The impact of board gender diversity on corporate governance and corporate social responsibility:

A case of the South African mining sector

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Mini-dissertation submitted in partial fulfilment of the requirements for the degree Masters in Business Administration at the Potchefstroom Business School of the North West University

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November 2015
Abstract

There is a growing pressure for companies to improve their governance systems as well as corporate social responsibility activities, in particular in the areas where they operate. At the same time, corporations have been criticised for the low level of women members in their board of directors. Studies suggest that women can provide boards with unique qualities and resources that can improve board dynamics, strategic decision-making and company performance. It is further suggested that women are generally more inclined to support corporate social responsibility projects. This is due to their different values and moral orientation therefore by having more women in the board influences the company’s performance in the non-financial area.

The purpose of this study was to investigate the impacts of board gender diversity on corporate governance and corporate social responsibility in 10-JSE listed companies. Based on the 2014 integrated reports of the selected companies, the study reveals that there is a significant impact of gender diverse board to the decision making of the company with regard to governance and corporate social responsibility. The study further found that there is a correlation between the number of board of directors in a company and the board gender diversity, this means the companies with larger boards tend to also have more women in their board, and the other extreme is that the companies with smaller number of board members have fewer or no women in their boards. These findings provide further support for Lord Davies’ recommendations that listed companies should increase the number of female board members to 25 percent by 2015. Similarly, the Mining Charter calls on mining companies to increase the number of female board members and their participation in the mining sector by 10 percent within the next 5 years. Even though critics have argued that women should be appointed to boards of directors based on moral and ethical considerations, this study suggests that gender equality on boards makes good business sense.

The study further outlines that board gender diversity is not the only factor that influences the company’s contribution to corporate social responsibility, and there was no significance between women representation and corporate governance. Therefore, further research is needed to provide more information on the impact of board gender diversity on governance and corporate social responsibility and to confirm the generalisation of these findings.
Key Words

Corporate Governance
Corporate Social Responsibility
Board Gender Diversity
Case
Corporations
Mining Sector
South Africa
Declaration

I Sabelo S. Mashwama declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration at the Potchefstroom Business School, North West University. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorization and consent to carry out this research,

Signed:

Date: 23 November 2015
Dedication

I dedicate this work to my late parents, Mr Malaphane and Mrs Virginia Mashwama for working so hard and making sure that your children received good education. Also to my little ones Minenhle and Emuhle; education is the key to your success in life, so hold on tight. This one is for you.
Acknowledgements

Firstly, I would like to acknowledge and thank God the author and creator of my life for blessing me with the gift of life. For blessing me with the tenacity and capacity to complete this task

I wish to express my sincere gratitude to the many individuals who made it possible for me to not only complete this dissertation, but assisted me on the journey to this point of my academic career.

To my supervisor Mr Pieter Greyling, your assistance and guidance throughout this process, your words of encouragement and most of all your patience with me during the times when I was also not so sure if I was coming or going. I am extremely grateful for your role in walking alongside me through this journey.

Lastly, and by no means the least, to my family; my dear wife, Matshidiso, thank for your full understanding and support throughout, a long journey it was, but you were by my side always. To my children Minenhle and Emuhle for giving me space from our play time to ensure this work was completed. To my son Remofilwe for staying up all those Monday nights waiting for me to come back from class. To my niece Sylvia thank you for the many cups of coffee/tea when I was burning the midnight oil catching up with school work.

*Kini nonke ngitsi ngiyabonga kakhulu, Inkosi inibusise, inikhulise, inandzisele ngalokungetulu.*
Table of Contents

Abstract .................................................................................................................................................. i
Key Words ........................................................................................................................................... ii
Declaration ............................................................................................................................................. iii
Dedication ................................................................................................................................................ iv
Acknowledgements ................................................................................................................................. v
List of tables ........................................................................................................................................... 1
List of figures ......................................................................................................................................... 2
CHAPTER 1 ............................................................................................................................................. 1
NATURE AND SCOPE OF THE RESEARCH ......................................................................................... 1
  1.1. Introduction and background to the research area ........................................................................... 1
  1.2 Motivation of the study ..................................................................................................................... 4
  1.3 The purpose of the study .................................................................................................................. 6
    1.3.1 Problem statement ..................................................................................................................... 6
    1.3.2 Sub-problems ............................................................................................................................. 6
  1.4 Motivation of the topic actuality ....................................................................................................... 7
  1.5 Research objectives ......................................................................................................................... 7
  1.6 Research methodology .................................................................................................................... 7
    1.6.1 Literature review ....................................................................................................................... 7
    1.6.2 Empirical research ..................................................................................................................... 8
  1.7 Limitations of this research .............................................................................................................. 9
  1.8 Structure of the research ............................................................................................................... 10
  1.9 Conclusion ....................................................................................................................................... 11
  1.10 Summary of the chapter ............................................................................................................... 12
CHAPTER 2 .......................................................................................................................................... 13
THEORETICAL FRAMEWORK ............................................................................................................. 13
2.1 Introduction .................................................................................................................................. 13

2.2 The Agency theory .......................................................................................................................... 13

2.3.1 What is Stakeholder Theory? ...................................................................................................... 15

2.4.1 Board Gender Diversity ........................................................................................................... 17

2.5 Women in the boardroom - A global perspective: ..................................................................... 18

2.5.1 China .......................................................................................................................................... 18

2.5.2 Brazil .......................................................................................................................................... 19

2.5.3 South Africa ................................................................................................................................ 19

2.5.4 Women in the boardroom - A summary of other select countries ............................................ 20

2.5.5 The United Kingdom .................................................................................................................. 23

2.5.6 Status of women on boards in other countries .......................................................................... 23

2.6 Corporate Governance .................................................................................................................. 24

2.6.1 Overview of Corporate governance in South Africa ................................................................. 26

2.7 Corporate Social Responsibility .................................................................................................... 27

2.7.1 Social responsibility and the purpose of business ...................................................................... 28

2.7.2 Management ethics and social responsibility ............................................................................. 29

2.7.3 Condition of Corporate Social Responsibility ............................................................................ 31

2.7.4 Interest groups in Social responsibility ..................................................................................... 31

2.7.5 Arguments in favour of and against social responsibility ......................................................... 32

2.8 Links between Corporate Governance and Corporate Social Responsibility ....................... 34

2.9 Conclusion ...................................................................................................................................... 35

CHAPTER 3........................................................................................................................................... 36

CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY AND BOARD GENDER DIVERSITY IN SOUTH AFRICA .................................................................................. 36

3.1 Introduction ...................................................................................................................................... 36

3.2 Defining corporate governance ...................................................................................................... 37

3.3 The major players in Corporate Governance ................................................................................ 38

3.3 CORPORATE GOVERNANCE IN SOUTH AFRICA .................................................................... 39
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3.1 Governance codes</td>
<td>40</td>
</tr>
<tr>
<td>3.3.2 The King I Report on Corporate Governance</td>
<td>41</td>
</tr>
<tr>
<td>3.3.3 The King II Report on Corporate Governance</td>
<td>42</td>
</tr>
<tr>
<td>3.3.4 The King (King III) report on Corporate Governance</td>
<td>43</td>
</tr>
<tr>
<td>3.4 Corporate failures in South Africa</td>
<td>47</td>
</tr>
<tr>
<td>3.4.1 Signs of corporate governance collapse</td>
<td>49</td>
</tr>
<tr>
<td>3.5 Conclusion</td>
<td>51</td>
</tr>
<tr>
<td>3.6 Corporate Social Responsibility in South Africa</td>
<td>51</td>
</tr>
<tr>
<td>3.6.1 What is Corporate Social Responsibility?</td>
<td>51</td>
</tr>
<tr>
<td>3.6.2 The social contract theory</td>
<td>53</td>
</tr>
<tr>
<td>3.6.3 The Social Contract theory in South Africa today</td>
<td>54</td>
</tr>
<tr>
<td>3.6.4 A critical overview of Corporate Social Responsibility in South Africa</td>
<td>55</td>
</tr>
<tr>
<td>3.6.5 The Need for Corporate Social Responsibility in South Africa</td>
<td>57</td>
</tr>
<tr>
<td>3.6.6 Corporate Social Responsibility Initiatives in South Africa</td>
<td>58</td>
</tr>
<tr>
<td>3.6.7 Focal areas of CSR interventions in South Africa</td>
<td>59</td>
</tr>
<tr>
<td>3.7 Gender Diversity in leadership and the workplace</td>
<td>61</td>
</tr>
<tr>
<td>3.7.1 Gender and Law: Reasonable accommodation</td>
<td>61</td>
</tr>
<tr>
<td>3.7.2 Potential for transformation</td>
<td>61</td>
</tr>
<tr>
<td>3.7.3 Women &amp; Men in the teaching profession</td>
<td>62</td>
</tr>
<tr>
<td>3.7.4 Impact of gender diversity on governance</td>
<td>63</td>
</tr>
<tr>
<td>3.7.5 The South African experience</td>
<td>65</td>
</tr>
<tr>
<td>3.8 Conclusion</td>
<td>66</td>
</tr>
<tr>
<td>CHAPTER 4</td>
<td>67</td>
</tr>
<tr>
<td>RESEARCH METHODOLOGY</td>
<td>67</td>
</tr>
<tr>
<td>4.1 Introduction</td>
<td>67</td>
</tr>
<tr>
<td>4.2 Research Design</td>
<td>67</td>
</tr>
<tr>
<td>4.2.1 Sampling</td>
<td>68</td>
</tr>
</tbody>
</table>
4.3 The research instrument ........................................................................................................ 68
  4.3.1 Data collection checklist ................................................................................................. 68
  4.3.2 Key investigative elements ............................................................................................. 69
  4.3.3 Steps to be followed in the investigation ....................................................................... 69
4.4 Research content analysis .................................................................................................... 70
  4.4.1 Compliance with Corporate Governance ..................................................................... 71
  4.4.2 Corporate Social Investment activities .......................................................................... 74
  4.4.3 Board gender diversity .................................................................................................. 75
  4.4.4 The link between Board gender diversity, governance and CSI ................................. 76
4.5 Previous research .................................................................................................................. 76
  4.5.1 The purpose and importance disclosure by companies .................................................. 76
  4.5.2 Usefulness of the Annual integrated reports ................................................................ 77
  4.5.3 The Board of Directors ................................................................................................ 78
  4.5.4 The JSE listing requirements on King III application .................................................. 79
4.6 Summary and Conclusion .................................................................................................... 79

CHAPTER 5 ................................................................................................................................. 81
RESULTS KEY FINDINGS ........................................................................................................... 81
  5.1 Introduction ........................................................................................................................ 81
  5.2 The selected 10-JSE listed mining companies .................................................................. 81
  5.3 Results analysis from the Checklist question categories .................................................. 82
    5.3.1 King III Code of governance practices - Board and its directors ................................ 82
    5.3.2 Integrated reporting disclosure .................................................................................... 85
    5.3.3 Compliance with Laws, Rules, Codes, and Standards ................................................. 88
    5.3.4 Broad-based Socio-economic empowerment (the Mining charter) ............................ 90
  5.4 Policy on procedure for board appointments ..................................................................... 95
  5.4 Board’s policy of balance of power and authority ............................................................. 95
  5.4 Independence of the Chairman in accordance with the King III Code ............................ 96
List of tables

Table 2.1: Women in boardrooms – a global perspective ...................................................... 20
Table 4.1 Checklist Summary ................................................................................................. 72
Table 4.2: Declaration and disclosures guideline .................................................................... 73
Table 4.3: CSI project categories .......................................................................................... 74
Table 4.4: Frequency distribution table CSI projects categories .............................................. 75
Table 4.5: Board gender diversity .......................................................................................... 75
Table 4.6: Relationship between board gender diversity, governance and CSI ..................... 76
Table 5.1: Board members age distribution .......................................................................... 99
Table 5.2: Board field of study ............................................................................................. 101
Table 5.3: Board qualifications ............................................................................................ 102
Table 5.4: Board gender diversity ........................................................................................ 103
Table 5.5: CSI project focus frequency table ....................................................................... 105
Table 5.6: Consolidated results ............................................................................................ 105
List of figures

Figure 2.1: Relationship between Management Ethics and Social Responsibility ........................................... 30
Figure 3.1: Major players in corporate governance ......................................................................................... 39
Figure 5.1: Board Charter ............................................................................................................................... 82
Figure 5.2: Board responsibilities .................................................................................................................. 83
Figure 5.3: Board size ....................................................................................................................................... 84
Figure 5.4: Board composition ......................................................................................................................... 84
Figure 5.5: Board committees ........................................................................................................................ 85
Figure 5.6: Company sustainability ................................................................................................................. 85
Figure 5.7: Environmental issues ..................................................................................................................... 86
Figure 5.8: Human capital development ......................................................................................................... 87
Figure 5.9: Employment equity ....................................................................................................................... 87
Figure 5.10: Non-binding rules, codes and standards ..................................................................................... 88
Figure 5.11: Board’s understanding of the effects of applicable laws ............................................................... 89
Figure 5.12: Compliance with the Corporate Amendment Act of 2006 ......................................................... 89
Figure 5.13: Increased women participation by 10% within five years ......................................................... 90
Figure 5.14: Increased representation of HDSA at Executive level ............................................................... 91
Figure 5.15: Integrated Development plan for local communities ................................................................. 92
Figure 5.16: Engagement with local communities .......................................................................................... 92
Figure 5.17: Progress reporting ....................................................................................................................... 93
Figure 5.18: Independence of Audit Committee ............................................................................................. 94
Figure 5.19: Appointments of Board of Directors ........................................................................................ 95
Figure 5.20: Balance of power and authority ................................................................................................ 95
Figure 5.21: Independence of the Chairman .................................................................................................. 96
Figure 5.22: Publishing of Board members information ............................................................................. 96
Figure 5.23: Board gender disaggregation .................................................................................................... 97
Figure 5. 24: Board diversity ........................................................................................................... 98
Figure 5. 25: Board academic qualification ................................................................................. 98
Figure 5. 26: Board age distribution ......................................................................................... 99
Figure 5. 27: Board of directors’ field of study ........................................................................ 100
Figure 5. 28: Board of Directors highest levels of qualification ................................................. 101
Figure 5. 29: Board gender Diversity ......................................................................................... 102
Figure 5. 30: Percentage board gender diversity ....................................................................... 102
Figure 5. 31: List of CSI projects from the 10-JSE listed Mining companies ....................... 104

List of Appendices

Appendix A: Checklist ................................................................................................................ 128
Appendix B: Summary of Checklist Results ................................................................................ 132
Appendix C: Corporate Governance Requirements .................................................................... 134
CHAPTER 1

NATURE AND SCOPE OF THE RESEARCH

1.1. Introduction and background to the research area

Not so long ago the phrase “Corporate governance” did not mean much to a number of people, but a few scholars, executives and shareholders. However, it has since become a mainstream concern – the main point of discussion in academic circles, corporate boardroom, and amongst policy makers around the globe. The credit crunch and the resulting crisis among leading financial institutions are increasingly presented as the crisis of corporate governance (IoDSA 2009). Mrsigilia & Falautano (2005) further affirm this notion that the recent corporate and monumental scandals and failures have redirected attention to issues of good governance, ethics, trust and accountability, heightening the debate on topics of corporate governance and ethics of economic conduct.

Planning for long-term sustainability of a company can be a challenging task, but a new benchmark has been set by stakeholders - that of having a gender-inclusive leadership at all levels of a company’s operation, both in the Boardroom and at the Executive level. Carter & Wagner (2011) state that research has established that companies with the highest representation of women leaders financially outperform, on average, companies with the lowest. In fact, companies that maintained board gender diversity in at least four out of five years significantly outperformed those with no women directors (Carter & Wagner, 2011). Another common view is that companies with gender inclusive leadership, particularly when sustained over time tend to yield higher returns on the short term financial returns and the benefits of gender inclusive board extend beyond financials. (Stephenson, 2004) further argues that boards with female directors tend to use more non-financial performance measures (such as innovation and social responsibility) to evaluate their companies than their all-male counterparts.

Until recently, corporations have traditionally been viewed as profit-maximizing entities that are self-centred (Hg, 2007). The events of financial crises in 2008 and beyond that brought the whole world to its knees were to an extent an indicative of shortcomings in the global financial architecture and the behaviour of the corporate sector was changed accordingly. At no time in history has the role and power of the corporation been accorded more popular attention and concern, with the pure profit maximization principle increasingly called into question. While
shareholder’s profit maximization is still a major goal for corporations worldwide, the rise in social activism and the emergence of new expectations have indeed caused other aspects of corporate performance to be examined alongside financial results.

Recent evidence suggests that organizations today are generally leaning more to broadening the basis of their performance evaluation from a short-term financial focus to include long-term social, environmental, and economic impacts and value added (Hardjono & Van Merrewijk, 2001). According to the Organization for economic Cooperation and Development (OECD, 2004), corporate governance is the system by which business corporations are directed and controlled. This definition outlines the policies and procedures that boards, management and other stakeholders need to follow in order to steer the organization towards the direction where the set goals and results will be achieved.

The main intention for these policies and procedures is to promote organizational accountability and transparency, and this will in turn limit the temptation for opportunism as executives and employees of the organization are exposed to the consequences of their failure to comply with the policies and procedures of the organization (OECD, 1999 & 2004). The failure by senior managers to apply good corporate governance practices has led to the collapse of many big companies in the United States, and other corporate failures across the world. These failures have placed the agency’s relationship in the spotlight. Due to these failures, more stakeholders are beginning to work together towards a common goal of fighting corruption and demanding more transparency and accountability in the management of their organizations (Naidoo, 2002).

A lot has been done to improve the level of compliance to corporate governance across the world. In South Africa a number of recommendations from King I and King II have now become matters of law and they have been included in the Act. These are discussed later in this document. More improvements are contained in the King III Code (IoDSA, 2009). Other countries that have taken the Corporate Governance issues seriously include the United Kingdom, where the Cadbury report forms the basis of their governance principles (Cadbury, 2000), The German Corporate Governance Code (GCGCGC, 2006), the Organization for Economic Cooperation and Development’s principles of corporate governance (OECD, 2004) and the Sarbanes-Oxley Act of 2002 in the United States (One Hundred Seventh Congress of the United States, 2002). The Malawi National Corporate Governance Review Committee (NCGRC) has also published the Malawi Code II, a code of best practice for corporate
governance (IoD of Malawi, 2011). Brazil adopted the Code of Best Practice of Corporate
developed by the Instituto Brasileiro de Governança Corporativa (IBGC), an organization
to promoting corporate governance in Brazil (IBGC, 2003).

One of the key aspects of governance, as highlighted in the King III report, is the sustainability
of the organization. Sustainability is the primary moral and economic imperative of the 21st
century. It is one of the most important sources of both opportunities and risks for businesses
(IoDSA, 2009). Sustainability issues have gained in importance since the publication of King II.
International bodies have developed and published updated codes and principles of
governance. For an example, the United Nations has published the Global Compact and the
Principles for Responsible Investment, and there have also been the European Union Green
Paper for Corporate Social Responsibility and the OECD guidelines for multinational
companies (IoDSA, 2009).

A number of countries have taken the initiative to either follow existing published guidelines or
have developed their own. Examples of these include: the Swedish government has laid down
that its state-owned enterprises must have sustainability reports following the Global Reporting
Initiatives (GRI) G3 guidelines and the United Kingdom has included the Corporate Social
Responsibility as part of their Companies Act that came into operation in October 2007. This
requires that directors consider in their decision-making, the impact of the company’s
operations on the community and the environment as pointed out in The Reform of the United
Kingdom Company Law (IoDSA, 2009). Other countries that are taking the issues of
sustainability serious are:

- Germany, where the terms of the German Commercial Code require that management
  must include non-financial performance indicators in their reports,
- Norway, where the government launched a national White Paper on CSR in 2009. The
  paper deals with the responsibility of the companies in Norway to report on
  sustainability performance.
- Denmark, in December 2008, the Danish parliament passed a law on CSR reporting for
  its companies, mandating that companies disclose their CSR activities or give reasons
  for not having any, following the principle of “comply or explain”. Denmark encourages
  the use of accepted tools such as the GRI G3 guidelines and the UN Global Compact
  Communication on Progress (IoDSA, 2009).
The King III report argues that, because the company is so integral to society, it is considered as much a citizen of a country as is a natural person who has citizenship (IoDSA, 2009). This argument then begins to affirm the relationship between Corporate Governance and Corporate Social Responsibility. Under the umbrella of Corporate Governance, companies are encouraged to promote ethics, fairness, transparency and accountability in all their dealings. They are expected to continue generating profits while maintaining the highest standards for governance internally. A firm’s decisions should also be aligned with the interests of different players within and outside the company (Freeman, 1984). Hence, businesses have to also keep their activities attuned to society’s ethical, legal and communal aspirations. This falls in the realm of Corporate Social Responsibility, which has attracted increasing attention in recent years in relation to how companies approach their interactions with their various stakeholders – from providing quality products and services to undertaking charitable activities.

While arguments have been presented both in favour and opposing the idea of increasing female representation, the majority of recent studies seem to show the positive effects of gender diversity on corporate boards. This research is an attempt to add to already existing studies in the topic of examining whether companies with higher numbers and/or percentages of women in their boards translate to measurable outcomes in the area of Social Responsibility over a three year period.

1.2 Motivation of the study

According to the 2014 PwC’s review of women on boards in the mining industry report, South Africa’s mining companies have the highest level of female representation at board level, followed by Canada, while Australia has the lowest percentage of women executive management positions in the industry. The research found that on the boards of South African companies in the top 100 listed mining companies 23.8% of the members were women. This puts South Africa in a leading position when it comes to female representation at board level and in senior leadership roles (PwC, 2014).

Firstly, the overriding motivation for choosing this area of study is to investigate in depth:

- Theoretically, by reviewing existing literature highlighting how Board Gender Diversity impacts on the relationship between Corporate Governance and Corporate Social Responsibility (CSR).
• Assuming that CSR is an outcome of boards’ decisions, this research, through a qualitative study in the South African Mining context, proposes that critical examination of boards gender diversity would provide more insight on the decision making processes with regard to Social Responsibility.

• This research also investigated executives’ and managers’ interpretation and practical application of corporate Governance and Corporate Social Responsibility, as well as their efforts at effective integration of each of these two concepts in their daily operations.

The other reason for this study therefore is to demystify the theories discussed in many of the previous literature which discusses Corporate Governance and Corporate Social Responsibility and board gender diversity independently. Bhimani and Soonawalla (2005) states that corporate governance and corporate social responsibility in much literatures and research, these concepts are discussed as being unrelated accountability models, whose guidelines, reporting standards, and oversight mechanisms have evolved separately. However, a strong feeling exists that Corporate Governance and corporate Social Responsibility and recently added the board gender diversity are strongly and intricately connected, and that previous literature has fallen short in capturing the nature and essence of this relationship. As Bhimani and Soonawalla (2005) put it, Corporate Governance and Corporate Social Responsibility are two sides of the same coin.

According to the KPMG’s Integrated reporting – performance insight through better business reporting (2012), companies listed on the Johannesburg Securities Exchange (JSE) were required to adopt Integrated Reporting from years commencing on or after 1 March 2010. The driver of this was the King Code of Governance Principles for South Africa 2009 (King III) becoming a JSE listing requirement. There has been a generally positive and pro-active response from JSE-listed companies and a number of State-Owned Entities in South Africa which have embraced Integrated Reporting as part of their King III application programmes (KPMG, 2012).

KPMG’s 2012 review of the of the first annual cycle of integrated reporting in south Africa (KPMG, 2012) covering more than 80 Integrated Reporting Organizations listed on the JSE. The results of the review show that this has been a rewarding – sometimes challenging – journey for the listed companies applying it. Given the often pressing reporting commitments and deadlines that business face, there needs to be a balance between preparing an ad hoc
annual report and establishing an enduring integrated reporting process within the business. The review further highlights shortcomings in the reporting process (such as reporting of risk management, stakeholder engagement, execution of strategy, performance and remuneration structures) often point management to deficiencies in underlying activities or processes (KPMG, 2012).

The review highlighted above indicates that companies are still struggling to comply with corporate requirements. It therefore appears that this review was more concern with testing compliance. This dissertation seeks to explore another perspective by investigating the flow of relationship between corporate governance and social responsibility as influenced by Board Gender diversity.

1.3 The purpose of the study

1.3.1 Problem statement

This research study seeks to explore the impact that board gender diversity has on the corporate governance and corporate social responsibility response of an organization. Firstly, the research investigates the influence of dynamics that a board gender composition brings about to a board’s attitude towards corporate social responsibility. Secondly, the study seeks to establish and/or confirm the existence and extent of the link between the corporate governance and corporate social responsibility.

