details

Sector	Company Name
Mining	GLENCORE XSTRATA PLC
	BHP BILLITON PLC
	ANGLO AMERICAN PLC
	ANGLO AMERICAN PLATINUM CORPORATION LIMITED
	KUMBA IRON ORE LTD
	ANGLOGOLD ASHANTI LIMITED
	ASSORE LTD
	SOUTH32 LIMITED
	EXXARO RESOURCES LIMITED
Tobacco	BRITISH AM. TOBACCO PLC
Beverages	ANHEUSER-BUSCH InBev SA NV
General Retailers	WOOLWORTHS HOLDINGS LIMITED

	MR PRICE GROUP LIMITED
Food & Drug Retailers	CLICKS GROUP LTD
	SHOPRITE HOLDINGS LIMITED
Personal Goods	COMPAGNIE FIN RICHEMONT
	PEPKOR HOLDINGS LIMITED
Media	NASPERS LIMITED
Mobile Telecommunications	MTN GROUP LIMITED
	VODACOM GROUP LIMITED
Oil and Gas	SASOL LIMITED
Banks	STANDARD BANK GROUP LIMITED
	ABSA GROUP LIMITED
	NEDBANK GROUP LTD
	CAPITEC
Financial Services	FIRSTRAND LIMITED
	REMGRO LIMITED
	RMB HOLDINGS LIMITED
	OLD MUTUAL LIMITED
	REINET INVESTMENTS SCA
	PSG GROUP LIMITED
	INVESTEC
	QUILTER PLC
Insurance	OLD MUTUAL PLC
	RAND MERCH INS HLDGS LTD
	DISCOVERY HOLDING LIMITED
	SANLAM LIMITED
Pharmaceuticals & Biotechnology	ASPEN PHARMACARE HLDGS
General Industrials	THE BIDVEST GROUP LIMITED
	MONDI PLC PRE
	MONDI LIMITED
Health Care Equipment & Services	MEDICLINIC INT PLC
	BID CORPORATION LTD
Food Producers & Processors	TIGER BRANDS LTD
Real Estate Investment Trusts	GROWTHPOINT PROPERTIES LIMITED
	REDEFINE PROPERTIES LTD
Real Estate Investment & Services	CAPITAL & COUNTIES PROP PLC
	NEPI ROCKCASTLE PLC
	HAMMERSON PLC
Forestry & Paper	SAPPI LIMITED

Table 6: Skill level

	Occupational category
1	Top management
2	Senior management
3	Professionally qualified and experienced specialists and mid-management
4	Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents
5	Semi-skilled and discretionary decision making
6	Unskilled and defined decision making

Table 7: Variables and variable number allocation

Variable number	Transformation disclosure criteria
1	Full Disclosure as per Employment Equity submission
2	Partial Employee Disclosure Relating to Race Demographics
3	Partial Board Disclosure Relating to Race Demographics
4	Partial Disclosure Employee Relating to Race Demographics by Skill Level ⁴
5	Partial Employee Disclosure Relating to Racial demographics And Gender
6	Partial Board Disclosure Relating to Racial demographics And Gender
7	Partial Disclosure Relating to Employee Race demographics And Gender by Skill Level
8	Partial Employees Disclosure Relating to Gender
9	Partial Board Disclosure Relating to Gender
10	Partial Disclosure Relating to Gender by Skill Level
11	Partial Disclosure Relating to Disabilities
12	Partial Disclosure Relating to Disabilities by Skill Level
13	Disclosure Relating to B-BBEE
14	Disclosure Relating to Social Corporate Responsibility
15	Other related employee equity disclosure

⁴ Skill level refers to occupational category as per EE Act (refer to Table 6 for full list of categories)

Table 8: Full sector transformation disclosure results (by percentage)

