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Institute for Sustainability Africa

Sustainability Reporting Compliance by Public Listed Mining Companies in Zimbabwe:

An Evaluation Against Stock Exchange Requirements.

Supported by:

OXFAM

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ASX	Australia Stock Exchange
CDP	Carbon Disclosure Project
CSR	Corporate Social Responsibility
DEFRA	Department for Environment Food and Rural Affairs
ESG	Environmental. Social and Governance
EY	Ernst & Young
GRI	Global Reporting Initiatives
ILO	International Labour Organisation
IIRC	International Integrated Reporting Council
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicators
LSE	London Stock Exchange
OECD	Organisation for Economic Cooperation and Development
SR	Sustainability Reporting
SSEI	Sustainable Stock Exchange Initiatives
TSX/TMX	Toronto Stock Exchange
UNGC	United Nations Global Compact
ZIMCODE	National Code on Corporate Governance Zimbabwe
ZIMPLATS	Zimbabwe Platinum Mining Company
ZSE	Zimbabwe Stock Exchange

EXECUTIVE SUMMARY

This report presents findings of a research supported by Oxfam which sought to evaluate the extent of compliance with stock exchange requirements on sustainability reporting (Environmental, Social and Governance (ESG) reporting) by public listed mining companies operating in Zimbabwe. The research is meant to establish a basis for engaging with mining companies on strengthening modalities for transparency and accountability while creating platforms for sustained dialogue on common approaches and practices which enable mining stakeholders to appreciate the extent of mining sector contribution to sustainable development and poverty alleviation in Zimbabwe.

METHODOLOGY

The research was conducted using a content analysis technique employed in the review of published annual reports of listed mining companies to assess compliance with stock exchange requirements. The research adopted a cross sectional strategy using 2014 company annual reports. A sample of 10 companies (Zimplats, Unki, Mimosa, Murowa Diamond, Metallon Gold, Caledonia, Hwange, RioZim, Falcon and Bindura Nickel) listed in five stock exchanges (ZSE, ASX, JSE, LSE and TSE) were used. The companies were evaluated against five stock exchanges sustainability reporting requirements which were mapped to formulate a compliance criteria and framework.

KEY FINDINGS

The research findings showed that sustainability reporting compliance was largely by foreign listed mining companies as compared to locally listed mining companies. These findings were attributed to foreign stock exchanges having clear sustainability reporting requirements supported by legislative requirements annexed to stock exchange requirements. The research noted that ZSE did not provide specific guidelines on sustainability reporting in its current listing rules as of 2015 to compel locally listed mining companies. An analysis of company reports showed no disclosure on stakeholder engagement which indicate that it was not a common practice by locally listed companies and requires regulatory attention in Zimbabwe.

A comparative analysis on environmental, social and governance disclosures between local and foreign listed companies showed that foreign listed companies were disclosing more information supported by quantitative data measurements unlike local listed mining companies. The research findings showed that locally listed mining companies were only providing qualitative statements in many cases without providing any statistical performance data. As such, questions could be raised on legitimacy of the extent of transparency and accountability by locally listed mining companies.

Corporate governance disclosures were found to be weak within locally listed mining companies due to lack of strong drivers on corporate governance practices in Zimbabwe. Over the past years, Zimbabwe did not have its own corporate governance code as compared to foreign stock exchanges. Zimbabwe launched its own National Code Corporate Governance in Zimbabwe (ZIMCODE) in 2015 and is still finding its way into implementation. Prior to 2015, companies had to rely on foreign corporate governance codes such as King III Code of South Africa on a voluntary basis. While ZSE Listing requirements cite international codes such as Cadbury and King Report, the rules were found to be less stringent to compel mining companies.

CONCLUSION

The research concludes that sustainability reporting compliance was largely by foreign mining listed companies as compared to locally listed mining companies due to a number of factors. Foreign listed mining companies were disclosing more information on environmental, social and governance impacts as compared to local listed mining companies because the findings showed that foreign stock exchange requirements on sustainability reporting were very strict and linked to national laws. The research noted regulatory gaps between local and foreign stock exchanges. This position provides a strong basis to conclude that foreign listed mining companies have a strong obligation to comply with stock exchange requirements in their primary listing than in Zimbabwe. Observations from the mapping of stock exchanges showed that countries with strong mining sector economy like Australia and Canada had mandatory requirements and legal instruments on sustainability reporting to compel compliance.

The findings identified variations on the quality of sustainability reports information between local and foreign listed mining companies. Majority of locally listed mining companies reports were considered poor as they concentrated on making qualitative statements which were not supported by figures or quantitative performance data measurements unlike foreign listed companies. Further, lack of a national framework on sustainability reporting was identified to be an imperative forcing foreign listed mining companies to rely on their primary foreign stock exchange listing requirements. Consequently, locally listed mining companies could only report on basic information. The research provide a strong business case for sustainability reporting regulation in Zimbabwe through strengthening the ZSE's Listing Requirements, Companies Act (24:03) and the Mines and Minerals Act (21:05) which are currently going through revision. Finally, the research provide recommendations to the mining sector stakeholder value chain so as to create sustainable dialogue towards improving regulatory frameworks on sustainability reporting in Zimbabwe.

RECOMMENDATIONS

The research recommend that:

Parliament and Government (Ministry of Mines)

- Ensure sustainability reporting is included in the Companies Act (24:03) and Mines and Mineral Act (21:05) as mandatory requirement for all mining companies so as to compliment stock exchange requirements.
- Encourage the Chamber of Mines to ensure that sustainability reporting becomes a membership value or practice requirement.
- Drive a regulatory and mandatory requirement on stakeholder engagement by mining companies
- The Ministry should work in tandem with regulatory bodies such as EMA to ensure that companies make ongoing environmental impacts data publicly available through sustainability reports.
- Setting up of a clear grievance mechanism for ongoing sustainability impacts performance.

Stock Exchange – Zimbabwe Stock Exchange

- Speed up the implementation of new sustainability reporting requirements which are comparable to foreign stock exchanges.
- Develop a monitoring mechanism for mining companies to ensure sustainability reporting is prioritised in annual reporting and filing.

- Ensure sustainability reporting is supported by quantitative data not just qualitative statements alone.
- Develop a system for stakeholders to communicate or raise concerns on any particular published sustainability reports by mining companies to the stock exchange.
- Consider embarking on a learning process from experiences of others countries.

Mining Business Association – Chamber of Mines in Zimbabwe

- Encourage members to adopt and implement sustainability reporting in line with international trends.
- Adopt value system for member mining companies on sustainability reporting.
- Develop or incorporate sustainability reporting into member training calendars annual events.
- Incorporate sustainability reporting with membership conditions of mining companies.

Locally Listed Mining companies in Zimbabwe

- Proactive implementation of sustainability reporting using international standards.
- Benchmark practices with other foreign listed mining companies operating in Zimbabwe.
- Disseminate or communicate sustainability reporting information according to information needs of various stakeholders.
- Provide sustainability information in a language that is understood by communities and other stakeholders.

Civil Society

- Support communities to be active in demanding sustainability reporting information from mining companies;
- Encourage communities to participate during stakeholder engagement which is a core practice in sustainability reporting frameworks.
- Developing a mechanism for monitoring and evaluating sustainability reports produced by mining companies.
- Raise awareness on the new listing guidelines provision on sustainability reporting and demand companies share reports with stakeholders and communities.
- Support communities in identifying and communicating grievances with stock exchanges and regulators.

Research Institutions and Think Tanks

- Develop tools for continuous monitoring of sustainability reporting performance by mining companies which should be available for public use.
- Support the local stock exchange and locally listed companies in developing technical capacity for sustainability reporting in Zimbabwe.
- Facilitate potential learning experience for ZSE and regulators through study visits to other regional stock exchanges and regulators that are doing well.

Overall the research recommends a multi-stakeholder approach to addressing issues of compliance with stock exchange requirements on sustainability reporting to achieve meaningful results. Compliance can be monitored at a regulatory level through the stock exchange, legislative level through statutory bodies and ministries; and a public level through the civil society organisations and community based organisations.

CHAPTER 1

INTRODUCTION

1.1. Background

Over the past decades, sustainability reporting made its way into stock exchange listing requirements as an obligation in global and emerging capital markets particularly those whose economies are anchored on mining and extractive sector. While less than 100 firms reported on sustainability information twenty years ago, by 2013, more than 6,000 companies around the world were issuing sustainability reports (Ioannou and Serafeim, 2014).This has been a result of governments and stock exchange responses the world over in promoting sustainability reporting by adopting regulations or listing requirements that often mandate this form of disclosure on environmental, social and governance (ESG) which is also known as sustainability reporting. The term 'sustainability reporting' is interchangeability referred in this research with 'ESG reporting' to allow continued clarity.