1.3.2 Sub-problems

In order to investigate the impact of board gender diversity and the linkage between corporate governance, corporate Social responsibility in South Africa’s listed mining companies, this dissertation:

- Discusses the South African corporate governance framework for the listed companies
- Critically assesses the relationship between Corporate Governance, in particular board gender diversity, and its influence on strategic decisions regarding Corporate Social Responsibility and suggest some important venues for future research in this field and,
- Discusses past and present governance practices in three of the BRICS countries namely Brazil, China and South Africa for comparison
1.4 Motivation of the topic actuality

This research study can potentially alert corporation boards and executives to the increasing overlap between corporate governance and corporate social responsibility agendas and the need to exert diligent systematical efforts on both fronts. The research can also alert policy makers in South Africa to the need for the presence of gender-inclusive leadership to increase the vigilance and capacity of the regulatory and judicial system in the context of corporate governance. The topic combines three key aspects of corporations’ management: corporate governance, the board gender diversity and the response to broad social & environmental issues.

1.5 Research objectives

The success and failures of organizations are contingent on the decisions of its board and senior management. Expertise, experience and personality may have a tangible effect on the decision making process. The main objective of this research is to explore whether gender has a tangible effect on an organization’s performance and decision making process, in particular on matters of corporate social responsibility. Assuming that Corporate Social Responsibility is one of the outcomes of boards’ decisions, this research further provides insight into the link between these three aspects of Corporate governance, board gender diversity and corporate social responsibility. The research also explored how beneficial these synergies would be for organizations and their stakeholders.

1.6 Research methodology

1.6.1 Literature review

The research relied on previous literature on corporate governance, corporate social responsibility and board composition. This part discusses the theories, the historic development of these concepts and the current practices of corporate governance, corporate social responsibility and the focus of board gender diversity beyond just on corporate financial performance but also on how board composition influences corporate social responsibility.

Secondly, the research used empirical evidence gathered by means content analysis of integrated reports of 10-JSE listed mining companies in South Africa were reviewed and the issues of board gender diversity were matched and discussed against the types and nature of corporate social responsibility response. The research targeted mining companies that have
had women board members for the past three to five years. This is to ensure the sustainability of the female board contribution and to allocate a fair analysis of their influence in the board decision making over this period.

This study used secondary data collected from integrated and sustainability reports filed with the JSE and from the company websites. A checklist questionnaire was designed to take into account the minimum corporate governance reporting requirement as stated in the King III code and as adopted by the JSE in 1 March 2010. The checklist (research instrument) questions were based on:

- Corporate Governance
- The King codes II, and III of governance principles (Cliff Dekker, 2002), (IoDSA, 2009)
- Johannesburg Securities Exchange reporting requirements for listed companies
- Integrated Reporting and integrated report
- Addressing the sustainability development agenda
- Board composition (board gender diversity)
- Social and ethics performance
- Stakeholder engagement
- Relationship between integrated reporting, the companies Act and King III

1.6.2 Empirical research

This is going to be a qualitative interpretative research, seeking to present a collective point of reference. To gain a broad understanding of corporate governance and corporate social responsibility and board gender diversity, the study looked at 10-JSE listed mining companies. The data was drawn from integrated reports and sustainability reports from company websites and the JSE, and where not available, reports were requested in writing via e-mail to the targeted company. Each report was examined to determine if it included pictures of the company’s board of directors, as well as information on the company’s corporate social responsibility activities. The Social responsibility activities were broken down into four categories, and each company was given a score based on its involvement in each area of social responsibility. A regression analysis was performed to examine category scores to a number of independent variables.
Data analysis also focused on detecting commonalities and patterns of agreement and convergence in nature and types of CSR programmes the companies are involved with, and in line with the board gender diversity of each company under review. The dependent variable of corporate social responsibility to be examined was the level of corporate awareness as demonstrated by a company’s commitment to: (1) Community involvement, (2) environmental consciousness, (3) employees, and (4) monetary contribution. This analysis also included measuring compliance with the King III Code as mandated by the JSE listing requirements.

Further, the integrated reports were scrutinized for compliance with King III code regarding corporate social responsibility, and to a minor extent, board gender diversity, with the ultimate aim of determining if there are any lessons to be drawn from the combination of these research variables. In order to maintain relevance of the study, the research was limited to 10-JSE listed mining companies in South Africa, which by their location have a more direct interaction and impact to communities; in this case the focus was on the mining sector. The research used a non-probability convenience sample where only mining companies with board gender diversity for a consistent period of three to five years were included in the study.

Lastly, the research targeted the strictly privately owned companies to stay away of potential political influence on state owned entities.

1.7 Limitations of this research

This research is only targeting the 10-JSE listed mining companies in South Africa, which is a small representative sample of the more than 1 600 mining companies as recorded in the department of mineral resources database, some of which might be making a more tangible social impact in the communities where they are located. The reporting requirement imposed by the JSE in 2010 for all listed companies to present an integrated report and indicating their compliance with the King III recommendations makes the integrated report the most important stakeholder document produced by a company on an annual basis. This however might be a limitation in that some companies may still be getting into the swing of integrated reporting and that may therefore present the research with some gaps in reporting areas that might have been omitted by those companies still catching up with the integrated reporting wave.

Another limitation relates to the targeted sampling of only those mining companies that have women in their boards, as that does provide a comparative picture between all male board companies and the board gender inclusive ones. Lastly, the literature review targets only three
countries to highlight the history of corporate governance. The research provides a concise overview of the historic development of corporate governance in only Brazil, China and South Africa. The reason for selecting only these three countries for this section due to the fact that South Africa is a partner member with these countries in the BRICS formation and that is making these countries growing trading partners with South Africa.

1.8 Structure of the research

The layout of the research presentation comprises six chapters outlined as follows:

**Chapter 1: Nature and scope of the Research**

Chapter 1 provided the overall background information to the study, the introduction to the study, outlines the problem statements and objectives of the study. It outlines the research methodology and highlights some of the possible limitations to the study.

**Chapter 2: Theoretical framework**

This chapter discusses the theoretical framework for corporate governance, Corporate Social Responsibility and Board Gender Diversity. This includes the concise discussion and overview of the historical development of corporate governance in China, Brazil and South Africa.

**Chapter 3: Corporate Governance, Corporate Social responsibility and Board diversity in South Africa**

Chapter 3 presents an in-depth discussion of corporate governance, corporate social responsibility and board composition frameworks. It further discusses corporate weaknesses of non-compliance. The progress on the King I, King II and King III reports on corporate governance and the requirements for listing on the Johannesburg Securities Exchange.

**Chapter 4: Research design**

This chapter discusses the research methodology, the content analysis as an instrument for assessing the Annual reports of the 10-JSE listed mining companied in South Africa. It also discusses further the minimum corporate reporting for JSE listed companies as per the King III recommendation and the Corporate Laws Amendment Act of 2006. A checklist for corporate
governance, corporate social responsibility and board composition disclosures in the integrated report of companies was developed.

Chapter 5: Analysis of research findings

Chapter 5 assesses the quality, compliance of companies with the requirements of listed company reporting framework. It explores the link and relationship between corporate governance and corporate social responsibility. It further analysis the influence of board diversity in corporate governance and corporate social responsibility. And lastly tests the findings of other studies that suggest that gender diversity plays a role in the favourable decision toward corporate social responsibility.

Chapter 6: summary of findings, recommendations and conclusion

This chapter summarizes the theoretical framework, the historical development of corporate governance and corporate social responsibility. It further provides recommendations for future research in similar areas of focus.

1.9 Conclusion

The debate by corporation on whether corporate social responsibility is an obligatory, compliance and a good to do activity still continues. Even with the more positive alignment and broader understanding that any company is an integral part of the society where it is located and with the people from which it draws its support for growth; there is still however the subtle notation that suggests that corporations’ sole and main reasons for existence is to make profit. With the growing pressure for corporations to include social and environment as their performance indicators, more and more companies are beginning to include these issues as part of their strategic intent.

The JSE has not only affirmed King’s code of corporate conduct, but gave it “teeth” to enforce the concept of comprehensive declaration of all company’s dealings and possible impact on the non-financial aspects of running a business. Other literature suggests that the requirement for board composition in the past would concentrate more on financial and legal skills. It was until recent that the value of having a broader and gender diverse board actually enriches the decision making of the company as it responds to the triple bottom aspects of its operation.
The emphasis of the study is to explore the influence gender diversity in Board decision making.

1.10 Summary of the chapter

Chapter 1 gave a high level overarching overview of the research study. It outlined the background to the research topic, the purpose of the study, the motivation and the problem statement of the study. It further provided the methodology and approach of the study, highlighting the instruments and tools that were used in conducting the study. Lastly it gave a presentation layout of the research study, giving the reader and indication of the structure of the research document.
CHAPTER 2
THEORETICAL FRAMEWORK

2.1 Introduction

The concept of corporate governance is an old concept, as old as human civilization. Simply put, governance refers to the process by which an organization makes decisions and through to the implementation of those decisions. Corporate governance guides and framework are there to ensure efficient use and distribution of resources, equally so to encourage good stewardship and accountability of the organization's resources. The IoDSA (2002) states the aim for corporate governance as a set of guidelines put in place to align as nearly as possible the interests of individuals, corporations and the society. The United Nations Economic and Social Commission for Asia and the Pacific (2014) attempt to distinguish good governance from governance as having eight characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective, equitable and inclusive and follows the rule of law. On the other hand, governance refers to the process of decision making and the process by which decisions are implemented.

A company needs to have policies and procedures that ensures that directors and management of the company maximizes shareholder value, minimize the risk of self-opportunism by individual employees by putting strong internal control systems, benefits members of the broader communities, in particular the communities where the company is located and minimizing that damages to the environment in which the company operates.

A number of corporate governance theories can be used to support changes in regulation and to explain why boards should be diversified. Traditionally, concentration seem to be more biased towards the agency theory, however, there are other theories that can be reviewed to provide additional perspective on a board’s role, for example, the stakeholder theory and the resource dependence theory.

2.2 The Agency theory

The agency theory explains the relationship between principals, such as a shareholder and agents, such as a company’s executives. In this relationship the principal delegates or hires an agent to perfume work. The theory attempts to deal with two specific problems: first that the goals of the principal and agent are not in conflict (agency problem) and second, that the
principal and agent reconcile different tolerances for risk. (www.investorwords.com).

The agency theory is concerned with the understanding the consequences and solutions caused by the conflict of interest which arises because of the separation of ownership and decision making authority in the company. Berle and Means (1938) were concerned that over time, boards might become dominated by the agents, which makes the monitoring role ineffective. For many years, the literature on agency theory has been based on the separation of ownership and control in the company. Various authors have suggested board member diversity as a solution to reducing agency costs. The independence of directors is essential in balancing a board’s interests and in ensuring that the monitoring role is carried of efficiently, which ultimately adds value to firms (Fama and Jensen, 1983). In other literature, Bonazzi and Islam (2007) suggests that outside directors are more effective in performing the oversight role over management and protecting the interests of shareholders. From existing literature, it appears that the agency theory mainly concentrates on the role of outside members when they refer to the board diversity and ignore other characteristics that may improve board processes and ultimately the company’s performance.

The board function of monitoring and controlling managers is a fundamental concept from agency theory (Jensen and Meckling, 1976, Carter et al, 2010) suggest that a more diverse board may be a better monitor of managers because board diversity increases board independence but they go on to say that agency theory does not provide a clear prediction of the link between board diversity and financial performance. Diverse directors are less likely to be beholden to managers according to this view. In general, agency theory does not provide a strong support for the financial benefits of board diversity as does a resource dependence perspective, but agency theory does not rule out the possibility that board diversity is beneficial.

Based on the above discussion of the agency theory, it appears that executives should act as the custodian of the company and its operational activities on behalf of shareholders or company owners, who cannot run the day-to-day activities. The agency theory further puts upon the board of directors the burden of making decisions to the best interest of the owners, also through the their oversight role over the executives who need to ensure that the company maximize the wealth of the shareholders. It is for this reason that diversity in the board becomes crucial to ensure balance of thought, expertise and experience for the company to achieve the above.
2.3 The stakeholder theory

2.3.1 What is Stakeholder Theory?
Stakeholder theory is described by Freeman (1984) as the theory that identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. In short, it attempts to address the "Principle of Who or What Really Counts." In support of this explanation, Hillman et al. (2001) highlights that corporate governance theories normally emphasize protecting the interest of shareholders and ignore the importance of other stakeholders. However, in traditional view of the firm shareholders view management as having binding fiduciary duty to put their needs first, to increase value for them, which also influence the role of the board (Freeman & Evan, 1990).

The old model, characterized by input-output models of the corporation, the company duty was to convert the inputs of investors, employees, and suppliers into usable products which customers consume, thereby returning some capital benefits to the firm. Simply put, these models are concerned with the needs and wishes of only four parties: customers, employees, suppliers, and investors. Others authors, however, emphasizes the critical role played by a diverse board in understanding and managing stakeholders’ relationships. Moreover, Hillman (2001) further suggests that a diverse board is crucial in securing the interests of different stakeholder groups, since this ensures that companies can better protect and respond to their broad needs.

Donaldson and Preston (1995), describes the stakeholder view of strategy as an instrumental theory of the corporation, integrating both the resource-based view as well as the market-based view, and adding a socio-political level. He further states that this view of the company is used to define the specific stakeholders of a corporation as well as to examine the conditions under which these different parties should be treated as stakeholders. Whilst Johnson and Greening (1999) states that board members who represent the company’s stakeholder groups can provide unique knowledge about the changing demands of external stakeholders, other authors like the political philosopher, Charles Blattberg has labelled criticism to the stakeholder theory for suggesting that different stakeholders’ interests can easily be balanced against each other. Blattberg (2004) further argues that this is a product of
this theory on negotiation as the main means of engaging in addressing conflicts between stakeholders’ interests. Instead he favours open conversations.

The political philosopher Charles Blattberg has criticized stakeholder theory for assuming that the interests of the various stakeholders can be, at best, compromised or balanced against each other. Blattberg (2004) argues that this is a product of its emphasis on negotiation as the chief mode of dialogue for dealing with conflicts between stakeholder interests. He recommends conversations as an alternative to that associated with stakeholder theory.

2.4 Board Diversity

In recent years there has been a growing pressure and attention to board diversity, and this has seen a number of governance guidelines beginning to advocate for the increased representation by women and minorities on corporate boards of directors to better reflect the gender and racial diversity of their customers, employees and other stakeholders. The request for greater boardroom diversity is based primarily on normative grounds of equity and fairness (Carter et al., 2007). Corporations and individuals seldom publicly dispute the proposition that women and ethnic minorities deserve equitable opportunities to serve on the board and in upper management positions. And at the same time, several arguments are made for the business case for board diversity. Agency theory suggests that more diverse board is better monitor of managers because board diversity increases board independence (Carter et al., 2007).

According to this view, diverse directors are less likely to collude with other directors to subvert shareholder than more homogeneous boards are. Furthermore, board diversity can increase board independence in decision making because people with different gender, ethnicity or cultural background might ask questions that would not be asked by directors with more traditional backgrounds.

Women and minority directors are also usually assumed to play an important role in favouring Corporate Social Responsibility strategies. Since resource dependence theory suggests that board members bring resource to the organizations as a result of their individual background, an increased representation of women and ethnic minorities will increase board attention to corporate social responsibility issues of racial and gender imbalances. The Conference Board of Canada (2014) states that a range of talent, experience and skill in the boardroom drives
performance and generates better results. With regard to board diversity and CSR, even though limited, research suggests that board diversity to a certain extent can also influence social and environmental aspects of the business, such as CSR (Bear et al., 2010). Some studies also affirm that female directors tend to be more sensitive to Corporate Social Responsibility than their male counterparts (Ibrahim and Angelidis, 2011).

In any case it is expected that, as members of underrepresented groups in corporations, women and minority directors would be more interested in the welfare of various stakeholders.

2.4.1 Board Gender Diversity

The Organization for Economic Co-operation and Development (OECD) states that gender equality is not just about economic empowerment but a ‘moral imperative about fairness and equity’. The OECD further argues that the foundation of female representation on boards is based on ethical and economical imperatives. In addition, the OECD (2012) highlights that fact that access to equal opportunities by all genders include all aspects of human life; political, social, and cultural dimensions. OECD (2012) further argues that it is immoral and unethical to exclude women from boards based on gender. Further arguments affirm the notion share by many that gender inclusion can have a wider impact on the company performance.

The dependence theory supports the notion that companies struggle to attract the best candidates critical for a company’s performance as well as gaining competitive advantage if they ignore the women talent pool (Campbel & Minguez-Vera, 2008). In considering the need for a pool of qualified individuals to serve in boards, it becomes important to consider women board members who, the OECD (2008) puts them above men in educational qualification. Given this assertion, it is rather a controversial phenomenon to find that women are the least represented in board of directors of many companies. It can also be argued that, it they could take hid, many companies would benefit by including women in their boards to boost their professional skills in diverse areas.

In addition to economic and moral arguments, many authors emphasis that boards can benefit even more from engaging the unique skills and expertise that women can bring to the boards. Moreover, Ferreira, (2010), argues that women representatives in collaboration in the boardrooms and limits conflicts of interest and opinions that heterogeneous boards often suffer from. Similarly, Zaichkowsky (2014) argue that when there are one to three female members
on a board, women tend to bring a more collaborative approach to leadership, which improves communication among board members and between the board and management.

2.5 Women in the boardroom - A global perspective:

2.5.1 China

According to Helen Xu, the Manager of Enterprise Risk Services at Deloitte - China (2014) Research continues to indicate that a diversified more gender-balanced boardroom performs better. A recent article published by China omen News indicates that female board members will provide different perspective and bring more knowledge and information to the strategic decision-making process of the board, improving the execution of the strategic initiatives, and have a positive influence over the corporate culture. With china’s economic growth, more attention has been paid to corporate governance. On top of transparency and accountability, diversity is certainly another area that will enhance board effectiveness (Deloitte, 2014). According to the 2013 report, in mainland china, gender equality is not a key concern as women and men are regarded as equal in the workplace. Despite this, as in most other countries in the world, the proportion of female members on the boards of companies in China is low (Deloitte, 2013).

Further, Robyn He, a Manager at the Deloitte – China (2013) states that internationally, there is no single best practice corporate governance model for promoting gender equality and there is still much research to be carried out on the role and influence of board female board members in different markets and organizations. At the same time the Chinese female business leaders are consistently providing answers to many questions relating to diversity through their behaviour and achievements (Deloitte, 2013)

The 2014 report states that in China there are currently no gender quotas for women on board or senior management positions. Also the code of corporate governance for listed companies in china does not mention gender as a desirable quality or background for board candidates

In 2014, China’s percentage of women on boards is 10.7 percent, a 1.1 percent change from the 2012 figures Credit Suisse, (The CS Gender 3000: women in senior Management, September 2014)
2.5.2 Brazil

In Brazil, it is only through proper preparation and expertise evinced by women, as well as by enforcing the commitment, recognizing the efforts, and providing opportunities in the business world, will women ascend to leadership positions. However, there has seen great advance to leverage the participation of women in leading positions through meritocracy. This is according to Camila Araujo, Partner - Deloitte Brazil (Deloitte 2014).

The Brazilian senate is discussing the inclusion of mandatory quotas for state and federal mixed-capital companies, which would eventually require a 40% representation of women on boards by 2022 (instituto Brasileori de Governanca Corporativa, fundamentos para discussao sobre cotas para mulheres nos conselhos no Brasil). The Bill still need to be adjusted and evaluated by both houses of the national congress. In public hearing held by the senate committee on social issues, the approval of the bill faced marked resistance from representatives of the Brazilian business; however, the bill refers only to state federal mixed – capital companies. In Brazil, only 6.5 percent of women are on boards, a 0.8 percent increase from 2012 (Deloitte, 2013).

2.5.3 South Africa

According to Johan Erasmus, Director - Deloitte Southern Africa (2014), although diversity on boards has increased over the past 10 years, the change is happening very slowly. Currently, it is estimated that women occupy approximately 20 percent of directorship on boards in South Africa. Although there are a number of initiatives to improve gender representation in the corporate sector, the government proposal to institute a 50 percent quota for women on boards has lapsed in parliament. There are, however, other programs in place to encourage the appointment of more women to boards, and we have seen a steady increase in the recent past (Deloitte, 2014)

Although the South African cabinet approved the Women Empowerment and Gender equity bill in August 2012, the bill lapsed in parliament and has not been scheduled for consideration in the upcoming session. According to the Deloitte report (2013), the legislative proposal aims to develop measures to achieve at least 50 percent representation and meaningful participation of women in decision-making structures, which must include:
• Setting targets for such representation and participation
• building women’s capacity to participate
• enhancing the understanding and attitudes of men and boys to accepts the capabilities and participation of women and girls as their equals
• developing support mechanism for women for the progressive achievement of 50 percent representation and meaningful participation of women (Department of Women, Children and people with disabilities, Women Empowerment and Gender Equality Draft Bill, 2012)

Other initiatives include the broad –based black economic empowerment act that embodied government’s efforts to “situate black economic empowerment within the context for a broader national empowerment strategies focused on historically disadvantaged people, and particularly black people, women, youth, people with disabilities and rural communities.” The act has played a role in the recent increase in the percentage of women on South African boards. One of the act’s many objectives, specifically focused on women, is to increase the extent to which black women own and manage existing and new enterprises and facilitate their access to economic activities, infrastructure, and skills training (Black economic empowerment. www.southafrica.info).

In 2014 South Africa had 20 percent of women on boards, an increase of 1.2 percent in 2012 (Credit Suisse, The CS Gender 3000: Women in senior Management, September 2014).

2.5.4 Women in the boardroom - A summary of other select countries

(Deloitte & Touché Tohmatsu Limited 2013, third edition, Women in the boardroom: A global perspective, www.global.corpgov.deloitte.com extracted on 28/08/15), provided the following statistic as a summary picture of women representation in board in other countries.

| Table 2. 1: Women in boardrooms – a global perspective |
|---------------------------------|----------------|---------------------------------|
| Country                        | Percentage     | Percentage change               | Quota and other initiatives                                                                 |
| Australia                      | 13.8           | 3.6                             | Quotas: There are currently no gender quotas for women on boards or senior management Other Initiatives: the corporate governance code, ASX Corporate Governance Council Principles and Recommendations, was re-issued on 30 June 2010 by ASX Corporate Governance Council and now |
contains a number of new recommendations relating to gender diversity

<table>
<thead>
<tr>
<th>Region</th>
<th>Progress</th>
<th>Change</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>9.4</td>
<td>No change</td>
<td>There are currently no gender quotas for women on boards or senior management positions. The Hong Kong Stock Exchange has introduced amendments to its corporate governance code requiring listed company boards to disclose whether they have adopted a diversity policy. If not they must disclose how they are making progress towards more diverse boards.</td>
</tr>
<tr>
<td>India</td>
<td>5.2</td>
<td>0.7</td>
<td>On 18 December 2012 Lok Sabha, the lower house of the Parliament of India, passed the companies bill. One focus of the bill is to improve corporate governance practices throughout India, Chapter XI titled appointment and qualification of directors, states that public companies must have at least one woman director and a minimum of three directors in total.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.3</td>
<td>1.4</td>
<td>On 27 June 2011, Prime Minister Datuk Seri Najib Tun Razak announced that Malaysian Cabinet approved a policy where corporate companies must achieve at least 30 percent representation of women in decision-making positions in the private sector to promote gender equality by 2016.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>13.7</td>
<td>1.5</td>
<td>There are currently no gender quotas for women on boards or senior management positions. Publicly listed companies will now come under pressure to promote women to boards and management under proposed new stock exchange rules. New Zealand stock exchange ex-chief executive, Mark Weldon has stated that the stock exchange will be proposing new rules that will require publicly listed companies to declare how many women and minorities they have in senior roles as directors.</td>
</tr>
<tr>
<td>Singapore</td>
<td>7.0</td>
<td>(0.3)</td>
<td>There are currently no gender quotas for women on boards or senior management positions. BoardAgender, an outreach arm of the Singapore Council of Women's Organization, (SCWO) Women's Register initiative that was launched in 2011, aims to provide a forum to facilitate the advancement of more women into senior leadership roles and the boardroom. It has brought together over 50 leaders of the organizations – on its way to 100 BoardAgender champions – who recognize the contribution of female talent in the workplace and in boardrooms.</td>
</tr>
<tr>
<td>Canada</td>
<td>13.1</td>
<td>0.2</td>
<td>In December 2006, a 50 percent quota for women board directors was passed in the province of Quebec for state owned enterprises. In June 2011, a 40 percent quota for both genders was proposed in the senate of Canada for the country as a whole.</td>
</tr>
</tbody>
</table>
The Canadian board diversity council was launched in November 2009 with the goal of improving diversity on boards, including gender diversity.

