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A critical examination of risks disclosed by South African mining companies' pre and posts Marikana event

Abstract

This paper sets to critically assess the risks disclosed by South African listed mining companies in pre and post the Marikana incident. Using the content analysis to code the categories of risks disclosed by mining companies in the annual reports, it was noted that the main issue that has been prevalent in the public discourse which is the labor relations (poor employee relations)/wage negotiations was not that high on the risk agenda of mining companies. Given prominence of industrial action (sometimes coupled with violence), it was expected that this risk will feature high on the list of risks that were reported by mining companies. The implication of this is that this risk may not necessarily be receiving attention. The main downside of this risk not being in the strategic agenda is that companies may not have conducted scenario analysis including the business impact assessments that could be useful in modifying the impact of this risk.

The paper argues that the non-disclosure of this risk in integrated reports by most of the listed mining companies is possibly distorting the risk profile of organizations concerned. Even though investors are supposed to be aware of the market information, those who rely on the integrated reports of companies to make informed decisions about the sustainability as well as the riskiness of certain companies could end up with the distorted risk profile. Investors with no appetite for this type of risk could end up investing with a view that the company does not have this type of risk or that this risk is very low.

Keywords: risk management, risk disclosures, integrated reports, mining companies, risk appetite and risk tolerance.
JEL Classification: M4, G3, G32, G34.

Introduction

In the recent past, the South African mining industry has been facing many challenges. This includes, among others, production losses, unstable industrial relations and rising input costs and fluctuating commodity prices (Moloi, 2014). The most pressing challenge recently has been the unstable industrial relations between miners and mining companies as well the rivalries amongst the competing labour representative (unions), particularly after the Marikana incident.

According to the Marikana Commission of Inquiry Report (RSA, 2015), the discontent of workers in the platinum belt which culminated in the Marikana incident can be traced not from Lonmin but from the nearby platinum mine, Impala Platinum (Implats) where workers (Rock Drill Operators) had become aggrieved by the company's decision which it was said that it had unilaterally granted an additional wage increase of 18 per cent effective from January 2012 to one category of its workers (first line supervision employees). The Marikana Commission of Inquiry Report indicates that the aggrieved workers embarked on an unprotected strike demanding a monthly salary of R9 000 (~US$692). The first wave of unprotected strike was said to have been characterized by high levels of violence and intimidation where four (4) people lost their lives and at the end, Implats acceded to the striking workers' demands which led to the perception that they were now earning better than their peers in Lonmin (RSA, 2015).

In 2012, a group of miners led by the Association of Mineworkers and Construction Union (AMCU) in the Marikana operation of Lonmin engaged on an unprotected strike demanding a monthly salary of R12 500 (~US$961) for all miners. Following a stand-off between the mining company (Lonmin) and the miners, the South African Police Service was called in to defuse the situation; however, it would appear that this exacerbated the situation and resulted in the stand-off between striking miners and the police. The miners and police stand-off resulted in the loss of lives for 34 mineworkers, 78 were wounded and more than 250 people were arrested (South African History, 2012).

Following this incident, the Marikana Commission of Inquiry (the Commission) headed by a retired Judge of the Supreme Court of Appeal, Judge Farlam was appointed by President Jacob Zuma (the President of the Republic of South Africa) to investigate the concerns of the Marikana tragic events. Accordingly, the commission was appointed in terms of section 84(2)(f) of the Constitution of the Republic of South Africa of 1996, on 23 August 2012 (Marikana Commission of Inquiry, 2015).

In June 2015, approximately three (3) years after the tragic incident took place, the final report entitled "Marikana Commission of Inquiry: Report on matters of public, national and international concern arising out of the tragic incidents at the Lonmin Mine in Marikana, in the North West Province" was finally published. This report made findings and recommendations on four parties namely; Lonmin, the South African Police Service (SAPS), AMCU and the National Union of Mine Workers (NUM) (RSA, 2015).

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The focus of this paper is on one of the parties named in the Marikana Commission of Inquiry Report, Lonmin as well as its peers in the South African mining space. The paper retraces the nature of risks disclosed by mining management pre and post the Marikana incident. Since risk management process is concerned with the identification of all events that have a likelihood of occurring and when they occur their consequences have a potential of negatively or positively affecting the organization, it would be reasonable to expect that a likelihood of risks such as that of a violent strike should have been identified, the impact should have been properly assessed and the mitigation or control should have been embedded to modify the risk.