Over the years, sustainability reporting has been driven by renewed awareness of responsibilities that remained unfulfilled by governmental institutions, and some that were directly attributable to mining companies operating in developing countries in Africa. In 1997,the Global Reporting Initiatives (GRI) was launched after a combined effort of the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Program (UNEP) to develop sustainability reporting guidelines for the "triple bottom line": accounting for economic, as well as environmental and social performance (Ioannou and Serafeim, 2014). The goal was to establish sustainability reporting with equal emphasis with financial reporting to provide a balance in communicating to stakeholders.

In recent years, growing social (for example, poverty, deteriorating social equality, and corruption) and environmental (for example, climate change, water usage, and waste) global challenges have generated pressures on companies to adopt a more systematic treatment through sustainability reporting by disclosing how they are utilizing, developing (or depleting) and, more generally, affecting human capital and natural resources (Ioannou and Serafeim, 2014). Moreover, as a result of several high-profile corporate scandals and mining spillage disasters, there has been a general feeling of distrust regarding companies' ability to self-regulate (Edelman Trust Barometer, 2009). Further, there is a belief that current company disclosures provide information mostly about past performance rather than the future prospects of the company (Kaplan and Norton, 1992; Simnett et al, 2009), hence this rising demand for sustainability information which looks futuristic.

The business case for sustainability reporting in capital markets has been largely evidenced by increasing number of investors and information intermediaries demanding integration of ESG data in their valuation model, creating demand for sustainability reporting (Ioannou and Serafeim, 2014). As a result, an increasing number of countries around the world are mandating the disclosure of ESG information on stock exchanges so that business valuation covers the social and environmental information gaps to stakeholder value chain. These developments have not spared the capital markets and business environment in Zimbabwe.

1.2. Why Sustainability Reporting at Zimbabwe Stock Exchange?

Sustainability reporting has been developing through international drivers attributed to the rising demand by stakeholders to ensure that mining companies are transparent and contribute to sustainable development and poverty alleviation. To date, Zimbabwe has been following similar trends through Zimbabwe Stock Exchange (ZSE) by developing and adopting new listing requirements (ZSE Listing Rule, Part 21) to compel public listed companies to disclose sustainability information on economic, environmental and social impacts of their operations. The requirements adopted by Zimbabwe Stock Exchange are expected to apply to all sectors, including extractives. However, these requirements are not yet in force as of 2015 because of the regulatory process that need to be completed through the Ministry of Finance and Economic Development who pronounces the new listing rules through a Statutory Instrument which has been taking rather a long time. So far, the rules have been approved by ZSE Board and the Securities and Exchange Commission of Zimbabwe (SECZIM) and now await final approval with the Ministry of Finance and Economic Development. Other stock exchanges such as Johannesburg, Australia, London and Toronto has similar listing requirements that promote greater transparency by public listed companies. Furthermore, countries like Canada for instance, have developed sector specific requirements for their mining sector. Sustainability Reporting provides a framework for companies to be more accountable to their stakeholders on positive and negative economic, environmental, social and governance (EESG) impacts from their operations.

With these development on ZSE, listed mining companies are expected to comply with these requirements. Besides stock exchange requirements, mining companies are also expected to apply the National Code on Corporate Governance in Zimbabwe (ZIMCODE) launched in 2015, and is annexed to the new stock exchange listing requirements. The National Code on Corporate Governance has provisions for sustainability and integrated reporting under Section 5 – Information Disclosure (ZIMCODE, 2015). As such, this makes all mining companies face an unavoidable situation for sustainability reporting one way or the other as the code is applicable to all companies operating in Zimbabwe. Currently, the Companies Act (24:03) and the Mines and Minerals Act (21:05) are being revised and expected to annex the National Code on Corporate Governance in Zimbabwe (Draft New Companies Act Bill, 2016). While many exchanges have requirements on sustainability reporting in different forms, the annexation of corporate governance code to the Companies Act (24:03) is expected to serve as a mandatory requirement to compel even multinational mining companies operating in Zimbabwe to provide sustainability reports in some way. For example, mining companies from Canada, UK, Australia, USA and South Africa are required to provide such information to meet their domain countries requirements by all means. This makes sustainability reporting an imperative for ZSE.

The significance of sustainability reporting developments in Zimbabwe was through the inclusion of 'Part 21 - Sustainability Information and Disclosure' in the new listing rules of the Zimbabwe Stock Exchange so as to keep up with international developments. This development was crucial to reflect ZSE as a responsible capital markets in line with developed countries that had already adopted and implemented sustainability reporting standards such as Global Reporting Initiatives (GRI)'s Sustainability Reporting Standards. These standards are considered a global de-facto in sustainability reporting in many jurisdictions hosting some of the multinational mining companies operating in Zimbabwe. The standards also provide specific reporting requirements on sectors like mining, oil and gas, real estate, finance services and others. Critical to the standards is need for companies to conduct stakeholder engagement for inclusivity, materiality and responsiveness (GRI, 2015; AA1000, 2015) which is crucial in mining stakeholder like communities in Zimbabwe, hence the consideration by ZSE.

1.3. Critical Issues for Sustainability Reporting by Public listed Mining Companies in Zimbabwe

While a number of companies took voluntary steps to adopt and start sustainability reporting in Zimbabwe using international standards, it remains critical to understand the extent to which mining companies are reporting on their sustainability impacts in compliance with stock exchange requirements either locally or internationally. Sustainability reporting is a critical component for transparency and accountability for mining companies to demonstrate their commitment and contribution to sustainable development and poverty alleviation within communities they operate in Zimbabwe. It is vital to point out that mining companies operating in Zimbabwe are expected to publish corporate social responsibility (CSR) activities under the Mines and Mineral Act (21:05) (Government of Zimbabwe, 2015), even though it is not very explicit. The publication of information under CSR provide an opportunity for mining companies to demonstrate transparency and accountability on how they have contributed to social and economic development which this research seeks to assess through compliance with stock exchange requirements on sustainability reporting.

In Zimbabwe, there are only four mining companies, namely RioZim (Gold) (Owned by Rio Tinto and RioZim Foundations), Falcon (Gold) (Subsidiary of New Dawn Mining Corporation), Bindura (Nickel) (Subsidiary of Mwana Africa) and Hwange (Coal) (Major shareholder being the Government of Zimbabwe) listed on the Mining Index of Zimbabwe Stock Exchange. Other major mining companies are listed on international stock exchanges and report beyond sustainability impacts to cover taxes paid (Rio Tinto, 2014). However, locally listed companies like Hwange Colliery that have a dual listing in South Africa with Johannesburg and London Stock Exchange face higher standards on sustainability reporting, and are therefore expected to uphold higher standards than the rest of the ZSE companies. Despite having only four mining companies listed on Zimbabwe Stock Exchange, there are major mining companies like Zimplats (Platinum), Mimosa (Platinum), Anglo-American's Unki Mine (Platinum), Metallon (Gold) and Caledonia (Gold) which have foreign listing in countries like Australia, South Africa, UK and Canada. Therefore, they are expected to observe high standards of information disclosure on sustainability issues, hence this research setting to evaluate whether these mining companies are complying with stock exchange requirements on sustainability reporting for their operations in Zimbabwe. To understand this better, the research set the following objectives:

- Map out sustainability reporting stock exchange requirements of major mining companies operating in Zimbabwe;
- Evaluate the extent of compliance with the requirements;
- Establish whether there are variations, if any, on the extent of sustainability reporting compliance between local and foreign listed mining companies operating in Zimbabwe; and
- Formulate recommendations for improving sustainability reporting compliance and the regulatory framework in Zimbabwe.

1.4. Conceptual Approach to the Research

The research adopted a conceptual approach to evaluate compliance by public listed mining companies on sustainability reporting requirements in stock exchanges of primary listing. The research built a framework by mapping out stock exchange requirements on sustainability reporting. The approach covered the Zimbabwe Stock Exchange, Johannesburg Stock Exchange, Australia Stock Exchange, Toronto Stock Exchange and London Stock Exchange. The framework was then applied to evaluate the mining companies. The approach divided mining companies between local and foreign listed to enable assessing whether there are any variations, if any, between the two.