**United States**

There are currently no quotas for women on boards or senior management positions.

In December 2009 the SEC approved a rule that would require disclosure of whether, and if so how, a nominating committee considers diversity in identifying nominees for directors. If the nominating committee or the board has a policy with regard to the consideration of diversity in identifying director nominees.

**Israel**

14.2 0.2

Part VI, Chapter 1, Article E (d) of the Israel Companies Law states for all companies that if a board is composed of only one gender, any new appointment must be of the other gender.

In 1993 amendments to the 1975 governmental companies Law states that government owned companies must have an equal representation of women on their boards.

**Austria**

10.8 3.5

The Austrian council of ministers implemented a quota for supervisory boards on 15 March 2011. The quota applies to companies in which the state’s ownership equals or exceeds 50 percent companies meeting this criterion are required to have 25 percent of their represented by women by 31 December 2013. Increasing to 35 percent by 31 December 2018.

Proposed revisions to the corporate governance code will focus on increasing the number of women on executives and supervisory boards.

**Germany**

12.9 2.2

There are currently no gender quotas for women on supervisory or senior management positions.

The German corporate governance code, which applies to listed companies, contains recommendations aimed at promoting greater female representation on supervisory and management boards since 2010.

**Greece**

7.3 (2.2)

On 12 September 2000, the Gender Equality Act implemented a one-third quota for the state-appointed portion of full or partially state-owned company boards. Appointments and subsequent decision made by boards that fall to comply


Of the fifteen selected countries above (including Brazil, China and South Africa discussed earlier), it is clear that many countries are still trailing behind with the gender board diversity
with most of them recording a less than 20 percent women representation in their boards. The only exception is with mostly the Scandinavian countries, with Finland having 26.4 percent women board representation, Norway at 36.3 percent, Sweden at 26.4 percent. This is with an exception of Denmark who is still trailing at 15.6 percent.

2.5.5 The United Kingdom

In the United Kingdom, in February 2011, Lord Davies launched an independent review into women on boards, which had been commissioned by the UK government. He recommended that UK listed companies in the FTSE 100 should be aiming for a minimum of 25 percent female board member representation by 2015. He recommended in his report for the government that FTSE 350 companies should be setting their own, challenging targets and expects that many will achieve a much higher figure that this minimum. The report says that companies should set targets for future to ensure that more talented and gifted women can get into the top jobs in companies across the UK. Lord Davies also calls on chairmen to announce these goals and chief executives to review the percentage of women they aim to have on their executive committees by 2015. In response to Lord Davies’s report, the UK financial Reporting council (FRC) published two revisions to the UK Corporate Governance Code to require companies to report annually on their boardroom diversity policy and to include gender diversity in the evaluation of board effectiveness. These took effect for periods commencing on or after 1 October 2012, but the FRC strongly encouraged early adoption. (Deloitte, 2013)

2.5.6 Status of women on boards in other countries

In March 2013, the Canadian Federal Government created a committee to help increase the representation of women on boards of directors (McFarland, 2013a). Recently, Morgan Stanley created an investment portfolio which features companies committed to promoting women on to corporate boards (Nelson 2013). In support of other researchers, Zaichkowsky (2014) argues that this portfolio will buy into companies which have at least three women on their boards. These researchers’ rationale is based on previous research that proposed that a company must have “at least three women in the boardroom to create a critical mass to make a difference (Konrad et al., 2008; Torchia et al., 2011). Zaichkowsky (2014) further states that the link between three or more women in a board, and making a difference is not easy to test, because there has not been a good representation of companies which have more than three women on their boards.
Recent studies have looked at the broader relationship on number of women on boards, as a percentage figure and firm financial performance with positive results, inconclusive results, marginal results, or even negative results (Gregory-smith et al., 2014; Luckerath-Rovers, 2013; O’Reilly and Main, 2012; Rose, 2007). Many of these studies find that companies have on average, less than one woman on the board (Rose, 2007). O’Reilly and Main (2012) found that boards with more women as outside directors were more generous in compensating the CEO.

This research poses the following research questions:

- Does having a gender diverse board of directors lead to more effective corporate governance?
- Does having a gender diverse board lead to the company being more socially responsible?

These questions are important to investigate further this subject and to inform global legislative practices of gender-quotas in corporate governance and to establish investment portfolios based on the gender diversity of the company directors. Thus not only should those who control and govern companies and stock markets be interested in these questions but also those who are interested in investing in funds which are based on companies having gender balanced board of directors.

Mining the metrics of board diversity, a study published by Thomson Reuters financial and risk in 2013, analysed levels of board gender diversity at 4 100 public companies around the world as well as their performance since 2008. The authors found a strong correlation between mixed boards and better returns (Chanavat and Ramsden, 2013).

2.6 Corporate Governance

In South Africa, the idea of corporate governance and its anticipated benefits has received unprecedented international attention since 1994. The most widely used definition of corporate governance is the one by Cadbury (2000), which states; “it is the system by which companies are directed and controlled”. (Smerdon, 1998), states that the responsibilities for corporate governance lie with the company’s board of directors and consist of two functions: the direction of the company and the control of the company. It is based upon the premise that modern corporations are not passively shaped by external conditions, but can play an important role in both the successes and failures of the corporation (Rossouw, 2009). The control aspect of
corporate governance encompasses the notion of compliance, accountability and transparency (MacMillan, Money, Downing and Hillbrand, 2004), and how managers exert their functions through compliance with the existing laws and regulations and codes of conduct (Cadbury, 2000).

An expansion from Cadbury’s definition, King defines corporate governance as an integrate and participative approach to good governance in the interest of a wide range of stakeholders, having regard to the fundamental principles of good financial, social, ethical and environmental practices (King II Report, 2002). The King II report states that “the company remains key component of modern society and remains the legitimate and necessary focal point for profit-making activities in market economies” (King Report II, 2002). It involves the struggle to balance personal freedom and collective responsibility as it directs the board to take care of the interests of all the stakeholders in the company. The ethical nature of governance is reflected in what have become the four values of good governance: fairness, accountability, responsibility and transparency (Wiley, 2002).

A narrow view of corporate governance portrays it as an enforced system of law and of financial accounting, where social environmental consideration as accorded a low priority (Saravanamuthu, 2004). Although these values are widely recognized, corporate governance models around the world differ with regard to whose interests the board of directors should serve.

South Africa uses the inclusive model whereby directors are viewed as having responsibilities to all stakeholders of the company as set out in the King III report. The interests of the shareholders are not excluded, but balances with the interests of other stakeholders. Rossouw (2009) states that boards should not only report to their shareholders, but also to other stakeholders on what they perceive to be significant risks. Thus, the primary objective of the King III report is to “promote the highest standards of corporate governance in South Africa by advocating and integrated approach to governance” (Barrier, 2003). The King Report identified seven characteristics of good corporate governance: discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Within the broader conception of corporate governance, the interests of all stakeholders are accorded due regard and consideration and positioned as constraints on managerial action and shareholder rights (Kendall, 1999; Page, 2005). Leaders in the respect should exercise
their flair in taking their companies forward, while according due regard to their responsibilities to shareholders and stakeholders (Millan, 2005). Investor confidence and market efficiency depend on the disclosure of accurate information about corporate performance. To be of value in global capital markets, disclosed information should be clear, consistent, and comparable (OECD, 1999).

While the above focuses primarily on internal governance mechanisms and principles, a holistic view of corporate governance needs to also account of external governance mechanisms, including the takeover market and the legal system (Denis and McConnell, 2003). Although the concept corporate governance is assumed to be a modern concept, it is already mentioned in both Machiavelli and Adam Smith’s work in the 18th century. The term went largely unused until the 1976 publication of Harold Wilson and Bob Tricker’s groundbreaking book Corporate Governance in 1984. (Garratt, 2006) the Cadbury Committees report in 1992 on the financial aspects of corporate governance was the first sign of growing public awareness of the issue.

In summary, corporate governance thus generally revolves around a set of universal attributes, including ensuring accountability to shareholders and other stakeholders (Keasy and wright, 1997), creating mechanisms to control managerial behaviour (Tricker, 1994) ensuring the companies are run according to laws and answerable to all stakeholders (Dunlop, 1998), ensuring that reporting systems are structured in such a way that governance is facilitated (Kendall, 1999).

For the purpose of the research, the King report’s definition of corporate governance was used. It defines corporate governance as an integral and participative approach to good governance in the interests of a wide range of stakeholders, having regard to the fundamental principles of good financial, social, ethical and environmental practices (King II Report, 2002).

2.6.1 Overview of Corporate governance in South Africa

Between 1975 and 1994, South Africa was virtually isolated from the global economy. As a result of the apartheid regime, South Africa was excluded from participating in international organizations and many countries imposed economic and trade sanctions against the country. Although the political isolation and trade regulations protected South African firms from foreign competition, it also excluded these firms from international capital markets serving to effectively impede economic growth rates (Vaughn & Ryan, 2006). Until the early 1990s, the
economy was dominated by small number of mining finance houses that controlled diverse activities and investments (Armstrong & Segal, 2005). Although political reform started in 1986, it was not until 1994 that South Africa re-entered the global economy. Reforms brought about tremendous opportunities for South African corporations but also extensive challenges owing to the general decline in the economy and an inward-looking economic policy.

The post 1994 saw the establishment of a committee to consider corporate governance in South Africa. It was institutionalized by the publication of the *King Report on Corporate Governance in November 1994* with the main purpose of promoting the highest standards of corporate governance in the country. Unlike other publications at the time, the King report went beyond the financial and regulatory aspects of corporate governance in advocating and integrated approach in the interest of all stakeholders (King Report I, 1994).

### 2.7 Corporate Social Responsibility

Corporate Social Responsibility on the other hand is a concept that’s has attracted world-wide attention and acquired a new resonance in the global economy (Jamali, 2006). Heightened interest in Corporate Social Responsibility in recent years has stemmed from the advent of globalization and international trade, which have reflected in increased business complexity and new demands for enhanced transparency and corporate citizenship. Moreover, while government have traditionally assumed sole responsibility for the improvement of the living conditions of the population, society’s needs have exceeded the capabilities of government to fulfil them (Jamali, 2006). Corporate social responsibility is in many ways related to the concept of corporate citizenship (Naidoo, 2002). It takes into account the financial, social, and ethical dimensions for doing business. Corporate responsibility is seen as a core component of overall corporate functioning and is a direct responsibility of the board rather that something confined to the social investment manager. In other words, business leaders need proof of quantifiable financial benefits from an increases focus on environmental and social factors.

Governance falls into two basic categories: a statutory basis (comply or else) or a basis of a code of principles and practices (comply or explain). While the United States follows the statutory basis, South Africa opted for the code of principles and practices on a ‘comply or explain’ basis. While statutory regime allows for little flexibility for organizations and punitive measures in the form of sanctions and penalties, the King code allows entities and organization to follow the principles and practices, but where not appropriate to explain non-compliance the explanation then achieves compliance (IoDSA, 2009).
The philosophy of corporate social responsibility does not advocate that companies abandon their profit motive in favour of a wholly philanthropic leaning (Naidoo, 2002). The profit motive is after all the very reason for company’s existence. Social responsibility ideals propose the integration of social and environmental strategies in order that the existence of those companies will be sustainable in more than financial terms. The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility as the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities (WBCSD, 2001). More generally, corporate social responsibility is a set of policies, practices and programmes that are integrated throughout business operations and decision-making process and intended to ensure the company maximizes the positive impacts of its operations on society (Business for Social responsibility, 2003).

### 2.7.1 Social responsibility and the purpose of business

Some of the questions often asked include; what is the purpose of a business? Is it just to make as much profit as possible for its shareholders? Or does a business have a wider responsibility to help solve society’s problems? Cotton (1988) notes that the first discussions of social responsibility were of three types. Firstly, there was a lot talk about how business people should behave in their work. Should they have same ethical standards – the same principles – as they had in their private life? (Relating to bribes especially in a case where you knew your competitor were likely to bribe). Secondly, people discussed the social responsibility of business towards its employees. They were interested in how organisations could improve the working conditions of their employees. Finally, social responsibility included the idea that business people should contribute to cultural activities.

Executives were also expected to serve on educational committees, hospital boards and so on, in other words, they had to take an active part in the life of their community.

These days, there is a new approach to social responsibility. Many people say that a business should try to meet the needs and interests of society. It has an obligation to help solve the problems of society. Because of this new concept, society expects more from its business organisation (Cotton, 1988).
Cotton (1988) further elaborates that these days businesses are expected to show social responsibility in all kinds of ways they are urged to provide safer products; to protect and respect the environment; to hire more people from minority groups; to offer work opportunities to unemployed youngsters; to oppose racial discrimination and at all times to behave with integrity. The list is endless. The new concept of Social Responsibility means that business and business people must have integrity. They must deal honestly with their employees, and with the outside world. As Sir John Clark of the Plessey company says, “I attach more importance to integrity than to ability” (Cotton, 1988)

Another famous person makes a similar point. Ian McGregor has been chief executive of large organisation like British Steel and the National Coal Board. He says that a business’s first priority is to create wealth. Many companies, he believes, have a concept of social responsibility which distracts them from this task (McGregor, 1990).

Cotton (1988), in justifying the need for business to have social responsibility initiatives states that it is certainly true that social action cost money, and businesses have to bear that cost often by raising prices, lowering wages of having less profit. Someone has to pay for the social actions in the end – it may be the customer, the employee or the shareholder. Cotton further supports his assertion by saying of course, by showing social responsibility, the company may well benefit in the long run. A number of large corporate across the globe are doing a great job to communities through their social responsibility projects, one example of this is the Ranks Rank-Xerox company who though their spokesman said that the social projects were now an integral part of their company business strategy. It is no longer some sort of charity work which would get a brief mention in the annual report. Being a large organisation, Rank-Xerox had many contacts with government department and other groups in society, and, since it was a knowledge-based company, it needed to hire highly skilled people. Its social programmes were critical to its success. There was no doubt that, in the long run, these activities were profitable to the organisation.

2.7.2 Management ethics and social responsibility

Social responsibility implies the responsibility of management towards all stakeholders. Management’s decisions in this regard often require value judgements that fall outside the realm of existing laws. Whenever social responsibility is placed under the spotlight, it becomes necessary to examine its relationship with management ethics more closely. Managers can
only meet their responsibilities if they also meet the requirements of ethical management. The society in which business operates is no longer prepared to condone the kind of social responsibility which only serves the wealth of the shareholders. In the long term, only decisions that have been taken with the purpose of serving all interest groups will stand the test of time.

Although management ethics is not synonymous with social responsibility, the two concepts are related. Socially responsible decisions often require value judgements that fall outside the realm of prescribed laws, procedures and previous experience. In such cases a realistic view of management ethics is valuable. On the other hand, ethics determines a business’s socially responsive actions. The management has the responsibility to determine the fairness of each expectation while ethics forms the basis for the decisions that have to be made (Kruger, 2009).

The figure below illustrates the relationship between management ethics and social responsibility.

**Figure 2.1: Relationship between Management Ethics and Social Responsibility**

"Right and just" and “wrong and unfair” are main issues in the social responsibility debate, and managers have no choice but to realise that social responsibility has a strong ethical connotation.
Business management must draw up an ethical code relevant to the business and its community. The main hindrances to proper stewardship in social responsibility are ignorance, impatience and greed. The technological developments of the last decades have outrun our understanding of their consequences and side effects. Competitive pressure to be first in the market linked to the technical need to produce quickly, will frequently lead to untested products appearing in the marketplace. In the past, greed often outweighed care for the environment. No energy consuming plan can expel totally clean air, but there are positive ways (e.g. planting trees to counter the effect) in which difficult and often complex problems can be managed.

2.7.3 Condition of Corporate Social Responsibility

Social responsibility programmes can only be implemented if the following three conditions are met: (Kruger, 2009)

1. Management must fulfil its social responsibility task because it is devoted to it, not because of coercion
2. Top management must actively support the programme
3. An integrated approach is essential. Management should be socially responsible out of conviction rather than simply because money has been made available for the purpose

The following conditions can also be considered:

- Socially responsibility need to be incorporated as part of the business strategy, not just an add on activity
- Strategic decision on social responsibility need to be taken at the board governance level with a clear tracking and monitoring systems.

2.7.4 Interest groups in Social responsibility

Social responsibility involves the managerial obligation to protect and improve the welfare of interest groups, the society as a whole and the interests of the business (Certo, 1992). Business in South Africa cannot ignore the growing tendency for increased social responsibility. The solution lies in co-operation and co-ordination of activities between businesses.
Kruger (2009) defines interest groups as those institutions and persons who have direct or indirect interest in the existence and survival of the business. They can be divided into two broad categories, namely internal and external interest groups:

- **Internal interest groups**
  - Shareholders. As the supplier of capital they are interested in dividends, the growth of the business and the value of their shares
  - Employees, they are the business’s greatest asset. Their interests include good conditions of service, pleasant working conditions, a fair and just remuneration policy, development, training and sound labour relations

- **External interest groups**
  - Suppliers. They supply raw materials and equipment as well as financial and labour inputs. Suppliers are interested in the financial well-being of the business to ensure prompt payments
  - Customers. They demand a product of good quality at the right time at a reasonable price
  - Competitors. The actions of existing and potential competitors must be taken into account
  - The government. Central, regional and local government are important to business in terms of tax collection, service levies establishment and rights of use of land. The total infrastructure is the result of government action
  - General public. Churches, schools, hospitals and other institutions can exert pressure on the business.

### 2.7.5 Arguments in favour of and against social responsibility

A lot of business people agree with the wider concept of social responsibility. They accept that business should help to solve social problems – even if their business did not create them. And even if the social actions do not bring profits (Cotton, 1988)

There are nevertheless, some famous people who are against the new approach. One of these is Milton Friedman, an American Economist who won the Nobel Prize for Economics in 1976. Milton Friedman believes that business has only one social responsibility, that is to increase its profits as long as it stays within the rules of the game... and engages in open and
free competition, without deception and fraud. Friedman says that a business’s social responsibility is to make as much money for its shareholders as possible (Friedman, 1976).

2.7.5.1 In favour of Social Responsibility

Klerk & Kruger (1990; 105-106) states that the proponents of social responsibility advocate interaction between the business and the community. If management does not willingly help solve social problems, it must be compelled to help, or else face the decline and even the downfall of the community and also of the business. The most important arguments in favour of social responsibility are the following (Robbins, 1991):

- Managers have the skills and authority to attend to social problems by funding and providing facilities
- The profitability as well as the growth of the business depend on the existence of a stable, orderly society
- Participation in broad social responsibility is one of the best methods of promoting the business’s public relations and of gaining the goodwill and support of the public. The business gains considerable advantage from social involvement owing to the improvement of its image and the good relations with the public
- By accepting social responsibility, the business prevents the government from implementing restrictive legislations and regulations
- Social involvement requires the business to be effective, to use scarce resources in the best possible way and to bring about the best possible employment opportunities and job satisfaction
- The business is in a more favourable position than government to attend to urgent social problems without delay, because the business is not bound by politics and is more flexible and adaptable than government structures.

2.7.5.2 Arguments against

In a counterargument, Klerk and Kruger (1990; 106) notes the following as arguments by those opposed to social responsibility give the following reasons

- The business task is to produce quality goods and services and to satisfy the needs of the consumer
The economic function of the business is maximisation of profits. Therefore the business’s only social responsibility is to generate profit within the rules of the game in a free-market system (Robbins, 1991).

It is unfair to burden managers with social problems because they do not necessarily have political and social skills at their disposal.

Social involvement can have a negative influence on the business’s competitiveness owing to the time that personnel has to spend on it.

The spending of shareholders’ funds on social causes may be illegal. In addition to this, it is pointless to spend funds on social responsibility programmes without measuring the yields on the investment (Van Niekerk, 1987).

2.8 Links between Corporate Governance and Corporate Social Responsibility

Investors and customers are interested in the governance and social responsibility of the companies, Women have been found to be more aware of their corporate responsibility (Bart and Mc Queen 2013) and to be more benevolent and universally concerned, but less power-oriented (Adams and Funk, 2012). Therefore, women are thought to be a factor in bringing more effective governance and greater corporate social responsibility to a company, which, in turn, may lead to a healthier and more sustainable company (Bear et al., 2010).

In light of the overview presented above, there is a discernible overlap between corporate Governance and corporate Social responsibility. More specifically, when considering the broad conception of corporate governance, it is clear that good governance entails responsibility and due regard to the wishes of the key stakeholders (Kendall, 1999) and ensuring companies are answerable to all stakeholders (Dunlop, 1998). There is thus a clear overlap between this conception of corporate governance and the stakeholder conception of Corporate Social Responsibility that considers business as responsible vis-à-vis a complex web of interrelated stakeholders that sustain and add value to the firm (Freeman, 1984; Post, Preston and Sach, 2002; Jamali et al., 2008). Conversely, various Corporate Social responsibility scholars emphasize the need to uphold the highest standards of governance internally, particularly in discussions of the internal dimension of corporate social responsibility (Perrini, Pogutz and Tancati, 2006; Rosam and Peddle, 2004; Grosser and Moon, 2005).
2.9 Conclusion

Management has a responsibility towards various internal and external interest groups. The business, irrespective of traditional views and many arguments to the contrary, clearly has a social role to fulfil. The solution lies in co-operation and coordination of activities between the business and government. Once a social responsibility programme has been decided upon, clear goals and objectives must be set, policy formulated and the programme must be meaningfully managed.
CHAPTER 3
CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY AND BOARD GENDER DIVERSITY IN SOUTH AFRICA

3.1 Introduction

One thing that most organizations are concerned about is their long term growth and sustainability. In order for organizations to realize this, the management needs to consider the health of the organizations at different levels. They need to ensure that the organization continues to make money in the short term, but also survives and performs into the future. Management need to consider the well-being of all its stakeholders and to put checks and balances in place to make sure that the organization acts responsibly in all its operations. This is where corporate governance comes in.

Responsible leadership provides the mind-set within which corporate governance should take place. This is inclusive mind-set in which all organizational stakeholders are regarded as important (Ehlers & Lazenby, 2010). Ehlers & Lazenby (2010) argues that the two main business responsibility movements are corporate social responsibility and corporate sustainability. In support of these concepts, Katsoulakos & Katsoulocos (2007) states that corporate citizenship emphasizes the contribution a company makes to society through its core business activities, its social investment and its engagement in good causes. Corporate sustainability is associated with support for sustainable development and the long-term performance, stability and survival of the organization. It addresses the needs of current stakeholders while seeking to protect, support and enhance the human and natural resources that will be needed by stakeholders in the future (Ehlers & Lazenby, 2010).

The performance and sustainability of an organization is measured by the so-called triple bottom line, which basically means that a company’s economic, social and environmental impact is a prerequisite for stakeholder satisfaction. Given this supported argument that it is expected of all organizations to consider all levels of its stakeholders in their business operations, and in support of the notion that Corporate Social responsibility is a Corporate governance issue, that is, it’s a strategic decision that is made at board level, it can therefore be argued that diversity on skills, race, gender, age, should be a strong consideration for a board composition. Several authors suggest that women representation on boards is particularly important in industries where women form the majority of final customers. Daily and Dalton (2003) records that women board of directors provide exceptional perspective,
experience, as well as work and communication styles, compared to male colleagues. It is also arguably true that a diverse board have access to a wider pool of expertise, knowledge, skills and experience, which can increase rationality. Konrad and Kramer (2006) notes that women board representative considers a wider set of parties involved or affected by the company, and therefore gender diverse boards are more likely to adopt a stakeholder approach.

The purpose of this chapter is to briefly review corporate governance, corporate social responsibility and board gender diversity in the South Africa context. The aim is to draw out implications about the relationship between board gender diversity as a corporate governance structure to the company’s response to socio-economic and environmental aspects of its stakeholders.

Section 3.2 & 3.3 intends to place South Africa’s corporate governance in perspective by discussing the behaviour that directors need to display in managing their organizations. Furthermore an overview is given of major players in corporate governance as well as a discussion of corporate governance. Section 3.4 presents a review and theoretical background on corporate social responsibility and section 3.5 explores the implications of having women in corporate boards. This will take a narrow view of the South African corporate environment.