1. Objective, scope and limitation of this paper

Mining companies in South Africa have faced several challenges, including violent strikes in the recent past. These challenges had not attracted so much interest as the recent tragic incident that happened in Marikana. Since this incident, the mining sector has continued to be faced by numerous strikes with employees (miners) demanding what they deem to be better conditions of employment as well as the union rivalries. This coinciding with the contractions in metals and resources prices has resulted in most mining companies share prices losing ground in the Johannesburg Stock Exchange (JSE) i.e. declining market capitalization.

This paper examines the nature of risks identified, managed and reported by South Africa's listed mining companies' pre and post the Marikana event. The content analysis method was used to code and identify themes/the nature of risks in the integrated reports. The nature of risks disclosed in the integrated reports of listed mining companies is deemed as a proxy of the priority risks identified, assessed, prioritized and managed by the listed company concerned. The Marikana incident occurred in 2012, it is on this basis that data on the nature of risks identified, assessed and managed prior to the event will be coded from the 2011/12 integrated reports. In a similar note, the 2013/14 integrated reports will be utilized to examine the nature of risks identified, managed and reported by mining companies post the Marikana event.

With regards to the mining companies that formed part of this study, the list containing the top 100 companies based on company's market capitalization as of the 15th of June 2015 was sourced from Sharenet (Sharenet, 2015). All other companies that did not have mining as its business activity were eliminated from this list. The total market capitalization of analyzed JSE listed mining companies as at the date of sourcing data was R1,891,822,673,325 (vs R11,254,276,017,664 of the top 100 companies listed on the JSE) indicating that even though mining companies were facing challenges, they still remained a significant core in the JSE.

2. A view on the importance of risk management process

Risk management should be treated as an important element in the quest towards organization sustainability as the process permits organization to conduct analysis of scenarios that could have an impact (positive or negative) on its existence. Analysis of these scenarios should ideally aid organizations to put controls in place in-order to modify either the likelihood of the occurrence or the consequence should the scenario be projected as negative (threat). Further, should the anticipated scenario be projected to be positive (opportunity), organizations are expected to leverage this to extract more value. In this regard, it is clear that risk management is an important planning tool in any organizations.

Bunget, Dumitrescu and Dreve (2010) support the statements articulated above on the importance of the risk management process. In their view (Bunget et al., 2010), the risk management process is important in organizations as risks are forever present in all actions and event of humanity. Accordingly, organizations should ensure that they identify all risks that are confronting their operations beginning with social risks, ethical risks, environment risks, financial risks as well as operational risks. It would appear in this view that Bunget et al. (2010) seem to be referring to the process known as integrated risk management (IRM). The process should not only begin and end with the identification of all possible risks that could affect the organization, in addition to this, it is stated that the manner in which these risks are managed in order to modify their impact to an acceptable level should also be outlined and reported on so that investors could make an informed decision as to whether they have an appetite to invest in an organization with such risks and whether their portfolio could have tolerance of such an exposure.

The idea that risk management is an important planning tool is further endorsed by the latest King Report on Corporate Governance. To date, there has been three King Reports on Corporate Governance, King I (IOD, 1994), King II (IOD, 2002) and King III (IOD, 2009). The King III Report on Corporate Governance differs from its predecessors as it places risk management at the nerve centre of the company's strategic decision makers. In the King III Report on Corporate Governance, risk management has been made the focal point of the organization's

board of directors and is now the responsibility of the company's board of directors (IOD, 2009).

With as many challenges facing the South African mining industry (Moloi, 2014a), and following the criticism of Lonmin by the Marikana Commission of Inquiry, for instance, the commission indicated that Lonmin had not responded appropriately to the threat of, and the outbreak of violence; Lonmin had also failed to employ sufficient safeguards and measures to ensure the safety of its employees and that Lonmin had insisted that its employees who were not striking had to return to work, despite the fact that it knew that it was not in a position to protect them from attacks by those who were on strike (Marikana Commission of Inquiry, 2015), the South African mining companies are expected to be deeming the risk management process important and this would be demonstrated by an enhanced scenario analysis process to identify those factors that could positively or negatively affect the company.