1.5. Structure of the Report

Following this background contained in this Chapter 1, the rest of the research is structured as follows:

Chapter 2: Context of Sustainability Reporting and Stock Exchange Requirements
Chapter 3: Research Approach
Chapter 4: Findings
Chapter 5: Conclusion and Recommendations

CHAPTER 2

CONTEXT OF SUSTAINABILITY REPORTING AND STOCK EXCHANGE REQUIREMENTS

2.1. Introduction

The increase in the need for responsible investing, transparency and accountability in the extractive sector around the world has been a major driver to sustainability reporting on major stock exchanges. While sustainability reporting has been strongly evolving in various jurisdictions, the drivers in stock exchange requirements could be understood better from countries that have been introducing it in recent times. This chapter provides brief context of fundamentals on sustainability reporting, stock exchange requirements and the business case for sustainability reporting by public listed mining companies.

2.2. Fundamental Context of Sustainability Reporting

Sustainability reporting is a key instrument for promoting responsible decision making, behaviour and driving corporate transparency (GRI 2013). Moreover, sustainability reporting plays a critical role, under the right conditions, in ensuring the private sector contribution to sustainable development. In many cases, sustainability reporting has been largely voluntary or mandatory depending on jurisdiction. Voluntary reporting is largely in circumstances in which entities have options or choices to apply or not. Following, the Rio+20 conference in Brazil, voluntary reporting practices was modified through Para. 47 outcomes which advocated for a 'comply or explain' basis (UNSD, 2012). On the other hand, mandatory reporting is largely driven by legislative instrument where entities have to comply and tend to be associated with penalties or reprimands. The application of the two approaches depend on country but country. In countries where it has been a struggle to achieve results or want to maximize results from voluntary approaches, mandatory has tended to be the option. India is a typical example in becoming the first country in the world to legislate sustainability reporting in 2014 (Lal, 2015). As such, the extent of sustainability reporting in particular countries may depend on whether it is mandatory or voluntary.

Sustainability reporting is defined as a practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance while working towards the goal of sustainable development (GRI, 2010)[1]. Global sustainability reporting standards have been developed largely by the Global Reporting Initiatives (GRI). GRI provides global leading standards for companies issuing standalone sustainability reports, likely as a result of the maturity of the framework (over 15 years old) and the flexibility it provides companies to communicate to a broad base of stakeholders issuing one reporting platform (GRI 2013).While GRI has been leading, there are other standards like the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and ISO 26000 that have been in circulation in driving sustainability reporting (GRI et al, 2013).

[1] GRI (2011). GRI Certified Training Course materials

Box 1: Sustainability Reports and Sustainability Reporting

A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, and social and governance performance, and then set goals, and manage change more effectively. A sustainability report is the key platform for communicating sustainability performance and impacts – whether positive or negative.

Source: www.globalreporting.org

GRI Sustainability reporting standards focus on three aspects, namely economic, environmental and social. However, governance is embedded in profile disclosure requirements of the guidelines. The guidelines cover key general standard disclosures such as strategy and analysis, organisational profile, materiality, stakeholder engagement, report profile, governance, ethics and integrity, and general standards disclosure for sectors (which includes mining etc.) (GRI,2015). The guidelines also provides performance indicators on economic, environmental and social aspects which should be supported by quantitative or qualitative measures on how the companies have performed from one period to the other. **Figure 1** below presents a summary of GRI – G4 Sustainability reporting Aspects and Topics.

Figure 1: GRI G4 Aspects and Topics

Aspects	Sustainability Topics	
Economic	Economic performance Indirect Economic Impacts	Market Presence Procurement practices
Environmental	Materials Water Emissions Products and services Transport Environmental grievance mechanisms	Energy Biodiversity Effluents and waste Compliance Supplier environmental assessments
Social	**Labour Practices and descent work** (Employment, Healthy and safety, training and education, diversity and equal opportunities, equal remuneration for men and women, supplier assessment of labor practices, labor practices grievance mechanisms) **Human rights** (investments, non-discrimination, freedom of association and collective bargaining, child labor, forced or compulsory labor, Security practices, indigenous rights, supplier human rights assessment, human rights grievance mechanisms) **Society** (Local communities, anti-corruption, public policy, anti-competitive behaviour, supplier assessment for impact on society, grievance mechanism for impacts on society) **Products Responsibility** (Customer health and safety, products and services labelling, marketing communications, customer privacy, compliance)	

Source: GRI (2015), G4 Guidelines

At governmental level, sustainability reporting has largely been evolving to mandatory practices for publicly traded companies. However, there are challenges mandatory reporting may suffer. Whole exercise of disclosure may end up being an exercise of ticking the boxes. On the other hand, mandatory reporting has greater prospects of achieving meaningful results than voluntary reporting. Voluntary reporting has the potential of ensuring sustainability reporting is business principle or value systems rather than a compliance issues. The EU, for example, adopted a directive in September 2014 that requires disclosure of

Environmental, Social and Governance (ESG) information by companies employing more than 500 employees (Directive 2014/95/EU). This new legislation, once incorporated into national law (member states will have two years to comply), requires large listed companies in the EU to report on their environmental and social impacts, including human rights, anti-corruption and bribery issues, and diversity of board of directors[2]. Over the past 17 years, many governments have promoted sustainability reporting in varied ways, including via regulation, stock exchange rules, public procurement provisions, safety and health protection laws, financial regulation, political and consultative. Due to this development, Danish companies, for example, embed environmental and social factors in supply chain management and signs up to the United Nations Global Compact (UNGC)on non- financial reporting (Ioannou and Serafeim, 2014).

2.3. Sustainability Reporting in Stock Exchange Requirements

Major global stock exchanges around the world have been on the drive to incorporate sustainability reporting in their requirements for public listed companies. The evolution of sustainability reporting in stock exchanges has shown a noticeable trend of progressing from voluntary disclosure to a more stringent report or explain approach (GRI et al, 2013). A research by the Association of Chartered Certified Accountants(ACCA) also acknowledged that even Africa's stock exchanges were also progressing in incorporating sustainability reporting through environmental, social and governance reporting (ESG reporting) (ACCA 2014). This development shows that sustainability reporting is making its way to emerging and developing stock exchanges in Africa.

While developing countries have been making strides in sustainability reporting requirements in stock exchanges, countries like South Africa, Brazil, Kenya and Nigeria have been driving sustainability reporting in different forms in their stock exchanges. In Brazil, BM&F BOVESPA, the São Paulo Stock Exchange, acceralated sustainability reporting in its stock exchange by adopting the principle of 'comply or explain' which was a major outcome of Rio+20 Conference's[3] paragraph 47. This development in Brazil was driven by the Sustainable Stock Exchanges Initiative (SSEI) which aims to work with investors, regulators, and companies in driving corporate transparency, and ultimate performance in sustainability reporting in stock exchanges.

Besides the developments at São Paulo stock exchange, other exchanges likes Copenhagen Exchange have moved strongly to make ESG reporting mandatory through the law. In UK, the government introduced new requirements for listed companies (on the London Stock Exchange) on disclosing greenhouse gases, while to the Company Act 2006 required disclosure of information regarding human rights, diversity and greenhouse gas emissions (EY, 2013).Stock exchanges, particularly in emerging markets, have also implemented initiatives requiring increased disclosure of ESG-related performance. For example, the Shenzhen and Shanghai Stock Exchanges and the Johannesburg Stock Exchange have issued guidelines and listing requirements to enhance disclosure of ESG information. In South Africa, Johannesburg Stock Exchange (JSE) introduced a "report or explain" approach, using guidelines based on the King Report III[4]. Since this development, more than 90% of listed companies have provided a sustainability report. However, a research by ACCA (2014) highlighted Nigeria, Ghana, Zimbabwe and Mauritius as countries showing strong drive encouraging or requiring sustainability reporting by listed companies listed in their stock exchanges.

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[2] Orr K. Sarah Emerging Trends in Corporate Sustainability Reporting , law 360, New York, 2015

[3] Carrots and Sticks (2013)

[4] Institute of Directors Southern Africa, "King Code of Governance for South Africa 2009," 2009 26

According to Sustainable Stock Exchange Initiatives (SSEI) (2015), Sustainability reporting in stock exchanges play a critical function in providing access to sustainable capital, risk management, social licence to operate for companies, cost saving, transparency and accountability. Further, sustainability reporting provides numerous benefits to the stock exchange and companies that includes demonstrating commitment to sustainable development, sustainable business practices and efforts towards minimising impacts on environmental and social issues.