### 3.2 Defining corporate governance

Hough et al. (2011), state that the word governance is derived from Latin “gubernare”, and means to steer. Therefore, governance represents the means by which direction and control are applied to the stewardship of an organization’s assets – tangible and intangible, financial and non-financial, in the pursuit and delivery of the primary objectives of sustainable value creation. In support of this definition, Ehlers & Lazenby (2010) defines corporate governance as the elements in an organization that is concerned with holding the balance between economic and social goals and between individual and communal goals with the aims of aligning as nearly as possible the interests for individuals, corporation and society. The Cadbury Committee (1992) defines corporate governance as a system by which companies are directed and controlled. All the above definitions point to one common thing that an organization need to be constant guidance for direction.
3.3 The major players in Corporate Governance

The previous chapter discussed in detail the agency theory of Jensen & Meckling (1976) which states that the board function of monitoring and controlling managers is actually the fundamental concept from which the agency theory emanates. Therefore, if alignment of interests is key in corporate governance, then the assumption is that the goals of individuals, organizations and society are not automatically aligned and this relates back to the agency theory.

The problem with the agency theory arises because there is a separation between ownership of the capital needed to fund the organizational operations and the management thereof, in other words, the separation between ownership and control (Ehlers & Lazenby, 2010). In the agency theory, managers act as agents on behalf of the principals or shareholders. This contractual arrangement assumes that both managers and shareholders act in their own best interests. This is where corporate governance is viewed as a system by which owners direct and control the operations of the organizations (Shleifer & Vishny, 1997).

The problem with the agency theory appears when the company owners want to make as much money whilst the managers act in their own interests, which does not always translate into good profits for the owners. Such cases are common when the managers begin to demand higher salaries which in the owner’s view further reduce their profits. Seen in the context of responsible leadership, however, the agency theory with its focus only on shareholders and managers could be regarded as one-sided (Ehlers & Lazenby, 2010).

Many authors have shown that responsible leadership is inclusive of all stakeholders, and not only managers and shareholders. This means that the organizations cannot simply concentrate on financial benefits, but must also consider the less tangible social and environmental benefits. This is clearly pronounced in the South African governance codes and principles.

Figure 3.1 gives a summary picture of how major players in the corporate governance space are shifting practices from only focusing on managers and shareholders, but to an inclusive approach, involving all stakeholders.
3.3 CORPORATE GOVERNANCE IN SOUTH AFRICA

Corporate governance in South Africa started gaining momentum and claiming public discourse at the publication of the King I report on corporate governance in 1994. The King I report had its major focus onto reviewing and setting out recommendations for South African corporate governance. However, this does not necessarily mean that corporate governance did not exist in South Africa prior 1994. Before the publication of the King I report, the South African corporate governance was based on the Companies Act, 1973 (RSA, 1973) as well as common law.

The King I report (IoDSA, 1994)'s recommendations went beyond just the requirements of the Companies Act of 1973, but brought in requirements for more transparency and disclosure of companies in their annual reports, thus bringing in some of the best corporate governance principles practices internationally.

Source: Ehlers & Lazenby (2010)
Since the introduction of the King I report and the subsequent publication of the King II code of good governance (IoDSA 2002), South Africa saw many organizations going through drastic changes from just being economic driven companies and began to focus on achieving compliancy in areas of corporate social responsibility and gradually starting to put in place measures that speaks to environmental protection. However, this did not come without its own challenges, one of which saw many JSE listed companies developing a compliance check list and ticking off the relevant codes as recommended by the King II report without necessarily buying into the spirit of good corporate governance (KPMG, 2006).

The question then arises can ticking the check list for compliance without necessarily buying into the spirit of corporate governance translates to good corporate governance? For the King II Code (2006), having a compliance office who ensures that the company comply with the codes and rules of governance in South Africa, without the board applying its mind to how the company should be governed, represents poor governance (Moloi, 2008). King II suggests that the “comply or explain” approach makes more sense than other regimes. But even then, this approach is still exposed to organizations implement these principles only for compliance, without applying their minds to it, just to avoid the exercise of explaining non-compliance.

Over the past 21 years of democracy, South African organizations have been exposed to, in succession, to new political system, rapid trade liberalization, demanding international investors, and emerging markets crisis and rapid-fire regulatory reform (Malherbe & Segal, 2001).

Ehlers & Lazenby (2010) add by saying that even legislations, regulations, listing rules and accounting standards are also converging to international norms. All these rapid changes are explained by the growth path chosen by South Africa since becoming a democracy. Corporate governance affects both economic stability and growth prospects. (Ehlers & Lazenby, 2010).

### 3.3.1 Governance codes

The 56 countries in the Commonwealth, including South Africa and the 27 states in the European Union, have opted for a code of principles and practices on a “comply or explain” basis, in addition to certain governance issues that are legislated (Ehlers & Lazenby, 2010).

The United Kingdom has the Cadbury Code of Best Practice which was established as a set of 19 recommendations on sound corporate governance. South African legislation that has a
direct impact on corporate governance includes: the Companies Act of 1973, the Labour Relations Act (LRA) of 1995, the Basic Conditions of Employment Act (BCEA) of 1997, the Employment Equity Act of 1998, the National Environmental Management Act of 1999, the Promotion of Access to Information Act of 2002, the Black Economic Empowerment Act (BEE) of 2003 and the Securities Services Act of 2004. As a result of the King II report on corporate governance in 2002, the Companies Bill of 2007 was enacted, and also the amendment of the Companies Act of 1973, which was replaced by the Companies Act 71, 2008 which was effected on 1 May 2011. Although the Companies Act of 1973 was repealed certain provisions will continue to apply. In addition, the South Africa Constitution clearly speaks to the environmental protection rights for the country’s citizens, linking it with corporate governance standards.

In 1992, at the time when South Africans were gearing themselves for the eminent democratic dispensation, former Judge at the South African Supreme Court Professor Mervyn King was asked to chair a private sector body to draft the country’s corporate governance guidelines. This body became known as the King committee. Its first report was released in 1994 was dubbed the King I. this report adopted an integrated and inclusive approach to the business life of companies, embracing stakeholders other than shareholders. This was criticized by many as a step way ahead of its time. The committee subsequently revised its report in 2002 and released the King II report. And later released the King III Code on corporate governance for South Africa. The sub-sections below attempt to provide more substantial explanation on each of the game changing codes in South African corporate environment.

3.3.2 The King I Report on Corporate Governance

The King I report on corporate governance, published in 1994, addressed the fundamental principles of good financial, social, ethical and environmental practices. This was a deliberate step towards improving the state of corporate governance in South Africa. This report went beyond the financial and regulatory aspects of corporate governance but went further to advocate for an integrated approach to good governance in the interest of a wide range of stakeholders. This report addressed to specific elements of corporate governance namely financial and ethical aspects, and to some extent also addresses the environmental practices by organizations (IoDSA, 1994).
3.3.3 The King II Report on Corporate Governance

The King II report on corporate governance was published in 2002, as an update to the 1994 King I report. King II went beyond the requirements of the Companies Act of 1973, and incorporated recommendations on a Code of Corporate Practice and Conduct for companies (Ehlers & Lazenby, 2010). King II acknowledges the need for moving away from the single focus on shareholders’ profit, to a triple bottom line, which embraces the economic, environmental and social aspects of a company’s activities.

The King II report further requires that minimum corporate governance be disclosed in the company’s annual report as minimum standards of corporate governance (Vaughn & Ryan, 2006). This report identifies seven primary characteristics of good corporate governance namely; discipline, transparency, independence, accountability, responsibility, fairness, and social responsibility (IoDSA, 2002).

Du Plessis et al. (2005) identifies from the King II report (2002), seven characteristics of good corporate governance as follows:

1. **Discipline** – the commitment by company’s senior management to adhere to behaviour that is universally recognized and accepted to be correct and proper. This encompasses a company’s awareness of, and commitment to, the underlying principles of good governance, particularly at senior management level.

2. **Transparency** – the ease with which an outsider is able to make meaningful analysis of a company’s actions, its economic fundamentals and the non financial aspects pertinent to that business. This is a measure of how good management is at making necessary information available in a candid, accurate and timely manner – not only the audit data but also general reports and press releases. It reflects whether or not investors obtain a true picture of what is happening inside the company.

3. **Independence** – the extent to which mechanisms have been put in place to minimize or avoid potential conflict of interest that may exist, such as dominance by a strong chief executive or larger shareowner. These mechanisms range from the composition of the board, to appointment to committees of the board, and external parties such as the auditors. The decisions made, and internal processes established, should be objective and not allow for undue influences.
4. **Accountability** – Individuals or groups in a company who make decisions and take actions on specific issues need to be accountable for their decisions and actions. Mechanisms must exist and be effective to allow for accountability. These provide investors with the means to query and assess the actions of the board and its committees.

5. **Responsibility** – responsible management would mean having clear levels of responsibility. This means management is responsible to the board of directors, and the board is responsible to the stakeholders of the company. This mechanism should have corrective action in place for penalizing mismanagement.

6. **Fairness** – the rights of various groups have to be acknowledged and respected at all times. The system must ensure a balanced approach to the interests of the company and its future.

7. **Social responsibility** – a well-managed company need to be aware and respond to social and environmental issues, placing a high priority on ethical standards. This include applying a principle of non-discrimination, a non-exploitive nature and responsibility to human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking these factors into consideration.

According to Institute of Directors Southern Africa (2009), some of the recommendations in King II were included as part of the new Companies Act. The King II report had a chapter dedicated to integrated sustainability reporting. The concept of reporting on economic, social and environmental performance. This report also put emphasis on combined assurance where management and internal assurance providers such as internal auditor and external assurance providers such as the external auditors are role players in providing assurance to the board over risk in the company (Hough *et al.*, 2011)

### 3.3.4 The King (King III) report on Corporate Governance

The third report on corporate governance, referred to as the King III code of governance principles became necessary because of the new Companies Act no. 71 of 2008 and changes in international governance trends (IoDSA, 2009). The report was published in 2009. The philosophy of the King III report revolves around leadership, sustainability and corporate Citizenship (IoDSA, 2009)
• **Good governance** is essential about effective leadership characteristics by the ethical values of responsibility, accountability, fairness, and transparency and based on moral duties that find expression in the concept of Ubuntu. Leaders should direct company strategies and operations with a view to achieve sustainable economic, social and environmental performance.

• **Sustainability** is the primary moral and economic imperative of this century, giving rise to the most risk and opportunity for business as nature, society and business are interconnected. A fundamental shift towards sustainable practices is required.

• **Corporate citizenship** flows from the fact that the company is a person and should operate in a sustainable manner. Sustainability considerations are entrenched in the South African Constitution, which imposes responsibilities upon individuals and juristic persons for the realization of the most fundamental rights.

King II applies to listed companies, financial institutions, and public sector enterprises. In contrast, King III applies to all entities regardless of the manner and form of incorporation or establishment (Hough *et al.*, 2011). Further, the king III code differs significantly from King II report and has many practical implications for the board of directors, the CEO, management, audit committee and stakeholders (Ehlers & Lazenby, 2010).

King III follows an “apply or explain” approach. Where entities have applied the Code and best-practice recommendation in the report, a positive statement to this effect should be made to stakeholders. In situations where the boards of directors or those charged with governance decide not to apply a specific principle and /or recommendation, this should be explained fully to the entity’s stakeholders (Hough *et al.*, 2011). Ehlers & Lazenby (2010), links the responsibilities of the board of directors and management directly to the strategic management of the company. Table 3.1 explains this linkage in detail.
### Table 3.1: The responsibilities of the board of directors

<table>
<thead>
<tr>
<th>STRATEGIC MANAGEMENT</th>
<th>WHAT KING REPORT SAY</th>
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| STRATEGY FORMULATION | • The boards of directors are responsible for directing (leading the company in a way that takes all stakeholders’ interests into account  
  • The board should exercise leadership, enterprise, integrity and judgement in directing the company so as to achieve continuing survival and prosperity for the company (IoDSA, 2009)  
  • The board should play a prominent role in the strategy development process and should not be the mere recipient of a strategy proposed by management  
  • The board should approve the long-term and short-term strategy for the business of the company and monitor its implementation by the management  
  • Before approving the strategy, the board should ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate expectations of its stakeholders  
  • The board should ensure that its long-term planning will result in sustainable outcomes. Strategy involves an assessment of risks and opportunities, and the strategy should establish a framework for action by the board and the management. The strategy development process should take account of the dynamics of the changing external environment so as to respond to changing market conditions.  
  • The role of the CEO includes: recommending or appointing the executive team and ensuring proper succession planning and performance appraisals; developing the company’s strategy for board consideration and approval; developing and recommending to the board annual business plans and budgets that support the company’s long-term strategy |

| STRATEGY IMPLEMENTATION | • The board and the CEO will be responsible for overseeing the implementation of the strategy  
  • The board should actively cultivate a culture within the company in which ethical conduct is promoted and embraced, and set the values to which the company will adhere. Sustaining an ethical corporate culture requires that the board and executive leadership are clear about the company’s ethical values and standards and that they are seen to support these. It also requires that company should take active measures to ensure that its ethical standards are adhered to in all aspects of its business  
  • The board should identify key performance and risk areas and the associated performance and risk indicators and measures  
  • The role of the CEO includes monitoring and reporting to the board on performance and conformance with strategic imperative; organizing the structure of the company necessary to achieve the strategic plans; setting the tone from the top in providing ethical leadership and creating an ethical environment; and ensuring that the company complies with all relevant laws regulations |

| STRATEGIC CONTROL | • The board needs to balance its role of maintaining prudent control with the performance of the company. The integrated report on company performance should include a statement from the board, outside the annual financial statements, that have established formal policies and frameworks for the design and implementation of the systems of internal financial controls, and that a review of internal financial controls has taken place. The board should make a statement on the effectiveness of the company’s internal financial controls  
  • An independent audit committee fulfils a vital role in corporate governance. The audit committee is a critical component in ensuring the integrity of integrated reporting and financial controls, the proper identification and management of financial risks and the integrity of the reporting practices. Integrated reporting refers to company’s integrated sustainability report, incorporating the applicable statutory financial reporting. |

Source: Ehlers & Lazenby, 2010: pp 99-100
3.3.4.1 **New Concepts introduced in King III**

Hough *et al.*, (2011) highlight the following concepts as either completely new or reinforced concepts in King III, which may or may not be included in both King I and King II:

**Information technology (IT)** - governance is dealt with in detail in King III for the first time. It states that, in exercising their duty of care, directors should ensure that prudent and reasonable steps have been taken in regard to IT governance.

**Shareholders’ approval of remuneration policies** – King III requires that board with the assistance of the remuneration committee put forward a policy of remuneration to the shareholders for the approval in general meeting

**Directors’ performance evaluation** – whilst King II recommended self-evaluation of the board, its committees and the contribution of each individual director, King III requires the board to consider whether the evaluation of performance should be done in house or conducted professionally by independent service providers, subject to legislative requirements.

**Business rescue** – this is another new section included in the boards and directors chapter to address governance in business rescue proceedings. King III requires boards to commence business rescue proceedings as soon as the company is financially distressed.

**Alternative dispute resolution (ADR)** – King III recognizes that the ADR has become an important element of good governance. This is in line with the Companies Act which offers parties the option of resolving disputes through ADR. King III favours mediation or conciliation and, failing that, arbitration.

**Fundamental and affected transactions** – Chapter nine of the King III report deals with fundamental affected transactions, which is a topic that is not dealt with in both King I and King II. This section states that;

- Directors must disclose any conflict or potential conflict of interest
- Directors involved with affected transactions must not be conflicted

Table 3.2 below shows that the understanding that the modern world relies on interdependency of companies and that this interdependency is essential for the long-term thinking as well as for sustainability of organizations.
The above can easily be summarized in the table 3.2 below.

**Table 3.2: Comparison of King II and King III requirements**

<table>
<thead>
<tr>
<th>King III, Incorporating the new Companies Act</th>
<th>King II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apply or explain</strong></td>
<td>Comply or explain</td>
</tr>
<tr>
<td>Integrated reporting – social, financial and environmental</td>
<td>Silo reporting – sustainability reporting an “add on”</td>
</tr>
<tr>
<td>Shareholders – non binding approved remuneration policy</td>
<td>No requirement</td>
</tr>
<tr>
<td>Recommendation on remuneration</td>
<td>No recommendation</td>
</tr>
<tr>
<td>Risk – based internal audit, incorporating understanding of long term strategic direction, with a written assessment to board of adequacy and effectiveness of controls</td>
<td>No written assessment required</td>
</tr>
</tbody>
</table>

Source: King III A new corporate playing field (IoDSA 2009:26)

### 3.4 Corporate failures in South Africa

Despite South Africa’s positive strides in putting in place good corporate practices guides for companies through the publishing of the King I, King II, and King III codes of good corporate governance. And in addition, thought the amendments of the companies Act to incorporate most of the recommendations from these guidelines, corporate governance has made headlines where organizations failed to act morally. IoDSA (2002) defines a corporate sin as an intentional violation of the company’s set of laws. Directors and managers have first-hand information regarding the affairs of a company as they run day-to-day activities, and as a result of their exposure to these affairs, they may be tempted to perform activities and take actions that are not in the best interest of shareholders, thus not to the benefit of the principal, thereby committing corporate sins (Moloi, 2008).

- The following cases represents examples of some the South African Company’s failures to adhere to good corporate governance and ethics:
- In 1991, the R650 m failure of Masterbond shocked the country. Its directors marketed the company as registered with the Reserve Bank, which led to investment consultants and the media recommending them as sound proposition for investment. People’s pensions were invested into property development with unrealistically high returns.
Investors’ money was placed in various schemes. In analysing this case, Ehlers and Lazenby (2010) states that apart from a total lack of ethics in the operation of Masterbond and a lack of interest in and commitment to action by authorities at the time, an after-the-fact report highlighted a lack of fraud prosecution, a lack of civil remedies, a lack of class actions, a lack of protection for minorities, and lack of legislation relating to precise accounting standards.

- In 1999 there was the R1 Billion corporate failure of healthcare group Macmed.
- In 2001 there was the collapse of Regal Treasury Bank (which exposed unethical behaviour by the CEO and the board’s chairman).
- In 2002 there was the failure of Saambou Bank Limited, which involved allegations of insider trading.
- In 2002 LesureNet surpassed all previous cases with losses of R1.1 Billion. This affected more than 5000 employees and almost 1 Million South Africans.
- Another famous corporate scandal of recent times involves Fidentia where the chairperson and his management team were responsible for reducing R2 Billion in other people’s savings to a meagre R8.5 Million. The Financial Services Board (FSB) report noted that it was its analysis that about R1 Billion of some R1.5 Billion invested with Fidentia could not be accounted for.
- In 2009, chemical giant Sasol appeared in the competition tribunal after Competition Commission found that fertilizer prices had been fixed and evidence of collusive behaviour surfaced.

- And most recently, the Tiger Consumer Brands was caught fixing the price of bread and costs of milling with a cartel of major national competitors. The collusion scandal in the construction of the FIFA Soccer world cup (2010) stadia where major construction companies in South Africa.

Read more in Business Report (http://wwwbusrep.co.za), IOL (http://www.iol.com) and at financial news (http://www.fin24.com)

These “corporate scandals” and failures cannot only be confined to private companies as the government and its parastatals were not spared from similar scandals. Some of the notable scandals include the arms deal, and recently the collapse of African bank. One other case of corporate scandal that made news is the Brett Kebble issue. Kebble, a flamboyant mining magnate was gunned down in September 2005. His involvement in the Black Economic
Empowerment (BEE) deals was seen as brining in a breath of fresh air and new dynamism into the economic sector. His death left the country confused, as some version suggests it was an assisted suicide due to the financial mess he was in at the time of his death. And this notion is supported by others who describe Kebble as a great corrupter, a dirty businessman who had little respect for the law or codes of good governance practices (Hough et al., 2011).

Hough et al. (2011) further argues that South Africa is viewed by most as a springboard into untapped markets in the sub-Sahara Africa and beyond. With South Africa in the forefront in leading the New Partnership for Africa’s Development (NEPAD), it has more reason to set the standards when it comes to ensuring that South Africa complies with world-class standards of good corporate governance.

3.4.1 Signs of corporate governance collapse

Some researchers believe that there are common threads in most corporate scandals cases – notably where corporate governance fail (Ehlers & Lazenby, 2010). On the similar line, Jennings, (2006), a professor of legal and ethical studies identifies seven signs of ethical collapse as follows:

Sign 1: pressure to meet the numbers – the emphasis in an organization is one a meaningless exercise to reach the desired numbers. Financial reporting is done merely to reflect what the organization wants the markets to see. It would appear that Sasol’s price-fixing scam had elements of succumbing to market pressure and fixing the numbers to look good. The Competition Commission found that there was a coordinated practice and /or understanding between Kynoch, Omnia and Sasol to fix the prices of fertilizers and maintain them at certain level. (www.fin24.com), reports that the investigation furthermore revealed that these organizations had conspired to limit price competition among themselves in order to fix, raise and maintain higher prices for fertilizers, as well as to maintain their market share.

Sign 2: Far away and silent – in many of these corporate collapses, employees often kept quiet but knew what was going on. Enron employees were circulating via email a “top ten” list called Top ten reasons Enron restructures so frequently. Number 7 on that list was; “the basic business model to keep outside investment analyst so confused that they will not be able to figure out that we don’t know what we’re doing” (USA today, 22 January 2002, quoted in Jennings, 2006:25). Often employees who raise concerns are ignored and those who blow the whistle are met with great resistance, unfriendliness, isolation and in extreme cases is
immediately fired and where firing is not possible, those employees are either transferred or suspended (Ehlers & Lazenby, 2010: 94).

**Sign 3: Sycophantic executives and an iconic CEO** – the too prominent CEO who is given iconic status in the media is often a warning sign. Such CEOs are often surrounded by ingratiating and flattering managers. Parmalat for example employed over 36 000 employees and were referred to by media as the “first family”. But in all these, there was trouble under the media-polished surface. Major fraud ended in US$12.8 Billion in missing assets, forged documents, fraudulent accounts in the Cayman Islands – and all for the sake of keeping company performance and growth steady in the public eye.

**Sign 4: A weak board** – the boards of companies at risk of ethical collapse are weak and ineffectual – a mere rubber stamp. Reichardt (2009) asks a critical question “can a person hold more than 70 public offices and directorships and still diligently discharge his or her responsibilities?” he asked this question when Fidentia board member Dania Baloyi was found by the Financial Services Board to have neglected her fiduciary duties. The report found that she, together with the CEO J, Arthur Brown were not able to exercise their discretion in a manner that was in the interests and welfare of the beneficiaries.

**Sign 5: Conflicts of interest** – organizations at risk of ethical collapse have a distinct atmosphere of nepotism and back-scratching. Independent judgement in the award of contracts, recruitment and even discipline becomes clouded with self-interest. In the same instance of Fidentia, a clear conflict of interest was seen in board member Danisa Baloyi. In the same year, Baloyi joined the board of Mineworkers Provident Fund, which set up the Living Hands Trust for qualifying widows and orphans. In 2004 Baloyi oversaw the transfer of the Fund’s assets of R1.6 Billion to Fidentia. It was at this point that Baloyi became a director of Fidentia, while remaining a trustee of the Mineworkers Fund (Reichardt, 2009).

**Sign 6: Overconfidence** – Companies heading towards ethical collapse often exuded overconfidence due to earlier successes.

**Sign 7: Social responsibility being the only measure of goodness** – unfortunately, there are many failures of companies that are perceived to be good corporate citizens. Fidentia, cited above, which publicized all its good intention, is a case in point. The caution here is that ends do not justify means. A company must show both social, environmental and economic responsibility and not one instead of another.
It is important to note that these signs also point to the absence or poor implementation of sound governance. Recognizing and putting systems in place in response to these signs is one good step in good corporate governance.

3.5 Conclusion

The rule of law is the foundation for good governance, generally it speaks to the application of legal frameworks in a manner that is fair and impartial. Another important element from this concept is the emphasis on role of decision making processes in the governance of organizations. In South Africa, the King III principles emphasizes accountability and putting in place internal controls as some of the important pillars of good governance. In the public service, this notion is enshrined in the 1997 White Paper on Transforming Public Service Delivery aptly called the “Batho Pele” translating to putting people first, as one of the eight principles underpinning this policy. The true spirit of corporate governance is only realized when organizations comply with the cardinal values mentioned above.