Further, it would be expected that the process involved in assessing the likelihood as well as the impact of these occurrences would have been enhanced to ensure that the identified risks are assessed and controlled to properly modify the occurrence. As such, a risk management process, which is a process that allows for the identification, assessment and management of negative and positive occurrences, is expected to be a cornerstone of planning within the South African mining companies and it should have been thoroughly embedded in the mining companies' processes. As indicated earlier, this paper examines the nature of risks identified, managed and reported by South Africa's listed mining companies' pre and post the Marikana incident. The nature of risks managed and disclosed by South African mining companies pre and post Marikana incident will indicate if the thinking around the risk management process has changed as observed through the new risk trajectory that will be demonstrated by different risks disclosed or increasing number of companies disclosing certain risks.

3. Review of literature on catergorization of organizational risk

The realization of certain consequences that manifested themselves in major industrial and financial catastrophes such as the sinking of the Titanic, Bhopal, Chernobyl, Three Mile Island, Enron, the BP oil spill, the London Whale (IBM, 2014), the global financial crisis (Moloi, 2014b) as well as the current economic turmoil in Europe (Paalanen, 2013) have all sparked interest on the manner in which risk is governed in organizations, particularly the integration of all types of risks which organizations may be exposed to.

According to Meulbroek (2002), the term integration refers to both the combination of modifying the firm's operations, adjusting its capital structure and employing targeted financial instruments. This has resulted in what is termed Integrated Risk Management (IRM) (Moloi, 2014a). The IRM is sometimes referred to as Enterprise Risk Management (ERM), Enterprise-Wide Risk Management (EWRM), Holistic Risk Management (HRM), Corporate Risk Management (CRM), Business Risk Management (BRM) and Strategic Risk Management (SRM) (D'Arcy, 2001; Liebenberg and Hoyt, 2003; Kleffner, Lee, & McGannon, 2003; Hoyt and Liebenberg, 2006; Manab, Kassim, & Hussin, 2007; Yazid, Hussin & Razali 2009; Razali and Tahir, 2011; Moloi, 2014a).

For Epstein and Rejc (2005) when integrated, organizational risks consist of strategic risks, operational risks, reporting risks and compliance risks. Accordingly strategic risks consist of economic risks, industry risks, strategic transaction risks, social risks, technological risks, political risks, organizational systems risks.

Operational risks consist of environmental risks, financial risks, innovation risks, business continuity risks, commercial risks, project risks, human resources risks, health and safety risks, property risks and reputational risks. Reporting risks consist of information risks and reporting risks. Compliance risks contain legal and regulatory risks, control risks and professional risks (Epstein & Rejc, 2005).

Weller (2008) agrees with the categorization of risks above, however his emphasis is more on strategic and operational risks, particularly when it concerns the members of the boards. In this regard, Weller (2008) appears to be arguing that these two categories of risks need to be understood by the board for the risk management process to be effective and efficient in an organization. On a similar note, Razali and Tahir (2011) identify three categories of risks, namely; financial risk, strategic risk and operational risk.

Proviti (2010) agrees with the categorization of risks by Epstein and Rejc (2005) with the exception that reporting risks are replaced by financial risks. Deloitte (2013) also categorized risks into four categories namely strategic risks, operations risks, financial risks and compliance risks. Comparing the categorization of risks, it is apparent that Deloitte (2013), Proviti (2010) as well as Epstein and Rejc (2005) contain the majority of similar categories namely; the strategic risks, operations risks and compliance risks categories. The main difference is that Deloitte (2013) contains financial risks category whereas Epstein and Rejc (2005) list has the reporting risks category. In Epstein and Rejc (2005), financial risks are a sub-category of operations risks, whereas in Deloitte (2013), financial risks incorporate the reporting risks.

Accordingly, the categories of risks discussed above are described below:

- Strategic risks – these are risks that could affect or are created by an organization's business strategy in an attempt to achieve the organization's strategic objectives.
- Operational risks – these sets of risks are viewed as those major risks that could affect the organization's ability in an attempt to execute its strategic plan.
- Financial risks – these are risks that include areas such as financial reporting, valuation, market, liquidity, and credit risks.
- Compliance risks – these are risks that relate to legal and regulatory compliance (Deloitte, 2013).