2.4. The Business Case for Sustainability Reporting by Mining Companies

Recent heightened awareness of environmental, social and governance or sustainability[5] issues among corporate executives, investors, consumers and the general public has spawned widespread corporate sustainability initiatives and public communication of ESG information in the marketplace. ESG information typically includes annual sustainability reports as well as other corporate communications such as press releases, conference presentations, legislative testimony, social media postings and much more (hereinafter collectively referred to as "ESG statements") (Orr K, 2015). Market drivers have been credited for forcing companies to report sustainably. A number of stakeholders, including customers, investors and banks are demanding more disclosure of information and data from companies on how they are addressing sustainability issues, including ESG factors and other non-financial risks and opportunities[6].

According to GRI et al (2013), policy makers and market regulators have attempted to address the global financial and economic crisis by striving to embed sustainability in policy and regulation. A recent PricewaterhouseCoopers (2014) survey of global institutional investors found that one-third of investors consider sustainability in their investment strategy[7]. For certain consumers and stakeholder groups (for example, nongovernmental organizations, regulators and activists), the primary driver for ESG information is more mission-driven. These stakeholders increasingly pressure companies to take responsibility for and proactively manage environmental and social impacts of their business operations, supply chains and products they manufacture[8]. Greater ESG information enables these stakeholders to assess how a company is managing sustainability issues and to evaluate a company's leadership, products and services (PWC, 2014).

In response to growing stakeholder interest and mandatory requirements, companies have been increasingly disclosing ESG information through annual reports, standalone sustainability reports and dedicated websites. The primary ESG reporting vehicle for companies has been voluntary sustainability reports and dedicated websites that typically describe the company's strategic approach to managing sustainability issues and related projects or initiatives in their business operations or supply chains. The number of companies producing voluntary reports has increased significantly over the last six years (KPMG, 2013).

The mining sector has a strong business case for sustainability reporting anywhere in the world (KPMG, 2013).Generally, sustainability reporting using GRI guidelines provides for mining companies to engage with stakeholders to hear their concerns and address them in a mutually beneficial manner (GRI, 2015). It also allows building trust, manage potential risks while identifying opportunities. Experience of global

[5] The word sustainability will be used interchangeably

[6] Orr K.Sarah Emerging Trends in Corporate Sustainability Reporting , law 360, New York, 2015

[7]PwC, Sustainability Goes Mainstream: Insights into Investor Views, May 2014, available at http://www.pwc.com/us/en/pwc-investor-resource-institute/publications/sustainability-goesmainstream-investor-views.jhtml.

[8] Ibid

mining companies applying international sustainability reporting standards like GRI have shown a positive impact in helping bridge communities and mining companies. A case study of Zimplats (2014) in their mining operation in Selous, Zimbabwe provides typical benefits of sustainability reporting as a business model for mining operations that has a strong business case.

Box 2: Case study of Zimplats

OUR SUSTAINABILITY APPROACH

Zimplats believes that operating in a socially and environmentally friendly manner is critical to its long term business success. To this end systems are in place to manage and address sustainability impacts arising from all its operations including its mining and processing operations at Ngezi and its processing operations at Selous. These systems include its Business Management System (BMS), Enterprise Risk Management (ERM) system, Enterprise Resource Planning (ERP) systems – SAP and CURA, Mineral Resource Management (MRM) systems, Mine Planning and Geological Modelling systems and Ore and Metallurgical Accounting systems among others that have been developed and adapted to support implementation of its business strategy.

Community Social Investment

Developing partnerships with communities around our operations is one of Zimplats' strategic objectives under management of enterprise risk. Zimplats' strategy with regards to community engagement is informed by the research findings mainly from the perception and baseline studies and quarterly stakeholder meetings that include community leaders and local Chiefs.

Key perceptions coming out of that study include the need for Zimplats to address the following:
- *Continued investment in community development initiatives*
- *Explore opportunities for greater direct engagement with community*
- *Consider investment in more infrastructural projects unrelated to the Company's operations*

Source: Zimplats Annual Report 2014

2.5 Stakeholder Engagement

With the growing awareness of the importance of stakeholder engagement, there is a general shift from traditional reporting structures and channels ("one-way communication"; companies just publishing a report without engaging with stakeholders) towards more stakeholder dialogue and other effective means of communication ("two-way communication") (KPMG, 2013; AA1000, 2015; EU-CREM, 2011).To address this issue, the latest GRI – G4 Sustainability Reporting Guidelines now require companies to provide grievance mechanisms which provide for stakeholders to engage with the company. However, stakeholder engagement is more prevalent from companies that are from developed nations, but still to find its way in developing countries. For example in Europe, since 2005, the number of G250 companies engaging stakeholders in a formal way doubled to 62 percent (EU-CREM,2011). Twenty-five percent of the companies use the stakeholder feedback as an input for their sustainability reports which shows that there is still room for improvement, since non-integration of stakeholders means that the company risks leaving out key issues when elaborating content of its sustainability report (KPMG, 2008).

The growing trend of stakeholder engagement as a practice over the years has been largely influenced by standards such as AA1000 and GRI. AA1000 provides specialized standards on stakeholder engagement (AA1000, 2015). In companies geared to operate in a sustainable manner, stakeholder engagement has been at the core of company strategy and business case for engagement. The business case for stakeholder engagement has been largely associated with its function for strategic positioning, early warming and risk management (AA1000, 2014).

Box 2: Stakeholder Engagement

"Stakeholder Engagement is defined as, "… the process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes."

AA1000 Stakeholder Engagement Standard defines stakeholders as "… those groups who affect and/or could be affected by an organisation's activities, products or services and associated performance. This does not include all those who may have knowledge of or views about the organisation. Organisations will have many stakeholders, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns.

The owners of the engagement shall ensure that stakeholders are invited to participate reasonably well in advance and that communication are appropriate for each stakeholder

Companies shall design and provide systems that allow stakeholder to initiate engagement and provide feedback on any areas of concern with the companies.

Source: AA1000 Stakeholder Engagement Standard 2011, 2015; Accountability 2008; GRI, 2014

In developing countries, stakeholder engagement is still emerging as a fundamental business practice and governance system. According to Cramer (2005), stakeholder engagement has evolved to be integrated into sustainability reporting and corporate social responsibility agenda. However, a case study by Mzembe (2014) note that in Malawi just like any other developing country in Africa, stakeholder engagement by local mining companies and subsidiaries of MNCs has traditionally been ad hoc and inconsistent, with no clear strategies on how it should be undertaken. In South Africa, it is becoming clear more than before, some companies are developing partnerships with CSOs to implement engagement programmes that not only enhance social value, but also help the companies to achieve their economic objectives (Mzembe 2014)

In summary, the evolution of sustainability reporting into stock exchange requirement has increased the business case for sustainability reporting in the corporate world including mining companies. Critical to sustainability reporting is stakeholder engagement which has also evolved to be integrated into sustainability reporting guidelines and standards.

CHAPTER 3

RESEARCH APPROACH

3.1. Introduction

The overall research objective is to evaluate the extent to which mining companies in Zimbabwe are complying with stock exchange listing requirements on sustainability reporting. This required the research to map out stock exchanges and listing requirements on sustainability reporting. Targeted stock exchanges were those that provided primary listing of mining companies operating in Zimbabwe. Therefore, an appropriate research approach was formulated to achieve the objectives. The rest of the chapter outlines the research approach, data collection and analysis, ethical consideration and limitations.

3.2. Research Approach

The research adopted a cross sectional approach to evaluate compliance on the latest period possible based on the latest stock exchange listing requirements. This approach ensures the outcomes reflect the latest state of affairs as much as possible to enable appropriate intervention where possible. Therefore, the research mapped stock exchange listing requirements on sustainability reporting and compliance during 2014/15 annual reporting period. The research employed content analysis of annual reports through a desk review of public listed mining companies operating in Zimbabwe.