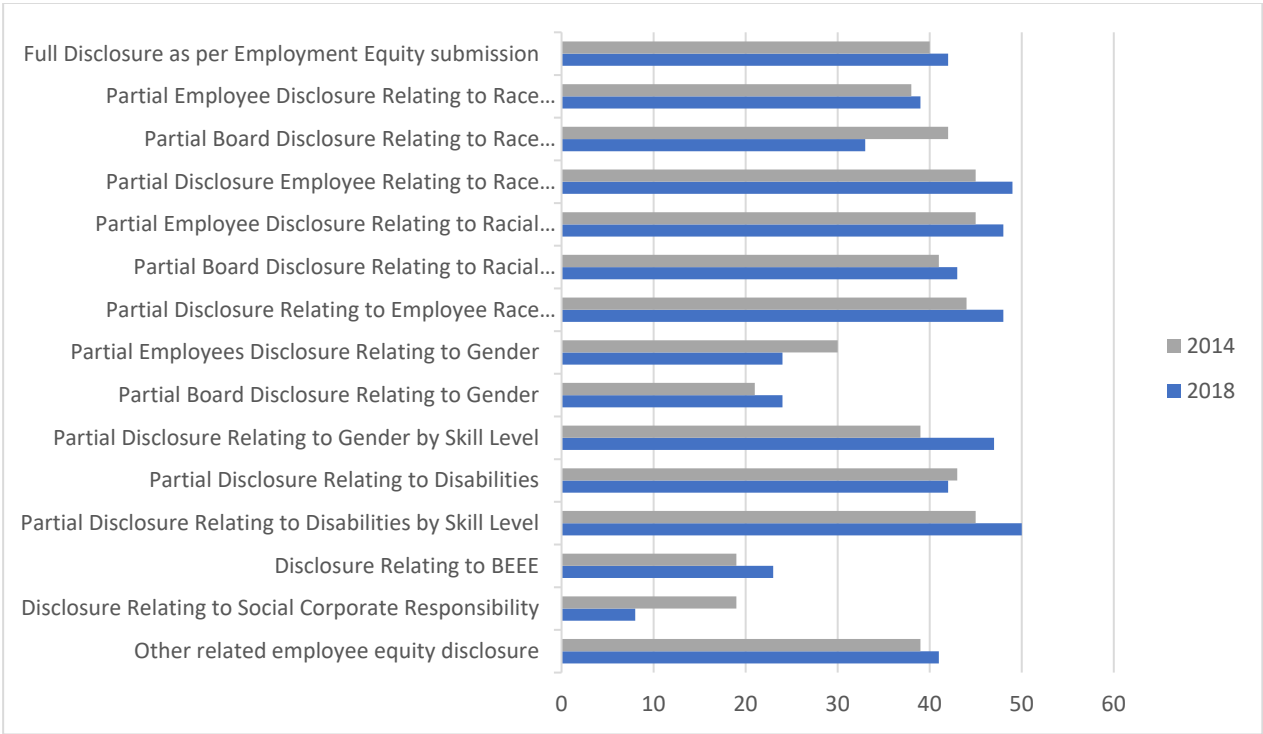
	Sectorial numbers (as per Table 4)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	13	0	0	0	25	0	25	25	0	0	0	0	0	0	100	50	0	0	0
2	0	0	0	100	25	0	25	0	50	50	0	0	50	100	0	0	100	100	0
3	25	0	100	0	25	0	0	25	100	100	33	0	100	50	0	50	100	100	0
4	0	0	0	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0
5	13	0	0	0	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	0	0	0	0	25	0	75	0	50	0	0	0	0	50	0	0	0	0	0
7	0	0	0	0	13	0	25	0	0	0	0	0	0	0	0	0	0	0	0
8	63	0	100	100	25	0	25	25	50	100	100	100	100	100	50	0	100	0	0
9	75	0	100	0	38	0	0	50	50	100	100	67	100	50	0	50	100	100	0
10	13	0	100	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0
11	0	0	0	0	13	0	50	25	50	0	0	0	0	50	0	50	0	100	0
12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	13	0	0	100	38	0	100	50	100	50	100	0	50	100	100	100	100	100	100
14	88	100	100	100	63	100	100	50	100	100	100	67	100	100	100	100	100	100	0
15	13	0	0	0	0	0	75	25	100	0	0	0	0	0	0	50	0	100	0

Table 9: Search criteria used to interrogate the annual reports/integrated reports

The search was conducted on the following words to facilitate the process:

- Race
- African/Black/Coloured/Indian
- Transformation
- Gender
- Female/Male
- Disabilities
- People
- Employee
- Corporate social responsibility
- Social and ethics
- Employment equity
- Skills development
- B-BBEE/BEEE

Comparative analysis of non-disclosure made



Employment equity commission summary relating to the private sector (2018)

PRIVATE SECTOR

WORKFORCE PROFILE FOR ALL EMPLOYEES	Male				Female				Foreign National		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	4 137	1 736	3 912	32 178	1 958	984	1 428	7 402	1 684	273	55 692
	7.4%	3.1%	7.0%	57.8%	3.5%	1.8%	2.6%	13.3%	3.0%	0.5%	100.0%
Senior Management	12 626	5 773	9 361	52 548	6 717	3 756	4 835	23 533	3 185	959	123 293
	10.2%	4.7%	7.6%	42.6%	5.4%	3.0%	3.9%	19.1%	2.6%	0.8%	100.0%
Professionally qualified and experienced specialists and mid-management	60 997	21 749	24 326	109 406	41 589	17 585	17 593	68 087	8 217	2 846	372 395
	16.4%	5.8%	6.5%	29.4%	11.2%	4.7%	4.7%	18.3%	2.2%	0.8%	100.0%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	402 878	80 237	43 692	157 633	218 251	71 254	36 564	124 133	22 255	5 283	116 2180
	34.7%	6.9%	3.8%	13.6%	18.8%	6.1%	3.1%	10.7%	1.9%	0.5%	100.0%
Semi-skilled and discretionary decision making	916 415	115 413	31 048	53 475	558 346	120 379	31 934	68 115	50 765	7 022	1 952 912
	46.9%	5.9%	1.6%	2.7%	28.6%	6.2%	1.6%	3.5%	2.6%	0.4%	100.0%
Unskilled and defined decision making	563 321	61 654	6 012	9 072	369 734	60 641	3 618	4 072	36 000	9 155	1 123 279
	50.1%	5.5%	0.5%	0.8%	32.9%	5.4%	0.3%	0.4%	3.2%	0.8%	100.0%
TOTAL PERMANENT	1 960 374	286 562	118 351	414 312	1 196 595	274 599	95 972	295 342	122 106	25 538	4 789 751
	40.9%	6.0%	2.5%	8.6%	25.0%	5.7%	2.0%	6.2%	2.5%	0.5%	100.0%
Temporary employees	246 968	37 406	4 595	12 112	195 233	37 614	3 814	9 988	14 034	5 934	567 698
	43.5%	6.6%	0.8%	2.1%	34.4%	6.6%	0.7%	1.8%	2.5%	1.0%	100.0%
GRAND TOTAL	2 207 342	323 968	122 946	426 424	1 391 828	312 213	99 786	305 330	136 140	31 472	5 357 449