Proviti (2010) appears to provide detailed and more comprehensive descriptions of the strategic risks, operations risks, financial risks and compliance risks. Accordingly, he describes these four categories as follows:

- Strategic risks – these are risks that the business model may not necessarily be aligned with the organizational strategy.
- Operational risks – these risks are associated with various business activities along the value chain.
- Financial risks – these risks relate to the cost effectiveness of managing cash flows, preservation of liquidity, cash availability, currency uncertainty, interest rate movement, defaults and counterparty risk.
- Compliance risks – these are viewed as risks of failure to comply with laws and legislations as well as the failure to comply with internal organization policies or contractual arrangements resulting in the organization receiving fines as well as reputational damage (Proviti, 2013).

4. Research method followed

Since this paper explores the nature of risks identified and managed by South African mining companies, data were coded manually from the integrated reports of these selected mining companies. Relevant risk themes/categories were identified informed by the categories of risks discussed in section 3 and these were broken down into subcategories of risks (de Vos; Strydom, Fouché & Delport, 2005) for coding and analysis purposes.

In this regard, the content analysis method was followed so that certain categories could be analyzed to determine the main category of risks disclosed in the integrated report of the selected mining companies. This step was followed by the abstraction and analysis of the content of risks (sub-category) so as to determine the sub-category of risks disclosed by selected mining companies.

Researchers such as Erdener and Dunn (1990), Jauch, Osborn and Martin (1980), support the use of content analysis and these researchers posit that the content analysis methodology is an acceptable method to apply when coding documents or films. According to the US General Accounting Office (1996), researchers can also use the content analysis method to code the information on video, film, and other forms of recorded information. For Weber (1990), the content analysis method is an important tool due to the fact that the many words of the text and art could be classified into much fewer content categories. However, there could be validity and reliability concerns (Holsti, 1969; and Weber, 1990).

Based on the literature review in section 3, the following table (Table 1) was constructed for the purpose of coding the relevant categories and the sub-categories in the integrated reports of listed mining companies.

Table 1. Categories and sub-categories of risks

Strategic risks	Operational risks	Financial risks	Compliance risks
Economic risks	Environmental risks	Information risks	Legal and regulatory risks
Industry risks	Innovation risks	Reporting risks (financial reporting)	Control risks
Strategic transaction risks	Business continuity risks	Valuation risks	Professional risks
Social risks	Commercial risks	Market risks	
Technological risks	Project risks	Liquidity risks	
Political risks	Human resources risks	Credit risks	
Organizational systems risks	Health and safety risks		
	Property risks		
	Reputational risks		

Source: information extracted from Epstein and Rejc (2005), Proviti (2010) and Deloitte (2013).

5. Research findings and interpretation

The results presented below demonstrate the research findings obtained based on the content analysis performed on the integrated reports of the top South African listed mining companies. There were fourteen (14) mining companies that were assessed with four (4) of them classified as diversified mining companies (these companies produce gold, platinum, copper, zinc, iron ore, coal, petroleum etc.), seven (7)

of them were classified as precious metals group of companies (these companies produce gold, silver, ruthenium, rhodium, palladium, osmium, iridium, platinum etc.) and three (3) were classified as bulk mining group of companies (these companies produce iron ore, coal etc.).