3.3. Research Sample

The research sampled 10 major mining companies through a scoping exercise. The companies were selected on the basis that they were publicly listed on Stock Exchanges in or outside Zimbabwe, and were involved in major extractive operations. Further, the sample companies would be evaluated against stock exchange requirements of their primary listing where a company had dual listing. Descriptive data on the sample companies is presented in **Table 2** below:

Table 2: Stock Exchanges and Company Names

Stock Exchange	Name	Country	Number	Company(ies)
Australian Stock Exchange	ASX	Australia	2	Zimplats: Murowa Diamonds
Johannesburg Stock Exchange	JSE	South Africa	2	Anglo American (Unki),Mimosa
London Stock Exchange	LSE	United kingdom	1	Metallon Gold
Toronto Stock Exchange	TMX	Canada	1	Caledonia (Blanket Mine)
Zimbabwe Stock Exchange	ZSE	Zimbabwe	4	Bindura Nickel: Falcon Gold: Rio Zim: Hwange Colliery
Totals	5		10	10

Source: Author Compilation

3.4. Data Collection and Analysis

The first data collection process was focused on identifying and mapping stock exchange requirements where the sample companies were listed. Data collection for this research was based on annual reports for 2014/15 financial year of public listed mining companies. A data collection matrix tool was designed for collating data on sustainability information disclosures to assess compliance with listing requirements. Data sources included, annual reports, intergraded reports (where available) and sustainability reports published on company and stock exchanges websites. The data included confirmations of compliance with stock exchange requirements as well as sustainability information disclosed by companies.

Stock exchange requirements data was tabulated for analysis to identified key requirements on sustainability information disclosure compliance. Data collected from companies was analysed using matrix to identify the extent of company disclosures on applicable stock exchange requirements, guidelines, national laws, stakeholder engagement, environmental, social and governance on a company by company basis. Company data matrix results was analysed to determine compliance through a scale ranging from 'Inadequate', 'Adequate', 'Average', 'Better' and 'Best'.

3.5. Research Ethics

Research ethics were taken into consideration in the design and conduct of the research. Desk Review of mining company was based on publicly available information with the view of evaluating sustainability reporting by public listed companies in relation to stock exchange, guidelines, framework and laws. This approach was considered to justify the business case for transparency and accountability by mining companies.

3.6. Limitations

The research had limited challenges except one company which did not make its annual report available through public domain. The annual report had to be accessed through a formal request. It is not anticipated that any information gaps could significantly impact overall research findings.

CHAPTER 4

FINDINGS

4.1. Introduction

This chapter presents results and findings of the evaluation process of public listed mining companies operating in Zimbabwe on the extent of compliance with stock exchange listing requirements on sustainability reporting. The findings of the research are presented starting by a mapping of the stock exchange listing requirements on sustainability reporting of each stock exchange, followed by compliance evaluation of mining companies.

4.2. Key Findings and Developments on Sustainability Reporting at ZSE

The research findings showed that while ZSE Listing Rules Section 8 and 12 had requirements on environmental issues, there are no specific and precise rules on sustainability reporting like other stock exchanges. The stock exchange only provides guidance through Section 8.52 (a) **(See Box 4)** which refers to the Cadbury Report (UK) and Kings Report (SA) on corporate governance issues. However, it was notable that these codes were not being implemented as updated at all. It was also notable that Section 12 of the ZSE listing rules on Mineral Companies does not mention provisions of sustainability information disclosure particularly on environmental and social impacts as evidenced by Section 12.9 b (i) which only states that a mineral company should have an "environmental management program as required by law has been approved by the Mining Department concerned and the cost of such program". As such, listing rule of ZSE as of 2015 could be considered in adequate to provide stock exchange requirement on sustainability reporting.

The research recognised that there were developments underway by the Zimbabwe Stock Exchange to development new listing rule which would be gazetted through a statutory instrument in 2016. The new listing rule has 'Part 21 – Sustainability Information and Disclosure' which specific requirements on sustainability reporting using international guidelines such as the Global Reporting Initiatives (GRI) Sustainability Reporting Standards. The research believes that ZSE will become the first of the stock exchanges in Africa which has a specific chapter on sustainability reporting requirements. As these developments are ongoing, ZSE was accepted to be a member of the Sustainable Stock Exchanges Initiatives (SSEI) during the COP21 conference in Paris in 2015. As such, this has potential benefits to ZSE which could influence perception of investors on the stock exchange and the risk perception.

4.3. Compliance Management by the Zimbabwe Stock Exchange

The research noted that there were regulatory and capacity gaps for ZSE because the stock exchange requirements do not provide mandate to deal with defaulters directly on environmental and social aspects. Therefore, where defaults are noted, there are referred to the respective regulators for action (ZSE Listing Rule Section 3.2). (**See Box 3**). Environmental defaulters are referred to the Environmental Management Agency (EMA) which has authority through an Act of Parliament of Zimbabwe to persecute defaulters under the Environmental Management Act (20:27) and the National Environmental Policy and Strategies (2009). On the other hand, defaulters on social issues are referred to the National Social Security Authority (NSSA), the Ministry of Labour and Social Welfare and others regulators. However, ability to effectively deal with defaulters and non-compliance had previously been identified as challenge for Zimbabwe (UNDP, 2012).

According to a United Nations Development Program (UNDP) 2012 MDGs process report on Zimbabwe, human, materials and financial resources were cited as challenges of the Environmental Management Agency (EMA) to police compliance on environmental sustainability. Similar constraints were also cited by UNDP on the ability of the Ministry of Labour and Social Welfare to enforce comprehensive regulation on social issues such health and safety, Labour and other social matters.

Box 3: Guidance on Overlaps between ZSE Listing Rules and other laws

3.2. *Where there is an overlap between any requirements or dispensations that may be required by or granted in terms of any law, or by any statutory body or organ, a listed company must, notwithstanding such other requirements or dispensations, nonetheless comply with these listings requirements.*

Source: ZSE (2014) Listing Rules

4.4 Stock Exchanges Sustainability Mapping

Table 2: Stock Exchange Mapping

STOCK EXCHANGE	LISTING REQUIREMENT (SECTION)	GUIDELINES	ASPECT REQUIREMENTS			APPRO ACH
			E	S	G	
Australian Stock Exchange (ASX)	Listing Rule 4.10.13 Corporate Governance Principles and Recommendations (2010) Code of conduct on Environmental Risks and Control (2010)	Corporations Act (2001) Australian Minerals Industry Framework for sustainable Development	X	X	X	M
Toronto Stock Exchange (TMX/TSX)	TSX Listing Rule /Environmental Reporting Guidelines TMX Timely disclosure policy (2004)	National Instruments 51-102 Continuous disclosure Obligations (2004)	X	X	-	M
JSE	King 3/SRI	GRI/IR	X	X	X	V
London Stock Exchange (LSE)	Combined Code /Companies Act/FTSE4Good	Climate Change Act /Environmental Reporting Guidelines	X	X	X	V
Zimbabwe Stock Exchange (ZSE)	Section 12 Listing Rule Section 8 Part 21 (New Rule not yet in force)	Kings Report and the Cadbury Report EMA Act (EIA)	X	X	-	M

Source: Author Complications

Table Key: E-*Environmental***:S-***Social* **G-***Governance* **M-***Mandatory* **V-***Voluntary*

Table 2 shows that generally all the sample stock exchanges had some form of sustainability reporting elements requirements on environmental, social and governance in one form or the other. The research noted that sustainability reporting requirements were being implemented using two approaches, which include stock exchange guidelines or national laws that were referred in stock exchange requirements. Overall, stock exchange requirements covered economic, environmental, social and governance. An analysis of requirements approach showed that sustainability reporting was being implemented through a mandatory or voluntary approach. Data collected showed stock exchanges such as ASX, TMX and certain specific sections of the ZSE used a mandatory approach to sustainability reporting requirements. A voluntary approach to sustainability reporting was predominant in exchanges such as JSE and LSE.