The above discussion proves that corporate governance and for good corporate governance to be realized, organizational decision making should not be left to just a few, also the fact that a diverse team of board of directors is likely to be more rational and also serve as guide to one another and provide that needed early warning system in defence and protection on the organization. This can equally be said about the organization's responsibility to the environment, social and economic aspects of its operations. And all this requires diverse, yet balanced opinions from the board.

3.6 Corporate Social Responsibility in South Africa

3.6.1 What is Corporate Social Responsibility?

Many scholars have attempted to define the concept of corporate social responsibility (CSR). All the definitions for CSR are manifold and the discourse about the differences between CSR, Corporate Citizenship, Social Entrepreneurship, Sustainable Entrepreneurship and recently Social Impact Investing has resulted in diverse range of definitions. Nonetheless, a commonly accepted definition points to the interdependent relationship between businesses and their environments (Carroll, 2008). In strong support of this, Van den Ende (2004), refers to CSR as the organization’s impact on each group of stakeholders. Carroll and Buchholtz (2009), defines CSR as that which includes the economic, legal, ethical and philanthropic expectations placed on organizations by society at a given point in time.
Even with the existence of many different yet convergent definitions and views about what CSR is really is, the one characteristic that many CSR definitions have in common is that CSR addresses concerns of the public regarding business and societal relationships (Carroll, 2008). It is also true that during this time, many different concepts and principles have been aired and debated in relation to CSR, but all these debates have been narrowed down to two key questions:

- Why might it be argued that corporations have social as well as financial responsibilities
- What is the nature of these social responsibilities (Crane & Matten, 2010).

![Carrol's four-part model of corporate social responsibility](Adapted from Crane and Matten (2010). Business ethics)

Carroll regards CSR as a multi-layered concept, which can be differentiated into four interrelated aspects: Economic responsibilities, Legal responsibilities, Ethical responsibilities and Philanthropic responsibilities. He presents the responsibilities as consecutive layers within a pyramid such that true social responsibility requires the meeting of all four levels consecutively (Crane & Matten, 2010). This model is depicted in figure 3.4.
Carrol further explains these four corporate social responsibility aspects as;

**Economic responsibility** – the company’s shareholders demand a reasonable return on their investments, and at the same time they have employees who also expect safe and fairly paid jobs, they have customers who demand good quality products and services at a fair price. This is, by definition, the reason why businesses are set up in society and so the first responsibility of business is to be a properly functional economic unit and to stay in business. This section is therefore required by society.

**Legal responsibility** – this is a requirement that businesses abode by the law and play by the rules of the game. And as with economic responsibility, the satisfaction of legal responsibilities is required of all corporations seeking to be socially responsible.

**Ethical responsibility** – this part obliges corporations to do what is right, just and fair even when they are not compelled to do so by the legal framework. Given the nature of this responsibility, it is therefore generally expected by society over and above economic and legal expectations.

**Philanthropic responsibility** – this is found at the tip of the pyramid. In business this incorporates activities that are within the corporation’s discretion to improve the quality of life of employees, local communities and ultimately society in general. Philanthropic responsibilities are merely desired of corporations without being expected or required, and according to Carroll (1991), making them less important than the three categories.

The field of CSR has grown exponentially in the last two decades. This has seen more and more companies making efforts to define and incorporate CSR in all aspects of their business, with experiences being supported by a growing body of evidence that CSR has positive impact on business economic performance.

### 3.6.2 The social contract theory

Generally, Social contract theorists advance the view that the state or, more precisely civil society is a product of a contract, a covenant, an agreement or a compact (Nbete, 2012). Thomas Hobbes in his 1651 publications describes that state of nature as that where people implicitly accept a social contract which is an establishment of moral rules to govern relation among citizens and that the government is capable of enforcing these rules (Charles, 2011).
Jean-Jacques Rossoù through his 1762 publications support Hobbes by adding that in an ideal society, no one is above rules, and that this prevents society from enacting bad rules. This therefore means that corporate social responsibility is not alien to normal decision-making process. The new social contract implies that business can no longer justify its existence by referencing to its economic performance only because society has revised its expectations for business institutions (Mak‘ochieng, 2003).

Cannon (1994) argues that there is an existing implicit contract between business and the community in which it operates, in that business is expected to create wealth; supply markets; generate employment; innovate and produce a sufficient surplus to sustain its activities and improve its competitiveness, while contributing to the maintenance and development of the community in which it operates. The social contract theory maintains that business and society are interdependent and that society expects business to make its contribution to the well-being of the community.

Some of the criticism labelled against the social contract theory include:

- There is no signed contract and that some actions have multiple characteristics, in some cases we do not learn how to make trade-offs between these conflicting rights.
- This may unjustly treat people who cannon uphold the contract – in principle it should be distinguished between people who cannot follow the contract to those who choose not to.

Carroll (1999) notes this criticism has led to an increased concern for social environment and revision of the social contract between business and society. The “new” social contract between business and society challenges business to embrace a broader perspective of its role in society other than just producing goods and services (Mak‘ochieng, 2003). In essence, the society is saying that the goal of profit-making alone no longer translates to good corporate behaviour and that companies are social institutions and as such, must live up to society’s expectation.

### 3.6.3 The Social Contract theory in South Africa today

Given South Africa’s political past, it is expected that the social contract in the country would change, in line with the change of times. It can be argued that during the past political era, South African businesses focused on their economic self-interest with little genuine interest in
corporate social responsibility. The new political dispensation has seen the government and the public increasingly calling on private sector to assist in bringing about socio-economic development in the wider society, particularly the previously disadvantaged communities.

The need for social and economic upliftment of the people of South Africa cannot be overly emphasized, and therefore it is important that business organizations, join hands with the government by developing sustainable and empowering corporate social investments programmes to improve the living standards of the needy and poor communities in order to create a prosperous society. Mak'ochieng (2003) strongly argues that businesses in South Africa bear an inescapable moral and ethical responsibility to respond positively to the socio-economic challenges facing the country. He further emphasis the fact that it is in the business interest to be socially responsible, because, arguably, business can only prosper in a healthy and socially cohesive society. This new social contract between business and society in South Africa in increasingly being manifested in business forging partnerships with the government, civil society groups, educational institutions and communities in a bid to work together to solve problems. Businesses has the resources, power and influence to create a stable and healthy society. Therefore, businesses like the mining companies in South Africa has lots to contribute in bringing about social, as well as economic development in the communities where they operate and across the country.

3.6.4 A critical overview of Corporate Social Responsibility in South Africa

Corporate Social Responsibility in South Africa has undergone fundamental changes since its introduction in the early 1970s (Mak'ochieng, 2003). During this time, the CSR concept was influenced heavily by the apartheid legacy and its inherent political and economic isolation. Rollin (2011) states that historically, the dominant CSR concept was in the form of early voluntary business initiatives that pushes for government policy changes during apartheid. Mak'ochieng (2003), further argues that during the apartheid era, American companies operating in South Africa were compelled to follow the Sullivan Code, which was introduced in 1977. This code required American companies to have social investment programmes in order to maintain a presence in South Africa. Alperson (1995) maintains that before the introduction of the Sullivan Code, South African companies gave little attention to corporate social responsibility programmes. In fact, no partnership between businesses and their stakeholders existed and most corporate social responsibility programmes were generally ad hoc donation programmes (Mak'ochieng, 2003).
Rollin (2011) contends that it was until after the Rio Earth Summit in 1992, that South Africa’s effort towards a stronger corporate response to the broader sustainability agenda was noticeable. This response was influenced by the first reinvestments of big multi-nationals in the country, as well as by the movement abroad of the primary listings of several South African companies (Rollin, 2011). Van den Ende (2004) pronounce that ever since the 2002 World Summit on Sustainable Development, hosted in Johannesburg-South Africa, the quest for sustainability has captures the country’s corporate imagination, pointing to the increasing attention given to social and environmental issues, many of which were previously overlooked. Rollin (2011), also add the World Parks Conference in 2003, and the presentation for the United Nations Framework Convention on Climate Change’s COP 17 in December 2011 as some of the events that has dominantly influenced the social development agenda in South Africa. This confirms that the democratic dispensation in South Africa its participation in these international conferences on sustainability has propelled the country into becoming more conscious and attentive to issues of corporate social responsibility.

In South Africa today, companies have realized that they need to engage communities on an on-going basis and in a structured manner and they therefore spending more time planning and delivering corporate social responsibility projects (Mak’ochieng, 2003). As a results many companies now have corporate responsibility departments or units and setting the head of these departments at an executive level to enhance a flow in decision making. This however, did not just happen as a natural and voluntary process, Government through a number of legislations and policies had to intervene in other places.

Since the democratic dispensation (in 1994), South Africa has embarked on an economic growth strategy that supports the inclusion of people who were previously disadvantaged into economic activities. Policies like the Black Economic Empowerment (BEE) Act 53 of 2003 saw quite an increased number of individuals from previously disadvantaged groups entering the economy, and this in a way contributed to the drive for corporate social and environmental responsibility.

The recent developments such as the King Committee Reports on Corporate Governance in South Africa (King I in 1994, King II in 2002 and King III in 2009), all which states that sustainability in the corporate context means that each enterprise must balance the needs for long-term viability and prosperity of the enterprise itself, the society and the environment upon which it relies – with short-term financial gain have also made companies to take corporate
social responsibility issues more seriously (Mak’ochieng, 2003). Businesses are realizing that using their power, resources and influence they can bring about desired and positive change in society.

The Johannesburg Securities Exchange (JSE) has adopted the King III code of corporate governance and has set as listing requirements the King III codes, which means that companies are encouraged to include CSR as an integral part of their operations and they must report on this as one of the checklist (IIRC, 2013). The JSE requirement expects companies to adhere to social performance criteria as measured by the company’s contribution to social, environmental and corporate governance imperatives.

3.6.5 The Need for Corporate Social Responsibility in South Africa

The need for corporate social investment programmes in South Africa, and in most of the mining communities in particular is huge. Poverty in these communities is one of the leading socio-economic challenges facing the country. Many research studies have found that the extremely high unemployment rate in the country, sitting at 26.4 percent in 2015 (Reuters, 29/07/2015).

Considering the history of the country, South Africa is developing off a very poor base in health, welfare, education, even on economic activities across the board and this puts a lot more responsibility on corporation, because there are simply not enough state resources to meet the developmental needs of the country (Sunday time, Feb 9, 2003 – as quoted by Mak’ochieng, 2003). With all the development backlog facing South Africa today, the corporate sector’s specific role in this regard is more needed and relevant than ever before. Companies have a duty to do good to communities and corporate Social Responsibility is one way for corporations to bring about positive development to the many poor and marginalized members of the community, and in South Africa the business community are playing their part in the social and economic development of the people. This is evident in the increasing focus of their Corporate Social Investments programmes in the areas of Health, enterprise development, income generation, food security, public policy, education, job creation, social welfare, just to list but a few. It can be argued that if the country wants to see its people’s social and economic improving, government and business need to work together to address the growing inequality amongst citizens.
Mak’ochieng (2003), argue that for any business to succeed and remain on top of their game for a sustained period of time into the future, will have to focus outwardly by accepting social and environmental responsibilities, through keeping a cohesive and positive society that can provide the best possible conditions for business growth. Given that CSR is more than just increasing profit of market share, providing a stable social order will bring a competitive advantage for the business. This will increase the value and commitment to employees, customers and the general community.

3.6.6 Corporate Social Responsibility Initiatives in South Africa

As already highlighted in earlier sections, Corporate Social Responsibility is concerned about the social welfare of the people and sustainable care for the environment around the communities where the business operates. South Africa has a number of CSR models and interventions, yet there is inadequate literature on the processes, design, implementation, monitoring and evaluation of these CSR initiatives and strategies. It appears like each organization apply their own strategies that seem to work for them and enable them to achieve the desired results. In support of this assertions, Malm (2012) notes that although people appreciate the recent advancement of CSR in South Africa, some researchers argue that the capacity of CSR may not be enough in contribution to sustainable development. However, despite the limitations in the documentation of the “best practice” CSR models and strategies, CSR has contributed immensely to the development drive of South Africa, through the various initiatives and funding of government and Non-governmental projects and programmes across the country. The establishment of CSI Management organizations like Tshikululu in 1998 so an improvement in the coordination of CSI efforts, at least for some South African Corporate. Their expertise and experience in social investment strategies, programme implementation, financial management governance and social return on investment have not only the CSI recipient organizations improving the impact of their programme delivery, but through the capacity enhancement, have helped these community organizations to attract even more funding support to expand their work in various sectors.

One of the post-apartheid affirmative action policies is the Broad-Based Black Economic Empowerment (B-BBEE) which ensures that the economy is restructured and transformed to enable the meaningful participation of the majority of its citizens (Grantcraft, 2015). Within the Socio-economic pillar of the B-BBEE, sits the requirement business to consider corporate social investment. For business to comply with the socio-economic requirement of the policy,
corporate business must provide 1 percent of their net profit after tax for social investment activities and according to Grantcraft (2015), this means a significant amount of social investment in South Africa is contributed by business, rather than by individuals, families, on non-corporate foundations. According to the annual to Trilogue, publisher of the annual CSI Handbook in South Africa, in the financial year 2013/14 the amount of money spent by corporate business through Corporate Social Investment programmes was R8.2 billion, up from R2 billion in 2003. The report further states that about half of South Africa’s CSI funding is currently spent on education initiatives, with the bulk of the remaining investments targeted at health and social development activities (Grantcraft, 2015).

3.6.7 Focal areas of CSR interventions in South Africa

Rollin (2011) suggests that the CSR involvement of South African companies seem to be driven by two key factors:

1. to respond to government capacity and financial gaps that hinder or slows down service delivery in philanthropic initiatives and
2. to address the socio-economic development by providing opportunities and access to previously disadvantaged South Africans

A third point could be added in that more and more corporations are heeding to the increasing call by the South African government for businesses to adhere to the “do no harm” to the community and the environment from where they operate from. And as a response to the growing pressure for companies to comply with governments requirements through Acts and policies. The recent endorsement by the Johannesburg Securities Exchange of the King III Code as a requirement for listed companies, and the subsequent mandatory requirement for companies to produce integrated reports can all be added to the driving factors why more and more corporations are engaged in corporate social responsibility programmes.

According to the Trialogue report on the migration to strategic CSI (February, 2015), the following facts were noted:

- the CSI expenditure in South Africa amounted to R8.2 Billion in 2014
- the top 100 companies accounted for over 70% of the total estimated CSI expenditure
- CSI expenditure through dedicated CSI departments is lower at R6 billion, this means companies have adopted a broader definition of CSI
The mining sector accounts for the largest proportion of CSE expenditure, with over 27% as compare to below 20% for the other industry sectors.

It is also observed that CSI expenditure is concentrated nationally and in the Gauteng province.

Education initiatives receives the most support by a significant margin, over 42% of CSI expenditure is channelled toward supporting educational projects, this is followed very far by social and community development at about 18%.

The majority of companies still cite moral imperative as a driver of CSI

All corporates fund NPOs, which receive 56% total CSI expenditure

NPOs receive the greatest share of their income from corporates

NPO income seems to be recovering, with over two thirds reporting increases in 2014

Non-cash giving is growing as a proportion of total CSI expenditure

The 2013/2014 analysis of the industry sector proportion contribution to SCI can be summarized in the table 3.4 below:

### Table 3. 3: Industry sector expenditure on CSI in 2013 & 2014

<table>
<thead>
<tr>
<th>Industry/Sector</th>
<th>% CSI Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>30</td>
</tr>
<tr>
<td>Financial services</td>
<td>17</td>
</tr>
<tr>
<td>Retail and Wholesale</td>
<td>15</td>
</tr>
<tr>
<td>State-owned &amp; public enterprises</td>
<td>8</td>
</tr>
<tr>
<td>Oil and Petroleum</td>
<td>7</td>
</tr>
<tr>
<td>Information technology &amp; telecoms</td>
<td>6</td>
</tr>
<tr>
<td>Remaining sectors</td>
<td>17</td>
</tr>
</tbody>
</table>

*Source: Trialogue 2015*

The Trialogue CSI Handbook (2015) highlights the following as aspects that influence CSI in South Africa today:

- Significant collective expenditure but still relatively small when considering scale of demand
- Addressing complex developmental issues with limited budgets, timespan, expertise
- Exposed to executive interference, uneven profitability and shifts in corporate strategy and management structure
- Subject to corporate procedures and demands for auditability and accountability
Influenced by the need to stand apart – and to justify expenditure by providing evidence of business returns.

As many businesses engage in processes to take them from incidental CSI to strategic CSI, prevention of harm and integration of societal improvement into economic value creation are the key tactics business should use to redefine their relationship with society, not the donation of 5 percent of its profits (Raz Godelnjk, 2012). The question remains though and the debate continues on “can corporate social investment achieve sustained development outcomes whilst satisfying board, executive and shareholders interest?”

3.7 Gender Diversity in leadership and the workplace

3.7.1 Gender and Law: Reasonable accommodation

Between 1975 & 1992 the council of the European Union adopted six directives pursuant to article 119. To the extent that the directive attended to the socio-economic environment and disparities that underpin access to the labour market as between men and women. The directives had the effect of steering the European Union towards a more substantive notion of equality albeit within the confines of equality based on sex and gender.

In Marschall v Land Nordrhein – Westfallen, the European court of Justice recognizes the legitimacy of German State law that gave preference to women over men in a tiebreak situation. In reading its decision, the court observed that the mere fact that male and a female candidate are equally qualified does not mean that they have an equal chance if entering into or advancing in employment. According to the court, employers tend to prefer men over women, not least because of prejudices and stereotypes about the role and capabilities on women. Employers fear that women will interrupt their career due to household and family commitment and will be less flexible in working hours or that they will be absent from work more frequently because of pregnancy, childbirth and breastfeeding (GAD, 1991).

3.7.2 Potential for transformation

Women’s subordinate position is not a static state nor is it experienced the same way by all women. It is not necessarily passively accepted by women no aggressively enforced by men. Throughout history and around the world, women have challenged gender inequality and the limitations it imposes on their potential as human beings. Significant gains have been and will
continue to be made everywhere through the struggle of women, sometimes with men’s support. (GAD, 1991)

The GAD analytical tools (1991) states further that the position of men has also been shaped by society and they experienced oppression on many levels. Although men have resisted the perceived threat to their relative power, they have participated in changing relations and attitudes, and benefitted from new partnership with women. Gender relations have the potential for transformation.

3.7.3 Women & Men in the teaching profession

The teaching profession is largely dominated by women. This is true in terms of the profile of both student teachers and educators already in the profession. Overall between 60% and 80% of student teachers and practicing teachers are female. However, this is generally where their advantage ends. The role carved out for women teachers is not dissimilar to that of women in society in general – of caretaker, nurturer, mother-figure, and disciplinarian. It is primarily for this reason that historically women teachers have predominated at the primary phase. Secondary schools have been endowed with higher level of “respectability” and are considered more challenging and therefore men have tended to be in the majority at these school levels (Arnott et al., 1996)

Arnott et al. (1996) further notes that in 1994, 64 % of all practicing teachers were female, and 76% of African teachers at the primary level were female. While at secondary level only 44% were female. Kotecha (1994) point out that the reason for the larger majority of women in the lower standards was the policies promoted by the Verwoerd government. Teaching was one of the main areas in which African men and women could pursue professional careers.

However, in 1953, the government decided that employing women teachers at primary schools was one way to cut the costs of African education. Women were encouraged to enter primary teaching, while men were explicitly discouraged from doing so through financial and other disincentives. Primary school teacher training facilities were subsequently closed to men (Arnott et al., 1996)

3.7.3.1 Ranks in the teaching profession

Looking at the rank of educators in schools, one sees that men hold a disproportionate share of the management positions. While men make up to 36% of all teachers in South Africa, they
hold 58% of principal posts, 69% of deputy principal posts, and 50% of head of department posts (Arnott et al., 1996). Historically, women have been awarded very few promotion posts compared to men (EduSource Data News, 1995).

3.7.4 Impact of gender diversity on governance

Recent studies suggest that gender equality is correlated with corruption. There are intrinsic differences in the behaviours of women and men that lead to cleaner governance when more women are in key governance positions (Arnott, 1996). The notion that on average women and men respond to social and economic situation in different ways is not radical. Some part of these behaviour differences stem from gender differences in schooling, experience in the workforce, and access to information and technology, among other things.

Studies in behaviour and social science suggest that men and women differ in behaviours that have to do with corruption, the general conclusion being that women are more community oriented and selfless than men. Some control experiments find that women are more likely to exhibit generosity and altruism than men. Also other analysis based on data collected by the World Values Surveys from 18 countries in 1981 and 43 countries in 1991 shows that women are less accepting of dishonest or illegal behaviours than men (World Bank, 2001). A significantly higher proportion of women than men believe that certain behaviours can never be justified.

When employment status and several individual characteristics (such as age, education, and marital status) are taken into account, men are 3.3% more likely to accept a bribe in their job than women (World Bank, 2001). In enterprise surveys, it shows that women in business are less likely than men to pay a bribe to government officials, whether because of risk aversion or higher standards of ethical behaviour, and this is a world phenomenon. Besides rights, broader participation by women also appears to matter. Governments are less corrupt where women are more active in politics or the labour force (World Bank, 2001)

3.7.4.1 Board gender diversity – best governance practices

The above maybe an older research finding, and it can also be argued that findings of this study is more biased to the teaching profession and how historically women and men were treated in this field. Surprise, surprise, the trends recorded as things that were happening then are still prevalent even in today's life as it is demonstrated in the sections to follow. In
attempting to answer the question “does board diversity makes business sense”? Linda de Beer writes; It has been said that if two or more people around the boardroom table look like you and think like you, only one of the three of you is needed. She also argues that there is little benefit in surrounding ourselves with people that always agree with us – and the same applies at board level (de Beer, 2013).

Board composition, in particular a diverse board, is recognized as one of the cornerstones of good governance. King III requires that boards should comprise a balance of power, not only between executive and non-executive directors with a majority of independent directors, but also in so far as diversity and demographics are concern. King III recognizes that the latter makes boards more effective. It further states that diversity should apply to academic qualifications, technical expertise, industry knowledge, experience, nationality, age, race and gender (IoDSA, 2009). Other corporate governance codes, such as that of the Organization for Economic Cooperation and Development (OECD, 2012) and the International Corporate Governance Network (ICGN) also recognize the importance of an appropriate mix of skills, expertise and independence on corporate boards.

A number of academic and commercial studies have been done on board diversity including, recently, ‘The Eversheds Board Report on measuring the impact of board composition on company performance’ (2011). In-depth interviews with 50 directors from a cross section of the 241 companies in the UK, continental Europe, the USA and the Asia-Pacific region. They were asked for their opinions on board role, board composition and board effectiveness, some of the main conclusions include:

**Board composition makes all the difference**

- Smaller boards have better dynamics, which make them easier to chair, better focused and quicker to make decisions. The report states that a board of 11 directors is the ideal size;
- There is a correlation between share price performance and the number of independent directors on company boards and this means effective boards generally had two executive directors. Of the non-executive directors around seven should be independent, hence by far the majority
- The serving chief executive officer of another organization appears to be an asset to another’s board
**Avoid over-stretched directors**

Boards whose directors held numerous additional appointments had a negative impact on share price performance, meaning the research found that three was the optimum number of board appointments that a director should have to remain appropriately focused and effective.

**The need for female directors**

Better performing companies tended to have a higher percentage of female directors – the study found that companies where the boards had two or more female directors performed better that their male-only counterparts (Eversheds, 2010). McKinsey & Company is known for its ongoing research in the field of the value that women add to companies both at management and board level. Its 2012 study “making the breakthrough” focuses on the barriers that women experience in the workplace and how companies can change practices to harness the value from their female employees (McKinsey, 2012). The 2009 study on women leaders “a competitive edge in and after the crisis” clearly shows that there are certain leadership qualities and behaviours that will improve performance of the company. These include amongst others, participative decision-making, being a role model, inspiration, people development and intellectual stimulation. The study also found that women either apply these qualities more, slightly more or at least equally to men. De Beer (2013) notes that there is pressure in different parts of the world for higher female representation on boards.

Board diversity, and gender diversity in particular is not a matter of rights, but advocated to enhance sound business practices. This is confirmed by the fact that in many instances the pressure to address the male/female mix on boards is coming from the investor community (de Beer, 2013). Some investor groups are strongly driven by the studies that have shown that more diverse boards are good for business. Eversheds (2010) supported by a study by Credit Suisse shows that companies where boards were dominated by men recovered more slowly after the 2007 – 2009 financial crisis than those with more balanced male/female ratio.