Table 2. Nature of risks disclosed by mining companies pre the Marikana incident

Category of risk reported pre-Marikana incident							
Strategic risk	No of companies	Operational risk	No of companies	Financial risk	No of companies	Compliance risk	No of companies
Fluctuation in demand and supply of commodities	2	Safety and health (Health, Safety and Environment – Occupational hazards including dust, noise, high number of accidents, HIV/AIDS and TB)	14	Liquidity risk (Inadequate liquidity levels – unavailability of funds to meet business requirements)	2	Regulatory, political and legal framework	4
Fluctuation in commodity prices	10	Operational performance	5	Input cost escalations (inflation)	8	MPRDA and Mining Charter requirements (Failure to deliver on the requirements of MPRDA and SLPs)	3
Global financial market uncertainty	2	Attraction and retention of scarce skills	7	Covenant compliance and inability to reduce debt (High gearing)	1	Laws, enforcement, permits and licenses to operate (non-compliance to environmental legislation)	1
Currency volatility (ZAR/US$)	10	Environmental risks in the form of dust, noise or leakage of polluting substances from site operations and uncontrolled breaches of tailing dam facilities	4	Access to cost effective funding	1	Regulatory approval for projects (Safety, Health and environmental permits and authorizations – regulatory authorizations)	1
Political and country risk (Elevated country risks profile)	4	Labor relations (poor employee relations)/ wage negotiations	6	Counterparty, credit and performance risks	3	Non-delivery on transformation targets	1
Loss of social license to operate	1	Exploration risk	1				
Reliability of supply of strategic commodities (incl. water and energy)	8	Geological challenges – ground instability	1				
Reliability on third party infrastructure (particularly rail and port infrastructure – companies do not own or operate this in South Africa)	6						
Incorrect reserves and resources assumptions	2						
Geo-political risks	1						
Project execution and project adverse selection	7						
Ineffectively managing relations with host communities (stakeholder relations)	4						
Geographical concentration of asset base	1						
Mergers and acquisitions in other regions (Identification of new opportunities to increase availability of ore)	1						
Effect of greenhouses gases (climate change)	3						

Table 2 above shows the nature and the classifications of top risks disclosed by South African mining companies in their integrated reports pre the Marikana event (2010/11 integrated reports). It is observed in Table 2 (above) and Table 3 (below) that the number of sub-categories disclosed increased in the post Marikana disclosure, for instance, strategic risks increased from seventeen (17) to twenty two (22) risks, operational risk disclosed increased from seven (7) to eight (8), both financial risks and compliance risks disclosed increased from five (5) to (7) risks.

It is clear in Table 2 above that the most prominent categories of risks that were disclosed by South African mining companies prior the Marikana incident, from the strategic risk category perspective included the risk of fluctuation in commodity prices, currency volatility (ZAR/US$), reliability of supply of strategic commodities (incl. water and energy), project execution and project adverse selection. On the operational risk perspective, the most prominent risks disclosed included the safety and health (Health, Safety and Environment – occupational hazards including dust, noise, high number of accidents, HIV/AIDS and TB) and the attraction and retention of scarce skills. Finally, the most prominent financial risk was the input cost escalations (inflation).

The least disclosed categories of risks on the operational risk perspective included the operational performance (5 companies disclosed this risk), environmental risks in the form of dust, noise or leakage of polluting substances from site operations and uncontrolled breaches of tailing dam facilities (4 companies disclosed this risk), labor relations (poor employee relations)/wage negotiations, (6 companies disclosed this risk), exploration risk (1 company disclosed this risk) and the geological challenges – ground instability (1 company disclosed this risk). Whereas the least disclosed risks from the financial risks perspective included the liquidity risk (Inadequate liquidity levels – unavailability of funds to meet business requirements, 2 companies disclosed this risk), covenant compliance and inability to reduce debt (high gearing, 1 company disclosed this risk), access to cost effective funding (1 company disclosed this risk), counterparty, credit and performance risks (3 companies disclosed this risk).

On the strategic category, the least disclosed risks included the fluctuation in demand and supply of commodities (2 companies disclosed this risk), global financial market uncertainty (2 companies disclosed this risk), political and country risk (elevated country risks profile, 4 companies disclosed this risk), loss of social license to operate (security of tenure, 1 company disclosed this risk), reliability on third party infrastructure (particularly rail and port infrastructure – companies do not own or operate this in South Africa, 6 companies disclosed this risk), incorrect reserves and resources assumptions (2 companies disclosed this risk), geo-political risks (1 company disclosed this risk), ineffectively managing relations with host communities (stakeholder relations, 4 companies disclosed this risk), geographical concentration of asset base (1 company disclosed this risk), mergers and acquisitions in other regions (Identification of new opportunities to increase availability of ore, 1 company disclosed this risk) and the effect of greenhouses gases (climate change, 3 companies disclosed this risk).