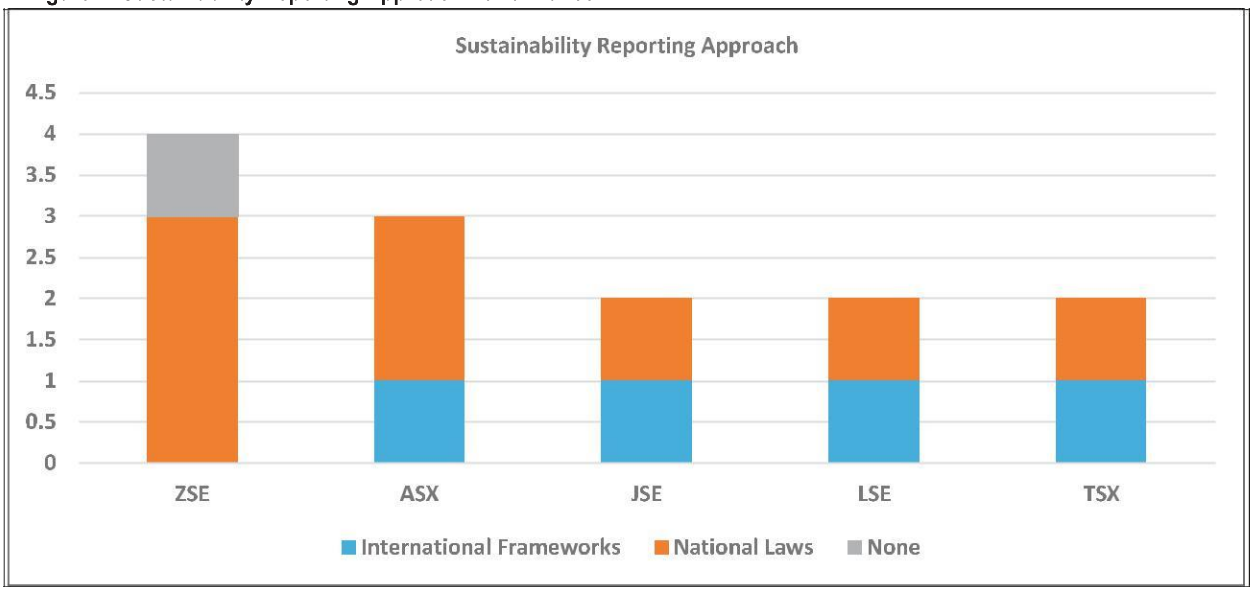
4.5. Sustainability Reporting Disclosure Companies Performance

This section provides results of mining companies' performance on complying with stock exchange listing requirements on sustainability reporting. The results are presented firstly by looking at stock exchanges approach to sustainability reporting, stakeholder engagement and companies' disclosure performance on ESG issues.

4.5.1. Sustainability Reporting Disclosure Approach

The research established that sustainability reporting was mainly being driven through national laws and stock exchange adopted frameworks. Of the 10 mining companies that were assessed, 6 companies indicated that they use international frameworks and national regulations. As such, this provided indications of company policy on ESG disclosure. All 6 companies were listed on foreign stock exchanges. One of the commonly mentioned frameworks was the GRI guidelines. One company listed on the TSX indicated that it is guided by the Environmental Reporting Guidelines (ERG) and the Environmental Protection Act of 1999 which is a regulation from Canadian Government. Of the 10 mining companies, 9 companies indicated that they were mandated by law to disclose. Only one locally listed mining company did not make any disclosure of their driver to sustainability reporting. **Figure 2** below present the results of the analysis:

Figure 2: Sustainability Reporting Approach Performance



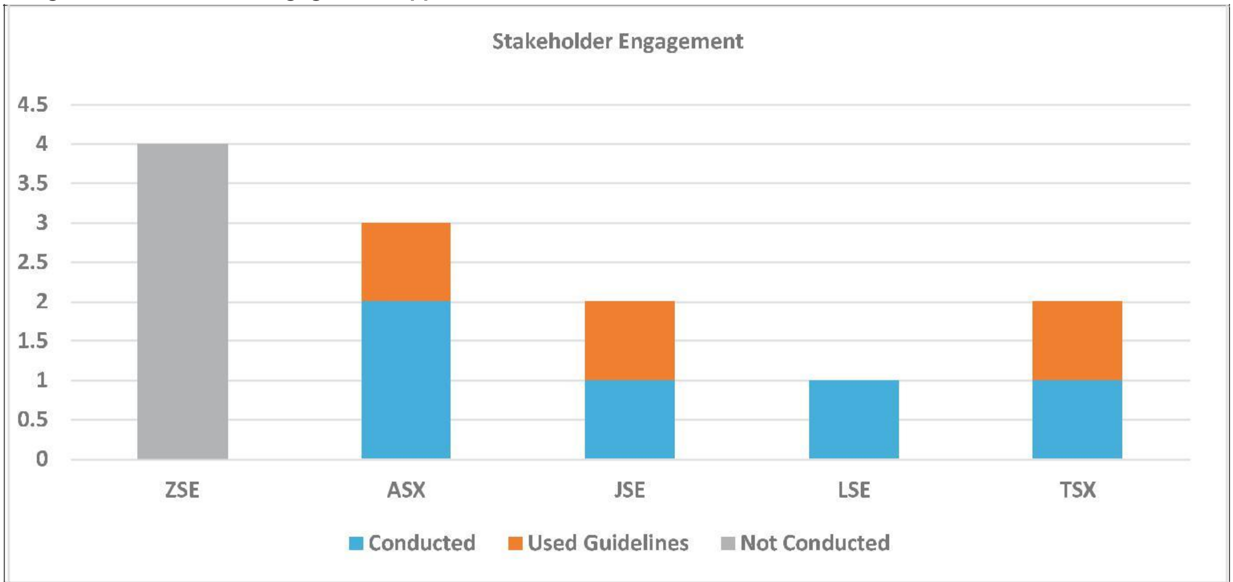
Source: Author Compilation

An analysis of ZSE listed mining companies showed that 2 mining companies applied national laws while 2 companies did not use either of the two. All foreign listed companies applied stock exchange adopted frameworks and national laws in disclosing sustainability reporting information. These results show that the low stock exchange drive to sustainability reporting remains relatively weak within locally listed companies. The results also confimed the stock exchange mapping results in **Table 3** which outlines foreign stock exchanges as having relatively clear stock exchange sustainability reporting frameworks for use by listed mining companies. Notable stock exchanges are ASX, TSX/TMX, JSE and LSE. The mapping also showed that in ASX and TSX, sustainability reporting is mandatory while JSE and LSE is voluntary. However, LSE is heavily driven by law under DEFRA (DEFRA, 2015).

4.5.2. Stakeholder Engagement Performance

Stakeholder engagement is a key fundamental of sustainability reporting particularly in the mining sector. Therefore, the research evaluated companies approach and the extent of their application of stakeholder engagement practices. Results of the evaluation are presented in **Figure 3** below:

Figure 3: Stakeholder Engagement Approach and Performance



Source: Author Compilation

Results of the analysis show that no ZSE listed company disclosed that they had conducted a stakeholder engagement during the year even though this is a process that should be conducted annually. This outcome confirms concerns that have been consistently raised by communities and civil society in Zimbabwe. However, indications of stakeholder engagement were largely noted in all foreign listed companies who also used international guidelines for sustainability reporting. Stakeholder engagement serves as grievance management mechanism which is the reason which GRI – G4 guidelines incorporated it in all aspects.

The use of international guidelines such as GRI provides an unavoidable system for mining companies to engage communities. It is notable that stakeholder engagement is not a practice largely considered by local mining companies unless there are compliance issues such as Environmental Impacts Assessment (EIA). Once these process are done, engagement may be limited as witnessed in the results presented in **Figure 3**.

Of the 10 mining companies, 7 indicated that they engage stakeholders (communities). Two locally listed mining companies and 1 foreign listed (ASX) did not disclose their stakeholder engagement activities. Out of the 7 that disclosed stakeholder engagement activities, 5 were foreign listed mining companies and used international guidelines for stakeholder engagement activities.

4.5.3. Sustainability Reporting Company Performance

The research analysed sustainability reporting performance of 10 publicly listed companies operating in Zimbabwe. Individual stock exchanges performance of listed companies provides a basis for evaluating the overall performance of public listed companies operating in Zimbabwe.