### 3.7.5 The South African experience

In the South African BEE Codes, board composition, is referred to as ‘management participation’ under the management control scorecard, which is one of the seven pillars of our BEE Codes. The BEE legislation very cleverly avoids imposing quotas. Instead it creates a commercial incentive to address diversity (de Beer, 2013). This is probably a more sensible
solution. It is very unusual, especially in South African listed company not to have at least two women on its boards. Most company boards in South Africa benefit from a wide variety of skills, experience, age and ethics groups. Many agree that there is an enhanced level of debate within a more diverse board. South Africa is ranked 2nd for the efficacy of its corporate boards. These are annual Global Competitiveness Index rankings by the World economic Forum.

3.8 Conclusion

The point of departure for this part of the study sought to firstly, investigate the status of corporate governance, social responsibility and board gender diversity in South Africa. And secondly to establish through literature the existence and/or non-existence of positive impact of gender on corporate governance and on corporate social responsibility for South African Companies. This section briefly gives snippets of the global picture on corporate governance and corporate social responsibility practices and then spends more time discussing the same topics within a South African context. The study shows that the struggle for women representation and inclusion in the life of any society, business, institutions and even families dates back to early years of civilization, in South Africa the 1950s to 1970s is regarded as the years of the concrete wall, an era when overt and absolute barriers were used to block women from accessing opportunities. It was an era when women were denied even the basic rights. This is despite findings by early researchers that women leaders brought positive dynamics to a decision making process.

Even today many researchers agree that companies with top quartile representation on women in executive committees perform significantly better than companies with no women at all. The improvement in performance is on return on equity, in average earnings before interest and tax, reduction in corruption, high ethical practices and improved corporate social responsibility response and many other positive attributes. South Africa is one of the countries worldwide that is making tremendous progress in not only recognizing women leadership as a compliant issue, but through a genuine shift of attitudes and acknowledging the talents and skills that women leaders bring to the growth, development and sustainability of the company.
CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

Research in business deals with a broad set of issues, and it requires and understanding about people and shareholders/owners, board of directors, managers, staff, customers, about business entities as partners with a broad set of stakeholders, about economies and how they affect business operations, about products and service and how they vary over time, how they can be produced efficiently, about money and what regulates its availability, how it produces profit, and governments and how their policy affects operation and its broad stakeholders (Greener, 2008).

Mouton and Babbie (2005) highlights three broad methodological paradigms that have dominated the scene in recent research as follows; qualitative, quantitative and participatory action paradigms. Greener (2008) describe the quantitative approach to research as likely to be associated with a deductive approach to testing theory, and often using number or fact and therefore a positivist or natural science model, and an objectivists view of the objects studied. Greener (2008) further argues that a qualitative approach on the other hand is likely to be associated with an inductive approach to generating theory, often using interpretivist model allowing the existence of multiple subjective perspectives and constructing knowledge rather than seeking to “find” it in “reality”.

Given the above, it is therefore common that in business and management research, the two approaches; quantitative and qualitative strategies are mixed to look into observable objective facts where they may be seen to exist, through the use and manipulation of numbers, and looking also at the perceptions of those involved with these “fact”.

4.2 Research Design

So for this study, qualitative interpretative approach is used to gain a broad understanding of the impact of board gender diversity to corporate governance and corporate social responsibility in South Africa, using the mining sector as a point of reference. In line with the assertions already stated above, the inclusion of a quantitative angle to the study is unavoidable as interpretation and analysis of some numbers form an integral part of the investigation.
**4.2.1 Sampling**

The research followed a non-probability purposive sampling technique. The technique is described by Palys (2008) as a non-random sampling technique, which focuses on sampling techniques where the units that are investigated are based on the judgement of the researcher. The inherent bias of this method contribute to its efficiency. This method stays robust even when tested against random probability sampling (Tongco, 2007).

This study followed a purposive sampling method, where South Africa 10-JSE listed mining companies were targeted and selected. The mining sector was chosen because, by nature of the mining activities, there is close proximity and interaction with communities where these companies operate. This therefore gave the study relevance to the elements that are being investigated namely, corporate governance, corporate social responsibility and board gender diversity. Even though the latter (board gender diversity) is still met with challenges as this sector is still male dominated at all levels of its operation.

The conditions set by the researcher for the selection of these 10-JSE listed mining companies was informed by a few criteria, some of which include: accessibility of company’s integrated reports, proof of engagement in corporate social investments, the company having at least one or more women directors in their boards and/or in the executive, and of course the company should be in the Mining sector and listed in the Johannesburg Securities Exchange. The selected companies are: Anglo-American, Africa Rainbow Minerals, Exxaro, Glencore, Impala Platinum, Sibanye Gold, Gold Fields, AngloGold Ashanti, Royal Bafokeng Platinum and Coal of Africa Limited

**4.3 The research instrument**

**4.3.1 Data collection checklist**

A descriptive checklist is used as the research instrument to collect the required data for this study. Three sets of checklists were used to source information on the company’s disclosure on Governance related matters, Its Corporate Social Responsibility approach and activities, and the Board gender Diversity. The Governance checklist is based on the King III code of governance principles (IoDSA, 2009), the broad-based socio-economic empowerment charter for the South African Mining and Minerals Industry (Department of Mineral Resources, 2010), the Corporate Laws Amendment Act of 2006 (RSA, 2006), and the JSE listing and reporting requirements (JSE, 2010). The checklist was used to investigate and analyse the information
disclosed in the corporate governance statement and the sustainability report of the integrated reports of the 10-JSE listed mining companies in South Africa as well as to assess the usefulness of this information in understanding the companies’ transformation towards a broad gender representation in their leadership as well as their contribution and inclusion of local communities in addressing socio-economic development challenges. A copy of the checklist instrument is attached as Appendix A. For the Corporate Social Investment activities, projects were categorized into five broad categories namely; Education, Health, Social & Community development, food security & agriculture, environment, entrepreneurship and small business support, sports development, arts and culture, non-sector specific donations and grants, safety and security, housing and living conditions, other. And lastly the board gender diversity checklist was based on tallying the number of women board members in each company. A summary is presented in a table form to assist with the results analysis and drawing conclusions for the study. This summary table includes all the elements and further assist in determining the existence and/or nonexistence of a link and relationship between board gender diversity, corporate governance and corporate social responsibility.

4.3.2 Key investigative elements

The research study is aimed at investigating these four broad categories for each of the selected companies:

1. Companies compliance with the code of good corporate governance as outlined in the King III code of governance principles
2. Companies contribution to the socio-economic empowerment of local communities through its corporate Social Investment initiatives and,
3. The companies’ transformation in increasing women participation in the decision making positions of their structures – “board gender diversity”,
4. To determine the link between corporate governance, corporate social responsibility and board gender diversity.

4.3.3 Steps to be followed in the investigation

The research design follows the following steps in assessing the content of the 2014 integrated report of the selected companies.
• Purposive selection of the 10-JSE listed Mining companies. Guide information to the selection of these mining companies came from the Mining Publication, (2006 & 2008), the Mining Weekly magazines, (2008 & 2010), and the JSE Mining magazine (JSE, 2012).

• Annual Integrated reports, Governance reports and Sustainability Reports - 2014 of the 10-JSE listed mining companies were downloaded from the company websites.

• Content analysis was done on each of the downloaded reports by identifying the relevant sections in the integrated reports which gives update information corporate governance, corporate social responsibility and/or board composition (see Table 4.1, Table 4.3, Table 4.5 and Appendix B).

• The relevant sections were reviewed according to the key issues as per the set out checklist in Appendix A.

• The declarations and disclosures in the relevant sections were scored in accordance with the criteria set out in Table 4.2.

• Data on the types of CSI projects are is summarized in accordance to the frequency table, in Table 4.4.

• Board gender diversity is summarized in both numbers and percentages (see Table 4.5 and Appendix B).

• Data was captured in accordance with the scoring spreadsheet as per Table 4.2, Table 4.3 and Appendix B.

• As a quality control procedure, 5 out of the 10 selected companies were randomly picked and rescored on the applicable sections of the reports for consistency and correctness.

• Documentation, in brief narrative form some of the corporate social investment initiatives by these companies.

• Presenting the results narratively, graphically, in tables, and in diagrams, a step which follows in chapter 5.

4.4 Research content analysis

The content analysis empirical method was use to ascertain the quality of the information disclosed in each section if the integrated report and to determine if the company has fully disclosed, not disclosed or partly disclosed the required corporate governance, socio-economic development contribution to the community and its board composition in the year of
reporting. Mouton and Babbie (2005) defines qualitative content analysis as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rule coding, it is an unobtrusive and nonreactive way to study the phenomenon of interest.

According to Hsieh and Shannon (2005), qualitative content analysis can provide basic insights into how words are actually used. However, the findings from this approach are limited by their inattention to the broader meanings presented in the data and as evidence of trustworthiness, this type of study relies on credibility.

From the above discussion of content analysis, it became clear that it enables the researcher to sift through larger volumes of date in a systematic manner, and with relative ease. For this research content analysis, both form-orientated (based on words) and meaning-occurrence (based on description), (see Appendix B & Appendix C) content analysis represented a widely recognized research approach, which can be used to determine and assess disclosures of corporate governance, sustainability and board composition statements in the integrated reports of the 10-JSE listed South African Mining Companies.

4.4.1 Compliance with Corporate Governance

Outcomes of the analysis, both form-orientated and meaning-occurrence qualitative content analysis, are matched against the requirements and guidelines of the King III Code of Governance Principles (IoDSA, 2009), the Broad-Based Socio-Economic Empowerment charter for the South African Mining and Minerals Industry (Department of Mineral Resources, 2010), the Corporate Laws Amendment Act of 2006 (RSA, 2006), and the JSE listing and reporting requirements (JSE, 2010) outlined in Appendix A.

This is to establish if corporate governance statements reflect the company’s compliance or progress made towards complying with all the above requirements for companies, in particular listed companies in South Africa, and to ascertain if all compliance aspects are fully disclosed, partly disclosed or are not disclosed at all in their annual integrated reports. This section of content analysis measures the company’s compliance with corporate governance requirements in accordance with King III report, the Corporate Law Act of 2006, the Mining Charter and the JSE Listing requirements. Table 4.1 below provide the categories for governance compliance. The integrated reports are used as the source base for accessing this information.
Table 4.1 Checklist Summary

<table>
<thead>
<tr>
<th>King III Code of Governance practices</th>
<th>Disclosure requirement</th>
<th>Disclosure sub-categories</th>
</tr>
</thead>
</table>
| 1. Board and its directors (Board Charter, 2009) | • Board charter  
• Board responsibilities  
• Board Size  
• Board Composition  
• Board Committees |
| 2. Integrated Reporting and disclosure | • Sustainability  
• Environmental issues  
• Social investing spending  
• Human capital development  
• Employment equity |
| 3. Compliance with laws, rules, codes and standards | • Company to adhere to nonbinding rules, codes and standards  
• Board to understand effects of applicable laws  
• Compliance with Corporate Amendment Act of 2006 |

<table>
<thead>
<tr>
<th>Broad-Based Socio-Economic Empowerment (the Mining charter)</th>
<th>Disclosure requirement</th>
<th>Disclosure sub-categories</th>
</tr>
</thead>
</table>
| 1. Employment Equity | • Plan to increase women participation to by 10% within five years  
• Increase by 40% HDSA demographic representation at Executive level |
| 2. Mine community Development | • Formulation of an integrated development plan for local communities  
• Engagement with local communities |
| 3. Reporting | • Company reporting on an annual basis on progress made towards achieving commitments |

<table>
<thead>
<tr>
<th>JSE Listing &amp; Reporting Requirements</th>
<th>Disclosure requirement</th>
<th>Disclosure sub-categories</th>
</tr>
</thead>
</table>
| 1. Risk Management | • Members of the Audit committee are independent non-executive directors  
• Policy detailing the procedures for appointments to the board  
• Policy evidencing a clear balance of power and authority at board level  
• The chairman must be an independent director, in accordance with the King Code |

This table gives description of the categories and key words to be checked for disclosure in integrated annual reports of these companies.

The declarations and disclosures in the relevant sections were scored in accordance with the criteria set out in Table 4.2 below.
### Table 4. 2: Declaration and disclosures guideline

<table>
<thead>
<tr>
<th>Guidelines</th>
<th>Not disclosed</th>
<th>Partly disclosed</th>
<th>Fully disclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Where there is no disclosure at all of the minimum requirement information according to table 4.1, detailed in Appendix B. the checklist is marked <strong>No</strong> against that item.</td>
<td>Where the minimum required information is disclosed according to table 4.1, detailed in Appendix B. However, this information is not disclosed separately under its category, and is not disclosed in detail i.e. appears in one sentence that does not give adequate details. The item is marked <strong>Partly</strong> in the checklist.</td>
<td>If the required information according to table 4.1, detailed in Appendix B is disclosed under its category in a paragraphs, a few paragraphs, a full page or longer and this information contains all the required information as well as voluntary disclosures for that category, the item is marked as <strong>Yes</strong> in the checklist.</td>
</tr>
</tbody>
</table>

**Source: Adapted from Moloi (2006: 90)**

The 10-JSE listed mining companies’ full disclosure, partly disclosure, or not disclosure of the information in accordance with King III, Corporate Laws Amendment Act of 2006, the JSE listing requirements and the Mining Charter, table 4.1 and in description in Appendix B is used in scoring the companies compliance with corporate governance and with other legislations and policies that supports good governance, corporate social responsibility and board (gender) diversity. The information obtained is then recorded and summarized in a spreadsheet provided in Appendix C to map out and determine the results.

The King III report, the JSE Listing requirements, the Corporate Laws Amendment Act of 2006, and the Mining Charter, all follow and set some minimum requirements for corporate governance for South African corporate, in this case for the Mining industry companies. Disclosure by companies in their integrated Annual reports on how they are meeting these requirements is critical in assessing compliance. The following sections presents supplementary discussions on some empirical evidence that has been undertaken by other researchers on each of the disclosure sub-topics under investigation.
4.4.2 Corporate Social Investment activities

This section seeks to determine the types of CSI projects and activities each company is involved with and where applicable, also state the funding levels each company invest in these projects. The study then attempts to link these types of projects to the board gender diversity, and to an extent the company executives as a way of determining if there is any bias towards certain types of CSI projects from the board with a specific composition and diversity mix of both men and women. Table 4.3 serves as a checklist for the types of CSI projects that exist in each of the selected companies, and where applicable, also indicate the levels of funding in cash of percentages towards CSI initiatives. Details of the CSI projects are documented in Appendix D. A tally counting system is used to summarize the CSI focus, highlighting the most common CSI projects across all companies, and their funding levels. To indicate a CSI category type, a number (1) is be allocated where a company has projects under that category and a number (0) where the category does not apply.

Table 4.3: CSI project categories.

<table>
<thead>
<tr>
<th>Companies</th>
<th>CSI Projects Focus</th>
<th>Comments on CSI Funding levels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Education</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social &amp; Community development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Health</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Food security &amp; Agriculture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Entrepreneurship, business support &amp; small business development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sports development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Arts and culture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-sector specific donation and grants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Safety &amp; Security</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Housing and living conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

| Anglo American             |                                                                                   |                                |
| Africa Rainbow Minerals    |                                                                                   |                                |
| EXXARO                    |                                                                                   |                                |
| Glencore                  |                                                                                   |                                |
| Implats                   |                                                                                   |                                |
| Sibanye Gold              |                                                                                   |                                |
| Gold Fields               |                                                                                   |                                |
| AngloGold Ashanti         |                                                                                   |                                |
| Royal Bafokeng Platinum   |                                                                                   |                                |
| Coal of Africa Limited    |                                                                                   |                                |
The data results captured in tale 4.3 above are then summed up and summarized in a frequency table as shown in Table 4.4 below.

Table 4.4: Frequency distribution table CSI projects categories

<table>
<thead>
<tr>
<th>CSI project focus</th>
<th>Total frequency</th>
<th>Percentage prevalence of the project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social &amp; Community Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Security and Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurship and Small Business support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts and culture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-sector specific donations and grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety and security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing and living conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4.3 Board gender diversity

Following from the corporate governance section, in particular the board composition, each company's board gender diversity is recorded in accordance with the checklist in Table 4.5 below.

Table 4.5: Board gender diversity

<table>
<thead>
<tr>
<th>Company</th>
<th># of female Directors</th>
<th># of Male Directors</th>
<th>% Female</th>
<th>% Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa Rainbow Minerals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXXARO</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glencore</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implats</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sibanye Gold</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Gold Fields</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AngloGold Ashanti</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Bafokeng Platinum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal; of Africa Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The information obtained from Table 4.5 above is then be analyses further to draw from the summaries a picture of how a women represented and involved in decision making bodies of these companies.
4.4.4 **The link between Board gender diversity, governance and CSI**

All the information captured in all the tables above (Table 4.1 – Table 4.5) are summarized in Table 4.6. Only the top five scoring SCI projects are included in this summary. A comparison and contrasting exercise is undertaken to determine the existence and/or nonexistence of a relationship between the elements under investigation – the impact that gender diversity at an organization’s board level to its corporate governance principles and practices and how that translates to the organization’s response and contribution to community development through its CSI projects.

**Table 4.6: Relationship between board gender diversity, governance and CSI**

<table>
<thead>
<tr>
<th>Company</th>
<th>Board gender diversity</th>
<th>Top 5 SCI Projects</th>
<th>Integrated reporting compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Male</td>
<td>% Female</td>
<td>Project focus 1</td>
</tr>
<tr>
<td>Anglo-American</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5 **Previous research**

The next part of this section provide elaborate views by other researchers on the elements under investigation in the study. This include the following; the importance of disclosure by companies, the usefulness of integrated reports, JSE listing requirements and the roles of board of directors. The aim for next section is to provide substantial backing to in support of the methodology approach.

4.5.1 **The purpose and importance disclosure by companies**

Public disclosure regarding the implementation of Code for Responsible Investing in South Africa (CRISA), is key element for the effectiveness of CRISA. Without it institutional investors, i.e. asset owners are not able to hold service providers to account, ultimate beneficiaries are not able to hold institutional investors to account and investee companies are deprived of the opportunity to meaningfully engage with institutional investors and their service providers. In view of the fact that application of CRISA is voluntary, market forces are necessary to
encourage self-regulation. Without sufficient public disclosure, market forces do not have a sufficiently informed basis upon which to function (IoDSA, 2009).

According to the IoDSA (2009), the disclosure requirement of CRISA serves several important purposes, including that it:

- Helps build a growing repository of practices to promote dialogue and learning
- Advances transparency and accountability such that stakeholders can:
  - Call institutional investors and service providers to account
  - Gain confidence that commitments are carried forward in practice
- Provides formal information flow in order to further facilitate engagement between investors and investee companies
- Drives continuous performance improvement in terms of the application of CRISA
- Safeguards the integrity of Corporations

This discussion therefore highlights the importance of disclosure by companies so to give stakeholders (internal and external) a window to know about the company.

4.5.2 Usefulness of the Annual integrated reports

Integrate report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. In other words, it is a report that tells the organization’s value creation story an a clear, concise and understandable way (IRC, 2014)

In support of the description above, PWC (2013) states that integrated reporting is not just about producing an integrated report; it is about the journey that an organization has embarked on to create value. Integrated reporting benefit organizations by improving their ability to tell their own stories and define what the business is trying to do through management’s eyes. The application of integrated thinking inside organizations has been a significant benefit for many businesses, challenging them to question their own internal decision-making processes and break down silos within their organizations (PWC, 2013)
The content elements outline the categories of information required to be in an integrated report in order to communicate the organization’s particular value creation story. The framework provides the following content elements (PWC, 2013).

- Organizational overview and external environment
- Governance
- Opportunities and risks
- Strategy and resource allocation
- Business model
- Performance
- Future outlook
- Basis of preparation and presentation

These elements are not intended to appear as independent sections of the report. Rather, the purpose of the report is to integrate these elements in a meaningful way by answering the questions posed by each element (PWC, 2013). The IRC guide (2014), further states that an integrated report is a portal by which the organization communicates a holistic view of its current position, where it is going, and how it intends to get there.

The report enables readers to make an assessment of the organization’s ability to create value in the future, with value creation referring to the value created for both the organization and for others.

### 4.5.3 **The Board of Directors**

King III report on governance recommends that South African Companies need to have a unitary board structure which will have both executive and no-executive directors. The reports further states that for good corporate governance, an organization should have a majority of non-executive directors, of whom a sufficient number should be independent directors in order to ensure the protection of minority shareholders’ interests (IoDSA, 2009). On the same vein, the Corporate Law Amendment Act, of 2006 defines an independent director as “a director who is not a member of the immediate family of any individual who has been involved in the day-to-day management or been a full-time employee in the past three years” (RSA, 2006: Sec 24 (sec. 269A)).
Further, the King III report states that the board of directors must retain full and effective control over the company and be responsible for monitoring management in respect of the implementation of board plans and strategies (IoDSA, 2009). Over and above this requirement, the report requires that each company be headed by an effective board with adequate capacity to lead the company. King III report further requires that a board need to have a charter that sets out its responsibilities to ensure that the company complies with all relevant laws, regulations, and codes of business ethics, identifies risks and key performance indicators of the company (Moloi, 2006). The board charter should ensure that all the above are monitored regularly (Moloi, 2006). For risk management and efficient running of the organization, the board should establish a remuneration and the audit committees which both should be chaired by independent non-executive directors. All necessary information including the number of directors, number of meetings attended by each director should be disclosed in the annual reports of a company (IoDSA, 2009).

4.5.4 The JSE listing requirements on King III application

Section 8.63 of the listing requirements requires issuers to disclose the following information in the integrated report regarding the king III code:

- A narrative statement of how the company has applied the principles set out in the King III code, providing explanations that enable its shareholders to evaluate how the principles have been applied; and
- A statement addressing the extent of the issuer's application of the King code III and the reasons for non-application of any of the principles in the King III code, specifying whether or not the issuer has applied the individual principles throughout the accounting period and indicating for what part of the period and non-application occurred.

In addition, the JSE has set further mandatory corporate governance requirements, as set out in section 3.84 of the Listing Requirements (IoDSA, 2013)

4.6 Summary and Conclusion

The selected methodology as outlined in the section of this chapter was preferred because of its ease of presenting results, it is arguable also less complicated as it uses the simplest approached to data capturing, analysis and interpretation, and yet remains effective in proving the reader with conclusive findings of the matters under investigation. The methodology uses
the integrated reports of the selected JSE listed companies as the sole source of information about the companies. The confidence in the reliability of this information from the integrated reports comes from the fact that these are listed companies, and therefore are obliged by a number of legislative policies to disclose truthful information about their companies and their operations. This include the JSE listing requirements, the Corporate Laws Amendment Act of 2006, the King III code of governance, the Broad-based socio-economic empowerment Charter – known as the Mining charter, The companies act, and other enforceable legislations.

The methodological approach start by capturing the raw data, summarize it into totals and percentage representation, comparison to other existing literature and South African legislative guides, in particular the King III report of 2009. Results are presented in tables, graphs, and bar charts, supported by detailed narrative explaining the findings.
CHAPTER 5
RESULTS KEY FINDINGS

5.1 Introduction

The previous chapter (chapter 4) gave a detailed discussion on the content analysis method that was used to code and analyse the data collected from the 2014 integrated reports of 10-JSE listed mining companies in South Africa. Further background theory as well as empirical evidence on the expected minimum corporate disclosures by companies as prescribed by King III code of governance, the Mining Charter, the JSE Listing requirements and the Corporate Laws Amendment Act of 2006 in South Africa. Expansion on details of the information requirements of the King III report, the JSE Listing Requirements, the Mining Charter and the Corporate Laws Amendment Act, 2006 are recorded in Appendix C.

Chapter five of this study presents the results of the assessment conducted through the checklist on the board composition, corporate governance and corporate social responsibility of the 10-JSE listed mining companies. The checklist in Appendix A was used to collect information and this was benchmarked according to the requirements as outlined in Appendix C. The information that was analysed was acquired from the 2014 integrated reports and sustainability reports of the selected 10-JSE listed mining companies. The analysis of this information is presented graphically, and in table forms in the following sections of this chapter.

As stated in chapter 4, it is important to note that the preferred research methodology used in this study was a qualitative interpretative approach, which enabled the researcher to gain a broad understanding of the impact of board diversity to corporate governance and corporate social responsibility in South Africa.

To achieve this, the study followed a non-probability purposive sampling technique where the researcher’s judgement was used in selecting the 10-JSE listed mining companies, based on the proximity of their operations with community lives, and therefore making corporate citizenship a “must be” included part of the company’s major strategic decision making.