4.5.3.1. Sustainability Reporting Aspects and Topics

The overall mapping identified that mining companies should report on environmental, social and governance aspects. The analysis identified key topics frequently reported by companies as part of their ESG Reporting. The most reported topics covered by mining companies are presented in **Table 3** below:

Table 3: ESG Aspects and Topics

Sustainability Reporting Aspects	Topic (s)	Reporting Companies	Non- Disclosing Companies
Environmental	Water	9	1
	Climate Change	5	5
	Environmental Rehabilitation	9	1
	Pollution	9	1
	Waste	9	1
	Biodiversity	6	4
Social	Human Rights	9	1
	Health and Safety	9	1
	Labour	9	1
	Gender	4	6
	Corporate social responsibility (Donations	9	1
Governance	Corporate governance	10	-
	Tax Transparency	10	-
	Risk Management	10	-
	Anti-corruption	7	3

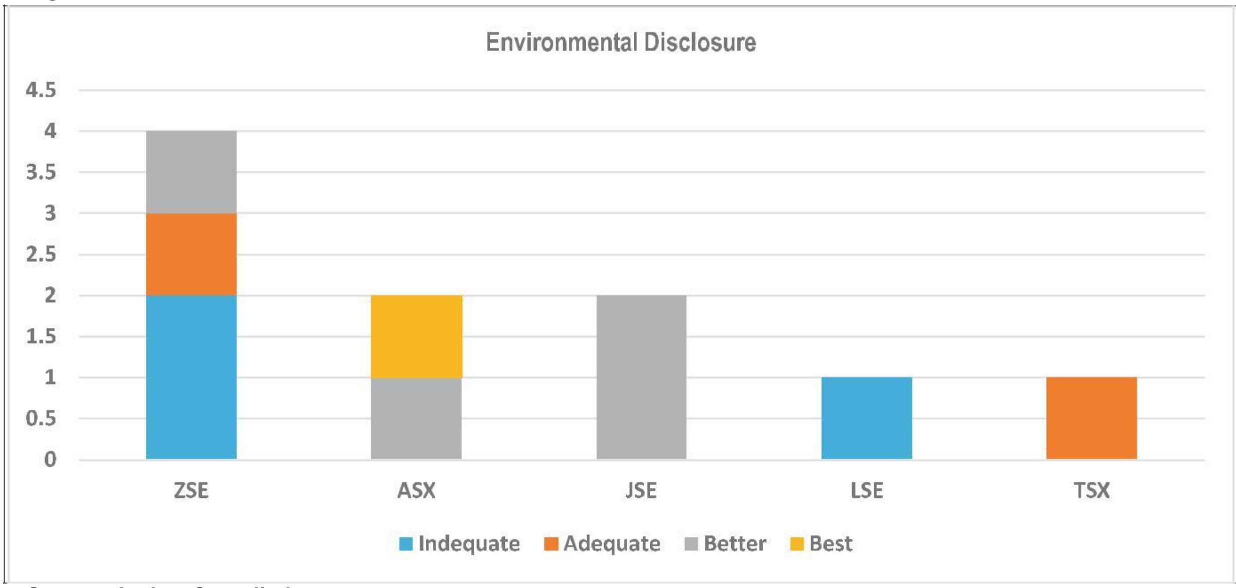
Source: Author Compilation

4.5.3.2. Environmental Disclosure

All mining companies made disclosures on one or more environmental topics across stock exchanges. This outcome is largely attributed to national laws that are incorporated or referenced within stock exchange requirements on environmental reporting **(see Table 3)**. Due to the environmental impact nature of mining activities, many countries have national laws on environmental management. As such, disclosures tends to be highly emphasised in mining sector governance. Results of the analysis of data collected showed that 'Inadequate' disclosures were mainly in ZSE and LSE listed companies while all other foreign exchange listed companies ranged from 'Adequate' to 'Best' disclosures on environmental impacts. While environmental disclosures were made, many companies provided narrative statements on environmental issues which were not supported by quantitative data. One ASX listed company using international standards like GRI provided quantitative data on its environmental impacts to justify the legitimacy of its reporting. **Figure 4** presents the outcome of environmental disclosure by stock exchange companies.

The majority of companies in **Table 2**, were regarded to have reported adequately on environmental disclosures. Statistical summary of the companies is presented in **Table 3.** Only 1 company listed on the ZSE scored in 'Best' on environmental disclosure rank. Three companies were ranked as 'Better' and these are listed on the ASX (1), JSE (1) and ZSE (1). Five companies were considered as 'Best' while 1 was considered 'Inadequate' because it did not disclose any aspect at all.

Figure 4: Environmental Disclosure Performance



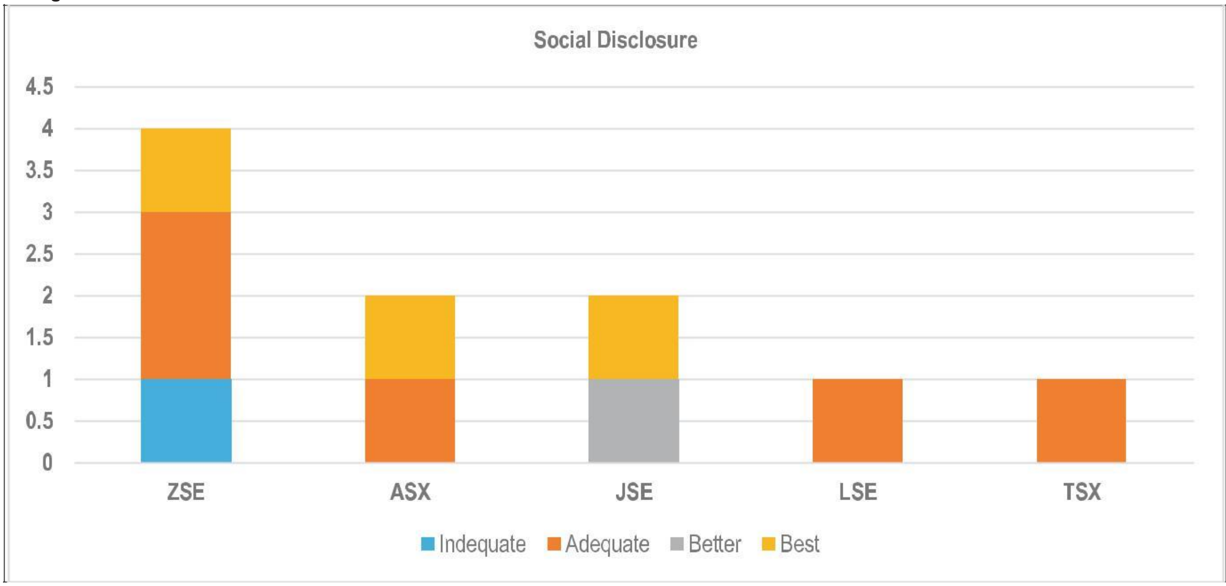
Source: Author Compilation

4.5.3.3. Social Disclosure

The results of the analysis on the disclosure of social issues showed that all stock exchanges had companies scoring well within 'Adequate' to 'Best'. 'Inadequate' disclosure was only noted on ZSE listed companies as compared to foreign listed stock exchange companies that made adequate to best disclosures. The outcome showed relative disparity of sustainability reporting practices between foreign stock exchanges and the local stock exchange. **Figure 5** shows that 4 mining companies (2) listed on ZSE, 1 on JSE, and 1 on (ASX) were regarded to have the best social disclosures. Only 1 company (listed on the JSE) was regarded to be better. Four companies (one each listed on the ASX, JSE, LSE and TSX) were seen to have adequately reported on social issues. And only 1 company listed on the ZSE did not disclose any social aspects. **Figure 5** show performance of each stock exchange:

The results presented in **Figure 5** provides a basis for requiring an understanding of the motivation or drivers to predominance in social disclosures as compared to environmental matters. These results could be associated with image building and potential marketing of mining companies to society as corporate citizenship. It can be notable that social actions by mining companies are also a strategy for managing the social being of mining companies to avoid community demonstrations and confrontation. However, this strong disclosure in most foreign stock exchanges tend to be associated with high regulatory and stock exchange requirements. Most of the stock exchanges used in this research are signatories of the Sustainable Stock Exchange Initiatives (SSEI) which promote sustainability reporting with stock exchanges.

Figure 5: Social Disclosure Performance



Source: Author Compilation

4.5.3.4. Governance Disclosure Performance

Disclosure on governance issues showed similar trends observed in the disclosure of social aspects in Figure 4. **Figure 6** shows that 3 mining accompanies (1 listed on the ASX and 2 listed on the ZSE) made disclosure on Governance issues considered 'Best'. On governance disclosures, 4 companies (2 listed on the JSE, and 1 each listed on LSE and TSX) were in the 'Better' category. Only 1 company listed on JSE was ranked in 'Adequate' category and lastly 2 companies each listed on ASX and the ZSE were in the 'Inadequate' category on governance disclosures.

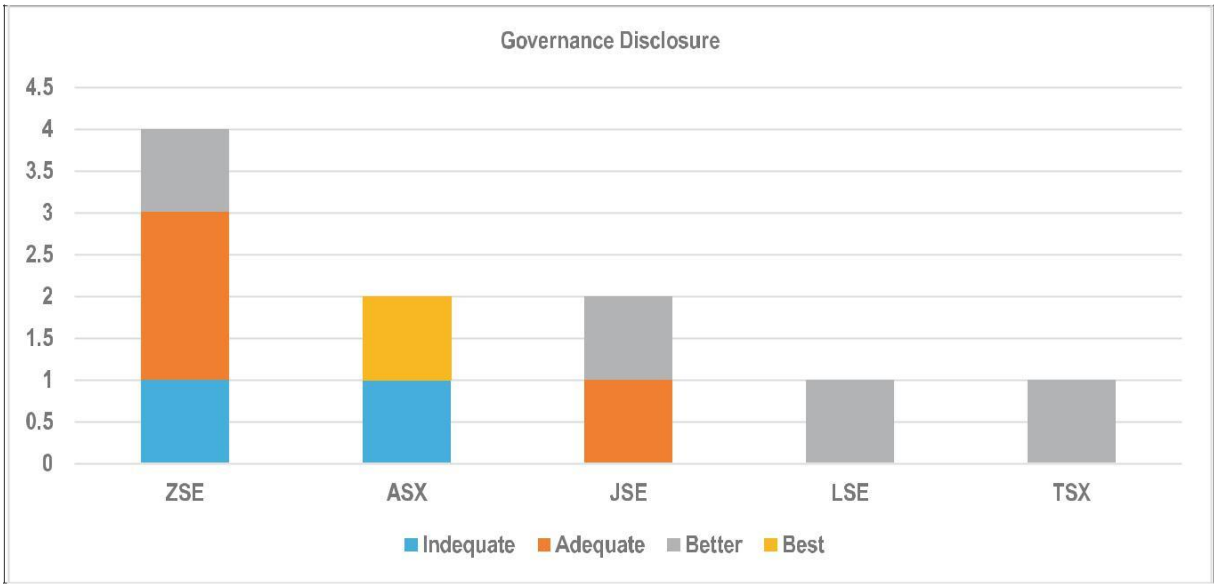
Box 4: ZSE Requirement on Corporate Governance

Section 8.52: (a) Code of corporate practice and Conduct:

Commenting on the extent of their compliance or non-compliance with the Code of Corporate Governance Practice and Conduct contained in Cadbury or King Report on Corporate Governance. This statement may be contained in a separate section of the annual report and need not to be audited.

Source: ZSE Listing Rules as of 2014

Figure 6: Governance Disclosure Performance

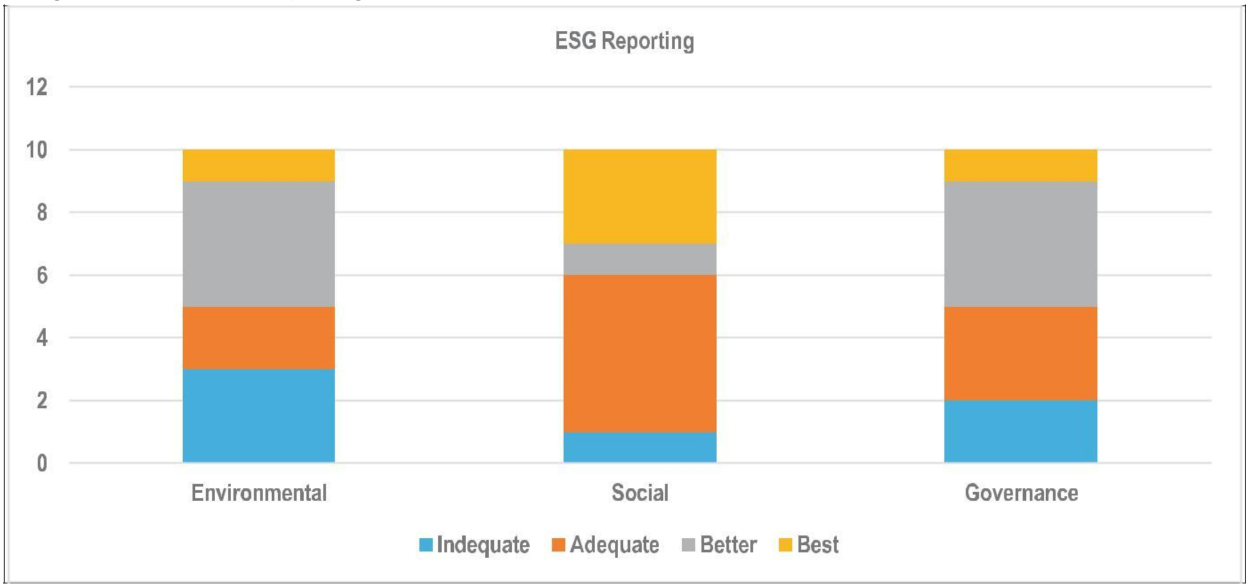


Source: Author Compilation

4.6. Stock Exchange Sustainability Reporting Compliance

The overall disclosure and compliance performance show that there were relatively high *inadequate disclosure* on environmental impacts and governance. These findings are mostly associated with locally listed mining companies. Most foreign listed companies ranked from 'Adequate' and 'Best' disclosures across sustainability issues. The overall ESG disclosure compliance shows varying disclosure practices between locally listed and foreign listed mining companies. **Figure 7** present results of the overall compliance performance on ESG reporting:

Figure 7: Overall ESG Reporting Performance



Source: Author Compilation

The results presented above in **Figure 7** show that they were high inadequate disclosure on environmental issues which also squared off with better disclosures. There were very few companies making best disclosures on environmental issues. Most of the companies that were making better to best disclosures were mainly foreign companies and this could have been driven by existing separate environmental reporting requirements incorporated in stock exchange requirements. Notable stock exchanges with strong and separate environmental reporting requirements and guidelines include ASX, TMX and LSE. However, ZSE does not have a separate environmental reporting requirements or guidelines. This finding is consistent with a research by Ndamba (2013) on the evaluation of ZSE listed companies on environmental reporting which showed that only 3% of ZSE listed companies were making environmental disclosures.

Findings on social disclosures across stock exchanges showed high disclosure compliances ranging from adequate to best across all stock exchanges and mining companies. Very few companies made inadequate disclosures on social issues. This performance seems highly associated with companies marketing or trying to keep a good image in mining communities. Further, the practice tend to be associated with donations and philanthropic activities. Social impacts tend to be critical for mining companies so as to keep good relations with communities avoid protests. However, social issues affect employees of mining companies as well (for example health care). As such, the high compliance is consistent with general expectation of the social good by mining companies.

Overall performance on governance disclosure compliance was fairly spread between inadequate to best disclosures. The outcomes are associated with strong governance regulations and code mainly on foreign stock exchanges whose compliance ranged from adequate to best in this research. Poor governance disclosures were associated with the local stock exchange due to potential weaknesses in the regulations and enforcement mechanisms. ZSE requirements only provide for companies to make a statement on compliance but does not provide for adequate demonstration of compliance in the annual report and this allows companies to get away with it.

In summary, overall sustainability reporting performance and compliance by mining companies largely depends on sustainability listing rules in individual stock exchange and the approach in place. It is notable that where sustainability reporting is mandatory, the extent of compliance is seen to be higher from the companies. Overall results of analysis showed that the extent of compliance is high in foreign listed companies than locally listed companies. This could be associated with the enforcement regimes in foreign stock exchanges and regulatory bodies. For example, environmental issues are highly monitored and regulated in Australia, Canada, South Africa and UK. They also attract heavy penalties. The results clearly showed that sustainability reporting compliance was largely skewed towards foreign listed companies and stock exchanges. Key findings on ZSE showed that the regulatory framework for listed companies is still limited and has deficiencies to compel mining companies to effectively drive sustainability reporting in Zimbabwe. However, noted development on new stock exchange requirement has potential to turnaround the previous scenario.

CHAPTER 5

CONCLUSION

The research focused on evaluating the extent of compliance by publicly listed mining companies operating in Zimbabwe with stock exchange requirement on sustainability reporting. The research findings provides the basis to conclude that foreign public listed mining companies were complying with primary listing requirements on sustainability reporting than locally listed mining companies. While there are varying gaps in sustainability reporting practices noted between local and foreign listed companies, the local mining regulatory environment did not provide adequate regulatory framework through the stock exchanges to effectively compel all mining companies to disclose their environmental and social impacts. However, it is critical to note that the quality of local sustainability reports indicated lack of capacity and skills for sustainability reporting by local companies as compared to foreign listed companies.

In conclusion, research findings and recommendations provided require appropriates strategy to be formulated to address variations in practice and regulation observed on sustainability reporting. Further, proactive action on specific recommendations provided by this research will be crucial to enable the mining sector to impact positively on the national economy and communities in Zimbabwe. Finally, the development and implementation of a national framework on sustainability reporting through stock exchange requirements and national laws will help close gaps in practices between local and foreign listed mining companies in Zimbabwe.

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