5.2 The selected 10-JSE listed mining companies

The 10-JSE listed mining companies selected for this study were:

1. Anglo Gold Ashanti
2. Anglo American  
3. Sibanye Gold  
4. Royal Bafokeng Platinum  
5. African Rainbow Minerals  
6. Coal of Africa  
7. Impala Platinum  
8. Exxaro  
9. Glencore  
10. Gold Fields

The 2014 integrated reports, sustainability reports and board charters for these companies were downloaded from the company websites. Specific information regarding corporate governance and corporate social responsibility was extracted and analysed. It is important to note that all companies covered in this study are already in compliance with the King III recommendation and as adopted by the JSE that all listed companies should produce integrated reports as a one document that gives a comprehensive review, overview and future plans for the company for the year under review, and therefore all companies used in this study had were already producing integrated reports, in the space of Annual reports, whose emphasis was mostly on the financial performance of the company.

5.3 Results analysis from the Checklist question categories

5.3.1 King III Code of governance practices - Board and its directors

5.3.1.1 Board Charter

![Figure 5.1: Board Charter](image-url)
According to figure 5.1 above, four of the mining companies, which translates to 40% of the sampled companies fully disclosed the information relating to the board charter in their integrated reports. These companies either had a dedicated section in their integrated reports where the board charter is explained in full and how the board had put systems in place to ensure compliance with the board charter, or a full board charter will be published as part of the integrated report.

Figure 5.1 further revealed that six out of the ten JSE listed mining companies, a figure which translates to 60% of the sampled companies partly disclosed the information relating to board charter in the integrated report. These companies mentioned in their integrated reports the fact that their governance principles were guided by the board charter, amongst other existing governance codes guiding the operations of the board of directors.

For this checklist question, all of the sample companies had either disclosed partly or in full the information about the board charter, and this means there was no company that did not have some information about the board charter as one of the governance codes and principles for the board. From the results in figure 5.1, it is revealed that most of the sampled companies (60%) partly disclosed information related to the board charter, followed by those companies that fully disclosed information relating to their board charter, which was 40% of the sampled companies.

Details of the checklist per sampled company is fully recorded in Appendix B, with a summary of these records further highlighted as part of Appendix E.

5.3.1.2 Board responsibilities

Figure 5. 2: Board responsibilities
According to figure 5.2 above, ten companies, which translates to 100% of sampled JSE-listed companies disclosed fully their board responsibilities in their integrated reports. This information was detailed as part of the governance section of the integrated reports. All sampled companies’ states clearly and in detail the board responsibilities in this section.

5.3.1.3 Board Size

Figure 5.3: Board size

<table>
<thead>
<tr>
<th># of Companies</th>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Figure 5.3 reveals that ten companies fully declared in their integrated reports their board size. This translates to a 100% of all sampled companies. This information about the board size was included as part of the Board Chairman’s report as well as the board composition section of the integrated reports.

5.3.1.4 Board Composition

Figure 5.4: Board composition

<table>
<thead>
<tr>
<th># of Companies</th>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

According to Figure 5.4 above, ten companies, which translates to 100% of the sampled JSE mining companies fully disclosed the information relating to the board composition in their
integrated reports. Integrated reports of all sampled companies included a section where board composition information was clearly detailed. This information was also mentioned as part of the board Chairman’s report.

5.3.1.5 Board Committees

Figure 5. 5: Board committees

Similarly, Figure 5.5 above reveals that 100% of the sampled companies for this study fully disclosed information about their board committees in their integrated reports. This is in accordance with the King III code of governance principles. All companies reported this information as part of their governance section of their reports. Full details on these companies disclosure is recorded as part of Appendix B, and in a summary forma in Appendix E.

5.3.2 Integrated reporting disclosure

5.3.2.1 Company sustainability

Figure 5. 6: Company sustainability
According to Figure 5.6 above ten companies, which translate to 100% of the sampled JSE listed mining companies fully declared information relating to sustainability. This information was declared as part of the company’s corporate governance section of the integrated report, and in a case of some of the companies, a separate document is published as a comprehensive sustainability report of the company. Data source for this analysis is recorded as part of Appendix B.

5.3.2.2 Environmental Issues

Figure 5. 7: Environmental issues

Figure 5.7 above states that nine companies, which translates to 90% of the sampled JSE listed mining companies disclosed fully information relating to the company’s contribution towards minimizing the effect of their operations to the environment. Most companies reported on their detailed strategies towards addressing environmental issues. Figure 5.7 further reveals that only one company partly disclosed information relating to plans and strategies on environmental issues. However, it is important to note that the 10% of companies that partly disclosed in their integrated report on environmental issues did so with fewer details compared to the other companies under review, hence the allocation of a partly disclosure category response. Overall, almost all companies had a detailed section in their integrated reports on environmental issue.
5.3.2.3 Human Capital Development

**Figure 5.8: Human capital development**

![Bar chart showing human capital development](chart)

All ten sampled JSE listed mining companies declared in their integrated report that their greatest assets are the people who are involved in day-to-day operation, creating value for the companies. Figure 5.8 above reveals that 100% of the sampled companies fully disclosed in detail information about human capital development in their integrated reports. This information is contained as part of the company's corporate governance section where issues of human rights, labour, human resources, training and development, safety and health & wellness programmes are being addressed as a broad human capital strategies.

5.3.2.4 Employment Equity

**Figure 5.9: Employment equity**

![Bar chart showing employment equity](chart)

Figure 5.9 above analyses the disclosure of employment equity information in the integrated reports. Accordingly figure5.9 reveals that nine of the ten companies which translates to 90% of the sampled companies made full disclosure with regards to their employment equity status
in their integrated reports, while one company (10%) partly made reference to their employment equity information in their integrated report. The company that partly disclosed employment equity information in their integrated report only made reference to the employment equity committee thereby signalling the existence of an employment equity policy within the company. However, no further detail was provided on the employment equity information in their integrated report.

5.3.3 Compliance with Laws, Rules, Codes, and Standards

5.3.3.1 Adherence to non-binding rules, codes and standards

Figure 5. 10: Non-binding rules, codes and standards

According to Figure 5.10 above shows that 10 companies, which translates to 100% of sampled companies have fully disclosed information regarding their adherence to non-binding rules, codes and standards in their integrated reports. King III’s section 6.1.1 of the code of corporate governance states that companies must comply with all applicable laws, to which all sampled companies stated in their corporate governance part of the integrated reports that they have systems in place that ensures that their companies comply with laws, rules, codes and standards.
5.3.3.2 Board’s understanding of the effects of applicable laws

Figure 5.11: Board’s understanding of the effects of applicable laws

Similarly, Figure 5.11 above shows that all (100%) of sampled mining companies, declared full in their integrated report that their board of directors understand the effects of applicable law. This is in line with compliance with laws, rules, codes and standards and clearly stated by King III code of corporate governance, Section 6.2. All companies stated that they have in place induction, and ongoing training programmes for the board of directors to ensure they understand applicable laws, rules, codes and standards, and to keep up with changes in such laws.

5.3.3.3 Compliance with the Corporate Amendment Act of 2006

Figure 5. 12: Compliance with the Corporate Amendment Act of 2006
Figure 5.12 – above reveals that nine of the ten, which translate to 90% of sampled mining companies in South Africa, fully disclosed in their integrated reports information about their compliance with the Corporate Amendment Act of 2006. These companies had detailed information regarding their compliance with the requirement of the Act. On the other hand one company, which translate to 10% of the sampled companies partly disclosed information on the company’s compliance with the Corporate Amendment Act of 2006 in its integrated report. In the report, reference to compliance with the Act was mention in a brief sentence as part of the integrated report.

5.3.4 Broad-based Socio-economic empowerment (the Mining charter)

5.3.4.1 Employment equity

5.3.4.1.2 Plans to Increase women participation by 10%

Figure 5.13: Increased women participation by 10% within five years

In line with the constitution of the Republic of South Africa, 1993 (Act 200 of 1993), which state that all institutions, organisation should be a representative of the demographics of the country. One of the requirements of the Mining Charter, which is the broad-based socio-economic empowerment charter for the South African Mining and Minerals industry is that companies should have plans in place to increase women participation in mining by 10% within five years. Figure 5.13 above reveals that 70% of the sampled mining companies fully disclosed their plans towards achieving this goal. Another 30% of the sampled companies partly disclosed information regarding plans towards increasing women participation in their integrated reports.
Plan to increase by 40% HDSA representation at Executive level

Figure 5. 14: Increased representation of HDSA at Executive level

Figure 5.14 above reveals that 80% of sampled mining companies fully disclosed information in their integrated reports regarding their plans to increase the representation of HDSA by 40% at executive levels of their companies. This is in compliance with the Mining charter, which states that every mining company must achieve a minimum of 40% HDSA demographic representation at; Executive management (Board) level by 2014, senior management (EXCO) level by 2014, Core and critical skills by 2014, Middle management level by 2014, and Junior management level by 2014. These companies had a full update report as part of the integrated reports on the progress made towards achieving these targets. Similarly, 20% of the sampled mining companies partly disclosed information in their integrated reports. These companies, only made mention of the fact that they were making progress towards achieving targets, without necessarily detailing their full statistics of the progress they were referring to.
5.3.4.1.4 Mining community development

5.3.4.1.4.1 Integrated development plan for local communities

**Figure 5. 15: Integrated Development plan for local communities**

![Graph showing integrated development plan disclosure](image)

Figure 5.15 above shows that all ten sampled mining companies in South Africa fully disclosed information regarding the formulation and integrated development plan for local communities. This translates to 100% of the sampled companies providing detailed information regarding this matter in their integrated reports. This section speaks broadly to section 2.6 of the Mining charter on Mine community Development.

5.3.4.1.4.2 Company’s engagement with local communities

**Figure 5. 16: Engagement with local communities**

![Graph showing company engagement disclosure](image)

Similar to Figure 5.15 above, Figure 5.16 reports on progress made by companies towards meeting requirements of section 2.6 of the Mining Charter on Mine Community Development.
For this study, 100% of the sampled mining companies fully disclosed information regarding the company’s engagement with local communities.

5.3.4.4.5 Reporting

5.3.4.4.5.1 Company’s progress reporting on the Annual basis

**Figure 5.17: Progress reporting**

![Progress reporting chart]

Figure 5.17 above reveals that 90% of sampled mining companies fully disclosed information of progress made on annual basis towards achieving commitments of the mining charter. On the other hand 10% of the companies partly disclose this information in their integrated reports. In assessing this information, previous years integrated reports had to be reviewed for comparison on this disclosure, in addition, companies had a comparison table summarising the current year’s achievements and progress made against the set targets, comparing this to the achievements of the previous year(s).
Figure 5.18 above reflects disclosure of information relating to members of the audit committee and their independent and non-executive directorship status in their integrated reports of the 10-JSE sample mining companies analysed. According to the figure above 100% companies disclosed information relating to the members, their independence and non-executive directorship status of the audit committee. This is in line with both section 2.23.7 of the King III code of corporate governance and JSE listing requirements.
5.4  Policy on procedure for board appointments

Figure 5. 19: Appointments of Board of Directors

According to Figure 5.19 above, 100% of sampled mining companies fully disclosed in the integrated reports information detailing policies and procedures for appointments of individuals to their board of directors. This information is contained as part of the section on corporate governance in the integrated reports.

5.4  Board’s policy of balance of power and authority

Figure 5. 20: Balance of power and authority

Figure 5.20 above reflects that 100% of the companies sampled for this study fully disclose information on policy, evidencing a clear balance of power and authority at board level. This information if disclosed as part of the corporate governance section of the integrated report.
5.4 Independence of the Chairman in accordance with the King III Code

Figure 5. 21: Independence of the Chairman

Similarly to disclosures mentioned in sections above, Figure 5.21 above reveals that 100% of the 10 sampled JSE listed mining companies fully disclosed in their integrated reports information about the independence of the Chairman. This is in accordance with section 2.16 of the King III code of corporate governance, and is emphasised as one of the listing requirements for the Johannesburg Securities Exchange.

5.3.5 Additional Information

5.3.5 Published board members faces and their profiles in the integrated report

Figure 5. 22: Publishing of Board members information

The integrated reports of the 10-JSE mining companies were analysed for disclosure on information relating to Board of Directors’ profiles. This included publishing the Board faces

96
and brief profiles as part of the integrated reports. Figure 5.22 above reveals that 80% of the sampled companies fully disclosed information regarding their board of directors by published both the board faces and their brief background profiles. The other 20% of the sampled companies partly disclose information about their board of directors in their integrated reports. These companies with part disclosure, published either the board of directors’ faces, without their profiles of only a list. The importance of this information is in determining the board age, gender, ethnic composition and diversity, as it is common that companies do not declare this information in their reports, but through seeing and reading through their profiles, this information can be determined.

5.4 Board of directors disaggregated by gender

Figure 5.23: Board gender disaggregation

Flowing from figure 5.22 in the previous section, figure 5.23 above reveals that only 20% of the sampled mining companies’ reports referred to a disaggregation of the board of directors by gender. This information was disclosed as part of the Chairman’s report under the corporate governance section. The analysis further reveals that 30% of the companies partly referred to a disaggregation of board of directors by gender. The analysis also reflects that 50% of the sampled JSE mining companies did not referred to a disaggregation of board of directors by gender. As revealed by the analysis results of this section, most companies only presented a list of the board of directors without including individual titles (Mr/Ms/Mrs), and there is not mention in their integrated report of the number of women board of directors as a proportion of the full board.
5.4 Report states the company’s board diversity

![Figure 5.24: Board diversity](image)

Figure 5.24 above reveals that 20% of the sampled companies fully disclosed information relating to the board’s diversity. On the other hand, 40% of the companies partly disclosed information regarding their board diversity. An equal number of companies – 40% did not disclose any information in their integrated reports regarding their board of directors’ diversity. Board diversity in this case refer to gender, ethnic group and age as common measures of diversity.

5.4 Board levels of qualification

![Figure 5.25: Board academic qualification](image)

Figure 5.25 above reveals that 90% of the sampled JSE listed mining companies fully disclose information relating to their board of director’s field of academic study and the levels of
qualification. This is with exception of one company that did not have information about the board field of study and levels of qualifications. This information was disclosed as part of the board of directors’ profiles.

5.4 Board of Directors age distribution

Figure 5.26: Board age distribution

Figure 5.26 above reflect of the age range for board of director of the 10-JSE listed mining companies included in this study. The analysis reveals that all nine companies (one company did not disclose this information), did not have board members under the age of 35 years old. Whilst all companies had individuals serving in their boards representing age ranges between 36 years to above 60 years old, three companies (Royal Bafokeng, Sibanye Gold and Impala Platinum) had more board members in the age range between 36 years and 60 years old. Africa Rainbow Minerals had a balanced number of board members between the age range 36 years to 60 years and those above 60 years old. Gold Fields, Glencore, Exxaro, Anglo American and Anglo Gold Ashanti had more of their board of directors falling within the age range of over 60 years old.

Table 5.1: Board members age distribution

<table>
<thead>
<tr>
<th>AGE OF BOARD MEMBERS</th>
<th>&lt; 35 Yrs.</th>
<th>36Yrs-60Yrs</th>
<th>&gt;60Yrs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Bafokeng Platinum</td>
<td>0</td>
<td>13</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Gold Fields</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Sibanye Gold</td>
<td>0</td>
<td>10</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Impala Platinum</td>
<td>0</td>
<td>9</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>----------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Glencore</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exxaro</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Africa Rainbow Minerals</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Coal of Africa - DATA ON AGE NOT PUBLISHED</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Anglo American</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Anglo Gold Ashanti</td>
<td>0</td>
<td>5</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>61</td>
<td>47</td>
<td>108</td>
</tr>
</tbody>
</table>

Overall, table 5.1 above reveals that sixty one board of directors from a sample of nine JSE listed mining companies were between the ages of 36 – 60 years old. This figure translates to about 56% of the total board of directors of the sampled companies. The information further reveals that forty seven of the board members were over the age of 60 years old. This translates to about 44% of the total board of directors of the sampled JSE listed mining companies.

Board of directors’ field of study

**Figure 5. 27: Board of directors’ field of study**

A table showing the distribution of board members across different fields of study. The fields include Arts (Law, Education etc), Human Resources, Technical (Engineering), Science (Physical), Human Science (Medicine), and Other (Finance, Commerce, Economics). The gender distribution is also shown with a bar for male and female members.

According to figure 5.27 above, seventeen (16%) of the board of directors have qualification in the Arts academic stream, which include education and law. One (1%) board member has qualification in Human Resources qualification. Twenty eight (26%) of the board members had a technical qualification in engineering. Fourteen (13%) of the board members have a qualification in Physical sciences. Two (2%) of the board of directors have a qualification in Human Science/Medicine. Forty six (43%) of the board members form the sampled companies have qualifications in other field of studies including finance, commerce and economics. Figure
5.27 above further gives a breakdown of these qualifications by gender where it can be seen that most of the women board members have qualification in the other (12) field of studies (finance, economics and commerce), followed by qualification in Physical sciences (4) and Arts (4), which include education, and law. Other fields of study include Human Resources, and Human Science fields where women had one board member in each of the fields of study. Table 5.2 below gives detailed information on the board of directors qualifications as already discussed above.

### Table 5.2: Board field of study

<table>
<thead>
<tr>
<th>ACADEMIC QUALIFICATION</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General fields</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts (Law, Education etc.)</td>
<td>13</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Human Resources</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Technical (Engineering)</td>
<td>28</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td>Science (Physical)</td>
<td>10</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Human Science (Medicine)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Other (Finance, Commerce, Economics)</td>
<td>34</td>
<td>12</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86</td>
<td>22</td>
<td>108</td>
</tr>
</tbody>
</table>

Figure 5.28: Board of Directors highest levels of qualification

Figure 5.28 above reveals that a majority (89%) of the board of directors from the 10-JSE listed mining companies has post graduate qualification, this group is followed by those board members with undergraduate qualification (10%), and on 1% of the board of directors have a diploma or certificate qualification. Table 5.3 below gives a summary data in support of Figure 5.28 and the discussions above.
Table 5.3: Board qualifications

<table>
<thead>
<tr>
<th>Highest Level of Qualification</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metric</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Diploma/Certificate</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>74</td>
<td>22</td>
<td>96</td>
</tr>
</tbody>
</table>

Figure 5.29: Board gender Diversity

Figure 5.30: Percentage board gender diversity

Figure 5.29 and Figure 5.30 above reveals information relating to the board gender diversity of the 10-JSE listed mining companies included in this study. Figure 5.29 shows the board gender diversity in numbers whilst Figure 5.30 shows the same analysis of the information in...
percentages. For the purposes of this section of the study, the percentages as depicted in Figure 5.30 will be used for discussions of this section of the report.

The data analysis above shows that all the companies under investigation had at least one women in their board of directors. This is with exception of one company – Coal of Africa Limited who had 100% men in it board of directors composition. Anglo American had 25% women and 75% of its board are men. Africa Rainbow mineral had 14% women and 86% men in it board of directors. Exxaro had 8% women and 92% men in their board. Impala Platinum had 38% women and 62% men in their board of directors. Sibanye Gold had 8% women and 92% men in their board. Gold fields had 22% women and 88% men in their board of directors. Anglo Gold Shante had 27% women and 73% men. Finally Royal Bafokeng Platinum had 31% women and 69% men in their board of directors. From this result analysis, Impala platinum had the highest representation of women in their board (38%), followed by Royal Bafokeng Platinum at 31% and then Anglo Gold Ashanti at 27%.

Table 5.4: Board gender diversity

<table>
<thead>
<tr>
<th>Company</th>
<th># of Board</th>
<th># of female Directors</th>
<th># of Male Directors</th>
<th>% Female</th>
<th>% Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American</td>
<td>12</td>
<td>3</td>
<td>9</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>African Rainbow Minerals</td>
<td>14</td>
<td>2</td>
<td>12</td>
<td>14</td>
<td>86</td>
</tr>
<tr>
<td>Exxaro</td>
<td>12</td>
<td>1</td>
<td>11</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>Glencore</td>
<td>8</td>
<td>1</td>
<td>7</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td>Impala Platinum</td>
<td>13</td>
<td>5</td>
<td>8</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>Sibanye Gold</td>
<td>13</td>
<td>1</td>
<td>12</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>Gold Fields</td>
<td>9</td>
<td>2</td>
<td>7</td>
<td>22</td>
<td>88</td>
</tr>
<tr>
<td>Anglo Gold Ashanti</td>
<td>11</td>
<td>3</td>
<td>8</td>
<td>27</td>
<td>73</td>
</tr>
<tr>
<td>Royal Bafokeng Plat</td>
<td>16</td>
<td>5</td>
<td>11</td>
<td>31</td>
<td>69</td>
</tr>
<tr>
<td>Coal of Africa Limited</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>
5.4 CSI projects

Figure 5.31: List of CSI projects from the 10-JSE listed Mining companies

Figure 5.31 reflects the types of Corporate Social Investment that these sampled 10-JSE listed companies are implementing in the various communities where they are located. Table below gives detailed data and frequency of these projects focus by the different companies. Top of the list is the focus on education with 9 companies (30% prevalence), followed by infrastructure development with 7 companies (23% prevalence), Health and welfare focus with 4 companies (14% prevalence) then followed by Skills development, Enterprise development and local economic development all with 2 companies each (7% prevalence). The rest of the CSI focus; recreation, job creation, empowering communities and capacity building all had 1 company each (3% prevalence). This analysis make Education, Infrastructure development, and Health & Welfare the common focus for mining companies corporate social responsibility projects.
Table 5.5: CSI project focus frequency table

<table>
<thead>
<tr>
<th>CSI Focus projects</th>
<th># Companies with this focus</th>
<th>% prevalence of the project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>9</td>
<td>30</td>
</tr>
<tr>
<td>Infrastructure development</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Skills development</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>local economic development</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Recreation</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Job creation</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Empowering communities</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Capacity building</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 5.6: Consolidated results

<table>
<thead>
<tr>
<th>Company</th>
<th>Board gender diversity</th>
<th>Top 3 SCI Projects</th>
<th>Integrated reporting compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Male</td>
<td>% Female</td>
<td>Project focus 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Healthcare</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Board gender diversity</td>
<td>Top 3 SCI Projects</td>
<td>Integrated reporting compliance</td>
</tr>
<tr>
<td>------------------</td>
<td>------------------------</td>
<td>-------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td></td>
<td>% Male</td>
<td>% Female</td>
<td>Project focus 1</td>
</tr>
<tr>
<td>Royal Bafokeng</td>
<td>69</td>
<td>31</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impala Platinum</td>
<td>62</td>
<td>38</td>
<td>Housing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sibanye Gold</td>
<td>92</td>
<td>8</td>
<td>Infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dev</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa Rainbow Minerals</td>
<td>86</td>
<td>14</td>
<td>Infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dev</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glencore</td>
<td>87</td>
<td>13</td>
<td>Health</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 5.6 above reflects the consolidated results of the assessment of the 2014 integrated reports of 10-JSE listed mining companies in South Africa. The sum of responses in each broad checklist category was computed as a percentage of a “yes”, “partly”, and “no” disclosure of related information by the company. Table ... above present the result as a percentage summary of the company’s assessment in each of the three broad categories namely; King III Code of Governance Practices, Broad-based socio-economic empowerment (the Mining Charter), and the JSE Listing requirements as per the information presented in Appendix B. Table,., above reveals that all the sampled companies in this study fully disclosed in their integrated reports information relating to the JSE listing requirement. The most notable observation is that about 70% of the companies have not disclosed fully information relating their compliance with King III Code of governance practices, with some companies recording “partly” disclosure of some information in this category. Similarly, about 40% of the companies recorded a partly disclosure of some information in the category of their compliance with the Mining Charter requirements.

From Table 5.6 it is clear that a relatively large number of the 10-JSE listed mining companies disclose information (fully or partly) relating to their compliance with the King III code of governance practices, the mining charter and the JSE listing requirements. This is evident if the fact that none of this companies recorded a non-disclosure of information in all the checklist categories. Another observation worth noting is that from this study, companies’ disclosure of information relating to the broad compliance categories have very little or no correlation to either the number of board members or the gender board diversity, as
companies disclosure results gives a mixed picture that could not necessarily be pinned down to any of the other elements as the impacting factors on how a company disclosed their information in the integrated reports. It is important to note that this study was limited to the assessment of the 2014 integrated reports of the sampled 10-JSE listed mining companies in South Africa.

5.00 Summary and conclusion

Chapter 5 provide an assessment of corporate governance, the mining charter and the JSE listing requirements in the integrated reports of the 10-JSE listed mining companies in South Africa. The assessment is based on the company’s board and its directors, integrated reporting and disclosure, compliance with laws, rules, codes and standards, employment equity, involvement in mining community development, integrated reporting and disclosure, risk management and information with regard to the board of directors’ age range, their gender diversity, field of study and levels of qualification, and finally the types and focus of the different company’s Corporate Social Responsibility projects. A qualitative content analysis was used as a technique in the assessment of the information in the integrated reports.

The results from the analysis revealed that some of selected 10-JSE listed mining companies did not fully disclose the minimum required governance statements as prescribed by King III code of governance practices. The other section that saw some of the companies not fully disclosing information in the integrated reports is in the area of compliance with the mining charter where in particular some companies did not fully disclose information in their integrated reports regarding the company’s plans to increase women participation and increasing the demographic representation of the historic disadvantaged South Africans. Another area of note where some companies lacked in their disclosure of information in the integrated reports is in the publication of their board of directors’ faces and their profiles as part of the report. Some companies had only a list with initials and surnames for the board of directors, which listing alone does not gives the reader an idea of who the board of directors are, their academic and experience background, as well as their age and gender. On the same note, about 50% of the selected companies’ integrated reports did not contain information regarding the gender disaggregation of their board of directors. Similarly, 40% of the companies did not disclose in their integrated report their board diversity (gender, ethnic group etc.), an equal number (40%)
partly disclose this information in their integrated reports, with only 20% of the surveyed companies fully disclosing information relating to the board composition and diversity.

With regard to the age distribution of the board of directors of the 10-JSE mining companies, about 56% of the board of directors are between the age ranges 36 – 60 years old, followed by about 44% of those who are 60 years and over. Notably in these companies is the lack of board members who are under the age 35 years old. This combines both women and men. Regarding educational background of the board of directors, 43% of the board of the surveyed mining companies attained their qualifications in economics, commerce and finance, followed by those with technical engineering background at 26% and in third place is the Art – law, education at 16% of the board of directors of the sampled JSE listed mining companies. Still on the academic focus, a majority of the board members had post graduate qualifications (89%), followed by 10% of those board of directors with undergraduate qualification and only 1% of the directors had either a diploma or certificate qualification.

Further to the above discussions, the board gender diversity section revealed that nine out of ten of the sampled companies had at least a woman in their board of directors. The company with a record high board gender diversity was Impala Platinum with 38% women in their board of directors, followed by Royal Bafokeng with 31% and third in the list is Anglo Gold Ashanti with 27% of women representation in the board of directors. Figure 5.29 above gives details on the board gender diversity analysis.

All selected companies are involved and support corporate social responsibility projects. Figure 5.31 presents a graphic presentation of the ten most prevalent corporate social responsibility project focused that the 10-JSE listed mining companies are involved with, this include; healthcare, education, recreational, infrastructure development, capacity building, skills development, enterprise development, empowering community structures, local economic development, and job creation. Table... further summarise these CSI focus into the top three common projects per company. The chapter to follow provides the summary, conclusions and recommendation of the study and suggests further areas of future research.
CHAPTER 6

SUMMARY, RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

The main objective of this study was to assess impact of board gender diversity on corporate governance and corporate social responsibility in the mining sector of South Africa. Assuming that corporate social responsibility is one of the outcomes of board’s decision, this study also sought to provide further insight into the link between the three aspects of corporate governance, corporate social responsibility and board gender diversity. To achieve this objectives, 10-JSE listed mining companies’ integrated report for 2014 were reviewed. A checklist, based on the King III Code of Corporate Governance Principles, the Corporate Laws Amendment Act 2006, the Broad-Based Socio-Economic Empowerment (Mining Charter), and the JSE Listing requirements was compiled. To assist the researcher extract relevant information, a comprehensive assessment of the 2014 integrated reports of the selected 10-JSE listed mining companies in South Africa was conducted using the content analysis empirical methodology as detailed in Chapter 4.

This chapter revisits the research problem statement formulated in Chapter 1 and summarizes the research findings of the literature review in Chapters 2 & 3, and the empirical evidence collected. Conclusions are drawn on the basis of the research analysis and findings as outlined in Chapter 5. Recommendations are drawn from these results to make suggestions on the importance of companies having a board gender diversity and how to improve disclosure of such information in their integrated reports. This chapter then concludes with a discussion of possible areas of further research on the theme under investigation.

6.2 Summary of the research study

Chapter 2 to 5 contains a literature review and information which provides building blocks to the conclusions drawn out and presented in section 6.3.

Chapter 2 started by discussing the agency theory, which is a theory that explains the relationship between principals, such as shareholders and agents, such as company executives. The agency theory states that the principal delegates the day-to-day running of the company to an agent. The Chapter further stated that the agency theory attempts to deal with two specific goals, the first being that the principal and agent are not in conflict, and the
second that the principal and the agent reconcile different tolerances for risk. However, problems exist where the principal’s interest and that of the agent conflict. Examples of such conflict include situations where the principal expects more returns in terms of dividends to maximize their wealth, whilst the agent is also expecting to be paid good salaries and bonuses, which the principal may view as exorbitant. The Agency theory further stated the importance of board diversity to ensure balance of thoughts at decision making levels of the company.

The Chapter went on to discuss the stakeholder theory, which Freeman (1984) explains as the theory that identifies and models the groups which are stakeholders of the company and gives recommendation which management can use to give due regard to the interests of these groups. Stakeholder theory puts emphasis on negotiation as the chief mode of dialogue for dealing with conflicts between groups’ interests. This theory points to the fact that companies operate in a context of a number of other groups, who in turn need to be taken into consideration in the decision making and planning for company operation.

Chapter 2 then explored discussions board diversity and board gender diversity. The emphasis on both discussions are that a diverse board is likely to make more ethical decisions, and to comply more to the laws, rules and regulations guiding the operations of the company. Of importance to note is the fact that some literature states that women and minority directors are usually assumed to play an important role in favouring Corporate Social Responsibility strategies. Another key finding is that in companies where there are on to three female members of the board, women tend to bring a more collaborative approach to leadership, which improves communication among board members and between the board and management.

The chapter also gave a synopsis of the global perspective on women in the boardroom across three countries of the BRICS partnership, namely; Brazil, China, and South Africa. The section reveals that South Africa has put in place a number of initiatives to improve gender representation in the corporate sector. Of the three countries, South Africa recorded a 20% of women in boards, followed by China at 10.7% and lastly Brazil with 6.5 women representation in their corporate boards. Table 1, gives a summary of women in board rooms, a comparison from other countries across the world. Also to compare with another super economies in the world, the study discusses status of women on board in countries like the United Kingdom, Canada and the Scandinavian countries. From these discussions it can be noted that the
Scandinavian countries records the highest women board representation, with Norway having 36.3% women representation, followed by Finland and Sweden at both 26 % of women in their corporation boards.

The next sections of this Chapter engaged in in-depth discussion on the corporate governance principles, comparing the world standard, in particular the United Kingdom as influenced by Cadbury to that of South Africa as guided by the King reports on corporate governance. In summary all literature concurs to the fact that corporate governance generally revolves around a set of universal attributes, including ensuring accountability to shareholders and other stakeholders and ensuring that companies are run according to laws and answerable to all stakeholders through reporting systems that are structured in such a way that good governance is facilitated.

The section on corporate social responsibility emphasizes the importance of the triple bottom concept. The philosophy of corporate social responsibility does not advocate that companies abandon their profit making motive in favour of a wholly philanthropic leaning, but proposes an integration of social and environmental strategies in order that the existence of those companies will be sustainable in more than financial terms. Arguments in favour and against corporate social responsibility are discussed in detail. Chapter 2 concluded by discussing the links between corporate governance and corporate social responsibility. The emphasis were put on the fact that corporate social responsibility is much as an ethical issue as it is a board decision business. Other researchers therefore argue that women have been found to be more aware of their corporate responsibility, and therefore having women in the board brings more effective governance and greater corporate social responsibility to a company, which in turn may lead to a healthier and more sustainable company.

Chapter 3 examined the corporate governance, corporate social responsibility and board gender diversity framework in South Africa. The corporate governance framework in South Africa was discussed in the context of King I, King II, and King III codes of governance principles. The section further discussed the corporate failures in South Africa in recent years, sighting examples of some corporate scandals that shook the country and the world, all due to breach of corporate governance codes. Reference was also made to the Corporate Laws Amendment Act of 2006, the Mining charter and the JSE listing requirements. Corporate social responsibility is defined as the interdependent relationship between business and their environments. The concept of social contract theory was introduced and discussed in detail as
an existing implicit contract between business and the community in which it operates; in that business is expected to create wealth, supply markets, generate employment, innovate and produce a sufficient surplus to sustain its activities and improve its competitiveness, while contributing to the maintenance and development of the community in which it operates. The section further stated the fact that South Africa is a country developing off a very poor base in health, welfare, education, even on economic activities across the board, and this gives the more reason why corporate social responsibility is a much needed intervention in South Africa. Chapter 3 revealed that in South Africa, the amount of money spent by corporate business through corporate social investment programs were R8.2 billion in the financial year 2013/2014. It was also noted that the mining and quarrying sector leads the pack with its contribution of about 28% to corporate social responsibility in the country.

The last section of chapter 3, discussed the gender diversity in leadership and the work place across the world and in South Africa. This section tracked the women to men imbalances back South Africa’s pre-democratic dispensation, where even in professions like teaching, the system favours men for teaching positions in the higher school grades and women for primary education teaching. This was also translated into the ranks in teaching profession where men held more leadership position than women teachers, this is despite men making up only 36% of all teachers in South Africa. In support of other studies, as highlighted in literature on chapter 2, it is argued that better performing companies tended to have higher percentage of female directors.

In order to assess the state of the 10-JSE listed mining companies in term of their board gender diversity, disclosure on corporate governance elements, compliance with the Corporate Law Amendment act of 2006, the JSE listing requirements and the mining charter stipulations and set targets, a content analysis empirical research methodology was used, and is outlined in Chapter 4. The methodology used a checklist as a data gathering tool. Each checklist statement and question was evaluated against a rating scale of “yes” when the company fully disclosed information in their integrated report relating to the question asked, “partly” where a company had some disclosure of information in their integrated report regarding the asked question and “no” in a case where a company had not included information in their integrated report regarding the checklist question. Additional information regarding age demographics, field of study and qualification for board members, also information regarding board diversity was also investigated.
Chapter 5 concluded the study by providing an assessment and results interpretation on the disclosure of useful information in the companies’ integrated reports. Using the content analysis methodology as outlined in Chapter 4, the results obtained were benchmarked against the requirements of the King III code of governance principles, the Corporate Laws Amendment Act of 2006, the Mining charter and the JSE listing guidelines, to assess whether the selected companies fully disclosed, partly disclosed or did not disclose the required information in their integrated reports. Full disclosure of information by companies enhances sound decision making by users, while in the event of partially disclosed in formation or no disclosure at all, stakeholders and potential stakeholders will not be able to make sound judgements about the company.

The key findings from the analysis revealed that some of the selected mining companies did not fully disclose the minimum requirements on governance as prescribed by the King III code of governance principles. Another section that saw a number of companies recording a partial disclosure of information is the mining charter where the gap is more around the companies’ disclosure on their plans to increasing women participation and the increased inclusion of the historically disadvantaged South African. The results further revealed that about 50% of the selected companies did not disclose information relating to the gender disaggregation of their board of directors. Similarly, 40% of the companies did not disclose information regarding their board diversity, with an equal amount (40%) partly disclosing this information with only 20% fully disclosing information relating to their board composition and diversity.

Further examination of the assessed information revealed that of the 10 sampled JSE listed companies, 56% of the board members were in the age range between 36 – 60 years of age, and the other 44% were over 60 years of age. Notably was the lack of board members younger than 36 years of age. The conclusion that can be drawn from this is that generally, board members of these listed companies and probably similar companies are individuals who are considered to have achieved a little more in the corporate space. The results also show that most of the board members have attained their post graduate qualification, and the dominant fields of study are finance, commerce and economics, followed by those with qualifications in technical field such as engineering, then are those with qualifications in the arts field of study.
Coming to the issue of board gender diversity, all surveyed companies, with the exception of one had at least one women board member. The highest number of board members in any one company being five. One notable observation is that the companies with smaller number of board members (less than eleven), tended to also have fewer women in their board. A case in point is that of Coal of Africa who have the smallest board size compared to all the surveyed companies – only seven board of directors, and no women board member. On the other extreme, Royal Bafokeng Platinum has sixteen board members of which five are women. Finally, the results show that education, healthcare and infrastructure development makes the three top common corporate social responsibility by the selected 10-JSE listed companies and disclosed in their 2014 integrated reports.

6.3 Recommendation for future research

The limitations of the research highlighted in chapter 1 require further work to be done to better understand the critical contribution and impact that women board members bring to the effectiveness of a board’s decision making processes, the company’s compliance to good governance principles and its contribution towards the upliftment people’s lives in through their corporate social responsibility interventions in the communities where they operate and beyond. Whilst this research uncovers useful insights in the subject matter, future research may be useful to confirm and expand on the findings of this study. Suggested areas of further research include:

- The research was limited to only mining companies in South Africa. Further research could be done to include more companies and a broader industry spectrum than just focusing on the mining sector,
- The research was based on a non-probability purposive sampling of 10-JSE listed mining companies. Further research could be done with a broader and non-restrictive size to better explore the issue,
- The research was largely qualitative and used a checklist tool to analyse the content of the integrated reports. Future studies could use a combination tools that will enable the researcher to reveal more information and reasons behind the companies choosing to “fully disclose”, “partly disclose” or “not disclose” certain critical information for stakeholders to review,
6.4 Conclusion

The main aim for this research study was to assess the impact of board gender diversity on governance and corporate social responsibility using information attained from integrated reports of 10-JSE listed mining companies. The research was conducted by means of literature review and an empirical study. The literature review and the empirical study highlighted the state of women participation in boards of companies, the types of corporate social responsibility projects supported by these companies and the companies’ compliance with the King III Code of corporate principles, Mining Charter and the JSE Listing requirements. To achieve these, integrated reports for 10-JSE listed companies were used to assess disclosures of this information.

The research study indicated that the majority of these companies had one or more women board of directors, however only half the surveyed companies disclosed information regarding gender disaggregation in their integrated report. Information on the number of women in the board was extracted from the published faces and brief background of the company’s board. Another observation was that most the companies adhere to good corporate governance in accordance to King III’s code of governance principles, with a 100% disclosure and compliance with the JSE listing requirements. The results show that even though companies have made progress towards addressing and meeting the requirements and targets set out in the Mining charter, some companies still record low achievements in meeting some of the requirement, of particular note is the high number of companies that did not disclose fully information pertaining to their plans towards increasing women participation and community involvement in their company operations.

The study also noted that a majority of the board of directors of the surveyed 10-JSE listed mining companies had post graduate qualifications, with a higher number obtaining their qualification in finance related studies, followed in the list by those with technical engineering background and lastly arts relocated studies. Another point of note is that of all the surveyed companies, the majority of board of directors are in the age’s range 36-60 years, followed by a considerable good number of those in the age range above 60 years old. None of the companies had a board member who was below the age of 35 years old. Finally, the study revealed that all 10-JSE listed mining companies included in the study were engaged in various forms and scale of corporate social responsibility programmes in the communities where they were located. A big percentage of the companies’ corporate social responsibility
resources were channelled toward supporting programmes in the areas of Education, healthcare and infrastructure development.
REFERENCES


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De Klerk, G. J. – lecturer in Business Management, Potchefstroom University for Christian Higher education


*EduSource Data News*, 1995b. No 10 October


Institute of Directors Southern Africa. (2002). *King Code of Governance Principles for South Africa (King II)*. King Committee. IoDSA. Johannesburg.


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Kruger, S., & Kroon, J (Ed) Lecturer in Business Management, Rand Afrikaans University


The gender and ethnic diversity of US boards and board committees and firm financial performance


United Nations Economic and Social Commission for Asia and the Pacific (2014)


APPENDICES

Appendix A: Checklist

Questions on the checklist used in the assessing disclosure of companies of issues of governance, Corporate Social Responsibility and board composition (board gender diversity)

NAME OF THE COMPANY

---

1. KING III CODE OF GOVERNANCE PRACTICES
   1.1 BOARD AND ITS DIRECTORS

   1.1.1 Does the integrated report of the company contain a board charter?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.1.2 Does the integrated report of the company clearly sets out the responsibilities of the board?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.1.3 Does the integrated report of the company contain information about the board size?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.1.4 Does the integrated report of the company contain information on board composition?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.1.5 Does the integrated report of the company contain information relating to board committees?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

1.2 INTEGRATED REPORTING AND DISCLOSURE

   1.2.1 Does the integrated report of the company contain information regarding sustainability?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.2.2 Does the integrated report of the company contain information regarding environmental issues?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.2.3 Does the integrated report contain information regarding human capital development?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

   1.2.4 Does the integrated report of the company contain information regarding employment equity?
<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>
1.3 COMPLIANCE WITH LAWS, RULES, CODES, AND STANDARDS

1.3.1 Does the integrated report of the company adhere to nonbinding rules, codes and standards?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

1.3.2 Does the integrated report of the company information that supports the fact that the board’s understanding of the effects of applicable laws?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

1.3.3 Does the integrated report of the company contain information about the company’s compliance with the Corporate Amendment Act of 2006?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

2. BROAD-BASED SOCIO-ECONOMIC EMPOWERMENT – THE MINING CHARTER

2.1 EMPLOYMENT EQUITY

2.1.1 Does the integrated report contain company’s plans to increase women participations by 10% within five years?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

2.1.2 Does the integrated report contain company’s plans to increase by 40% HDSA demographic representation at Executive level?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

2.2 MINING COMMUNITY DEVELOPMENT

2.2.1 Does the integrated report of the company contain information on the formulation of an integrate development plan for local communities?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

2.2.2 Does the integrated report of the company contain information on the company’s engagement with local communities?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

2.3 REPORTING

2.3.1 Does the integrated report of the company contain information about the company’s reporting on the annual basis on progress made towards achieving commitments?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
</table>

3. JSE LISTING REQUIREMENTS

3.1 RISK MANAGEMENT

3.1.1 Does the integrated report of the company contain information about members of the audit committee and their independent and non-executive directorship status?
3.1.2 Does the integrated report of the company contain information on policy, detailing the procedures for appointments to the board?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

3.1.3 Does the integrated report of the company contain information on policy, evidencing a clear balance of power and authority at board level?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

3.1.4 Does the integrated report of the company contain information about the independence of the chairman, in accordance with the King III code?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

4. ADDITIONAL INFORMATION

4.1.1 Does the Annual report of the company publish the faces of the board members with their names and brief profiles?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

4.1.2 Does the Annual report refer to a disaggregation of the board of directors by gender?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

4.1.3 Does the report state the company’s board diversity (gender, ethnic group, age, etc)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

4.1.4 How many board of directors does the company have?

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 10</td>
<td>11 - 20</td>
<td>21 - 30</td>
<td>More than 30</td>
</tr>
</tbody>
</table>

4.1.5 How many women board members does the company have?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 3</td>
<td>4 - 10</td>
</tr>
</tbody>
</table>

4.1.6 What is the age range amongst the board of directors?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger than 35 years</td>
<td>36 years – 60 years</td>
<td>Over 60 years</td>
</tr>
</tbody>
</table>

4.1.7 Does the integrated report of the company contain information about the board of director’s field of study and their qualifications?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
</tr>
</tbody>
</table>

4.1.7.1 Board field of study information (where applicable)

<table>
<thead>
<tr>
<th>General field</th>
<th>qualification</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical (Engineering)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science (Physical)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Human Science (medicine)

Other

<table>
<thead>
<tr>
<th>4.1.7.2 Board of directors levels of qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4.1.8 Number of employees in the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4.1.9 Does the company have a woman chief Executive or who occupy top management positions?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

132
## Appendix B: Summary checklist for 10-JSE Listed Mining Companies

<table>
<thead>
<tr>
<th>Checklist questions</th>
<th>Company disclosure-Checklist</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KING III CODE OF GOVERNANCE PRACTICES</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>BOARD AND ITS DIRECTORS</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated report of the company contain a board charter?</td>
<td>4</td>
</tr>
<tr>
<td>Does the integrated report of the company clearly sets out the responsibilities of the board</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about the board size</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about board composition</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information relating to board committees</td>
<td>10</td>
</tr>
<tr>
<td><strong>INTEGRATED REPORTING AND DISCLOSURE</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated report of the company contain information regarding sustainability</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information regarding environmental issues</td>
<td>9</td>
</tr>
<tr>
<td>Does the integrated report contain information regarding human capital development</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information regarding employment equity</td>
<td>9</td>
</tr>
<tr>
<td><strong>COMPLIANCE WITH LAWS, RULES, CODES, AND STANDARDS</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated reporting of the company adhere to non-binding rules, codes and standards</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company information that supports the fact that board's understanding of the effects of applicable laws</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about the company's compliance with the Corporate Amendment Act of 2006</td>
<td>9</td>
</tr>
<tr>
<td><strong>BROAD-BASED SOCIO-ECONOMIC EMPOWERMENT (THE MINING CHARTER)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>EMPLOYMENT EQUITY</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated report contain company's plans to increase women participations by 10% within five years</td>
<td>7</td>
</tr>
<tr>
<td>Does the integrated report contain company's plans to increase by 40% HDSA demographics representation at Executive level</td>
<td>8</td>
</tr>
<tr>
<td><strong>MINING COMMUNITY DEVELOPMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated report of the company contain information on the formulation of and integrated development plan for local communities</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information on the company's engagement with local communities</td>
<td>10</td>
</tr>
<tr>
<td><strong>REPORTING</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about the company's reporting on the annual basis on progress made towards achieving commitments</td>
<td>9</td>
</tr>
<tr>
<td>JSE LISTING REQUIREMENTS</td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>RISK MANAGEMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about members of the audit committee and their independent and non-executive directorship status</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information on policy, detailing the procedures for appointments to the board</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information on policy, evidencing a clear balance of power and authority at board level</td>
<td>10</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about the independence of the chairman, in accordance with the King III code</td>
<td>10</td>
</tr>
<tr>
<td><strong>ADDITIONAL INFORMATION</strong></td>
<td></td>
</tr>
<tr>
<td>Does the Integrated report of the company publish the faces of the board members with their names and brief profiles</td>
<td>8</td>
</tr>
<tr>
<td>Does the integrated report refer to a disaggregation of the board of directors by gender</td>
<td>2</td>
</tr>
<tr>
<td>Does the report state the company's board diversity (gender, ethnic group, age, etc)</td>
<td>2</td>
</tr>
<tr>
<td>Does the integrated report of the company contain information about the board of director's field of study and their qualifications</td>
<td>9</td>
</tr>
</tbody>
</table>
Appendix C: Requirements of the King III Report on Corporate Governance, Mining Charter, Corporate Laws Amendment Act, 2006 and the JSE Listing.

### King III Code of Governance practices

<table>
<thead>
<tr>
<th>Disclosure requirement</th>
<th>Disclosure sub-categories</th>
</tr>
</thead>
</table>
| 4. Board and its directors (Board Charter, 2009) | • Board charter  
• Board responsibilities  
• Board Size  
• Board Composition  
• Board Committees |
| 5. Integrated Reporting and disclosure | • Sustainability  
• Environmental issues  
• Social investing spending  
• Human capital development  
• Employment equity |
| 6. Compliance with laws, rules, codes and standards | • Company to adhere to nonbinding rules, codes and standards  
• Board to understand effects of applicable laws  
• Compliance with Corporate Amendment Act of 2006 |

#### Broad-Based Socio-Economic Empowerment (the Mining charter)

<table>
<thead>
<tr>
<th>Disclosure requirement</th>
<th>Disclosure sub-categories</th>
</tr>
</thead>
</table>
| 4. Employment Equity | • Plan to increase women participation to by 10% within five years  
• Increase by 40% HDSA demographic representation at Executive level |
| 5. Mine community Development | • Formulation of an integrated development plan for local communities  
• Engagement with local communities |
| 6. Reporting | • Company reporting on an annual basis on progress made towards achieving commitments |

#### JSE Listing & Reporting Requirements

<table>
<thead>
<tr>
<th>Disclosure requirement</th>
<th>Disclosure sub-categories</th>
</tr>
</thead>
</table>
| 2. Risk Management | • Members of the Audit committee are independent non-executive directors  
• Policy detailing the procedures for appointments to the board  
• Policy evidencing a clear balance of power and authority at board level  
• The chairman must be an independent director, in accordance with the King Code |