Further all compliance related risks were not prominent, for instance, the regulatory, political and legal framework (4 companies disclosed this risk), MPRDA and Mining Charter requirements (failure to deliver on the requirements of MPRDA and SLPs, 3 companies disclosed this risk), laws, enforcement, permits and licenses to operate (non-compliance to environmental legislation, 1 company disclosed this risk), regulatory approval for projects (Safety, Health and Environmental permits and authorizations – regulatory authorizations, 1 company disclosed this risk) and non-delivery on transformation targets (1 company disclosed this risk).

Table 3. Nature of risks disclosed by mining companies post the Marikana incident

Category of risk reported post-Marikana incident							
Strategic risk	No of companies	Operational risk	No of companies	Financial risk	No of companies	Compliance risk	No of companies
Fluctuation in demand and supply of commodities	2	Safety and health (Health, Safety and Environment – Occupational hazards including dust, noise, high number of accidents, HIV/AIDS and TB)	13	Liquidity risk (Inadequate liquidity levels – unavailability of funds to meet business requirements)	5	Regulatory, political and legal framework	4
Fluctuation in commodity prices	12	Operational performance	6	Input cost escalations (inflation)	10	MPRDA and Mining Charter requirements (Failure to deliver on the requirements of MPRDA and SLPs)	6

Table 3 (cont.). Nature of risks disclosed by mining companies post the marikana incident

Category of risk reported post-marikana incident							
Strategic risk	No of companies	Operational risk	No of companies	Financial risk	No of companies	Compliance risk	No of companies
Global financial market uncertainty	2	Attraction and retention of scarce skills	4	Covenant compliance and inability to reduce debt (High gearing)	2	Laws, enforcement, permits and licenses to operate (Non-compliance to environmental legislation)	2
Currency volatility (ZAR/US$)	10	Mine accidents and seismicity related events resulting in safety related mine stoppages (event risk)	3	Inability to improve margins	2	Regulatory approval for projects (Safety, Health and environmental permits and authorizations – Regulatory authorizations)	1
Political and country risk (Elevated country risks profile)	4	Labor relations (poor employee relations)/wage negotiations	8	Counterparty, credit and performance risks	2	Non-delivery on transformation targets	1
Loss of social license to operate (security of tenure)	1	Geological challenges - ground instability	2	Profitability of operations	2	Environmental and social risks (changing environmental laws)	1
Reliability of supply of strategic commodities (incl. water and energy)	6	Illegal mining in the mining companies	1	Capital allocation	1	Regulatory intervention - pressure to supply local markets cheaper	1
Reliability on third party infrastructure (particularly rail and port infrastructure – companies do not own or operate this in South Africa)	6						
Incorrect reserves and resources assumptions	2						
Geo-political risks	1						
Project execution and project adverse selection	5						
Ineffectively managing relations with host communities (stakeholder relations)	4						
Key dependency on key customers	1						
Mergers and acquisitions in other regions (Identification of new opportunities to increase availability of ore)	3						
Effect of greenhouses gases (climate change)	1						
Fiscal compliance	1						
Portfolio restructuring (Organizational redesign, skills and labor relations)	2						
Excessive taxation	1						
State intervention in the mining sector	1						
Information and cyber security	1						
Government bureaucracy	1						
Product substitution	1						

Table 3 above shows the nature of risks disclosed by mining companies post the Marikana incident (2013/14 integrated reports). The most prominent risks from the strategic point of view in this period were the fluctuation in commodity prices (with 12 companies reporting this risk) and the currency volatility (ZAR/US$) (with 10 companies reporting this risk). From operational risk category, the most prominent risk was safety and health (Health, Safety and Environment – Occupational hazards including dust, noise, high number of accidents, HIV/AIDS and TB – with 13 risks disclosed) and the labor relations (poor employee relations)/wage negotiations (with 8 companies disclosing this risk).

There was one financial risk that was prominent and this was the input cost escalations (inflation – with 10 companies disclosing this risk). All risks in the compliance category were less prominent amongst the reporting companies.

With regards to the most prominent issue currently in the public discourse in the South African mining space and that is, labor relations (poor employee relations/ wage negotiations), it is observed that when comparing the period prior the Marikana incident where only six (6) companies had reported that the risk relating to labor relations (poor employee relations)/wage negotiations was high on their risk agenda, this paper notes that the number of companies reporting this risk as high in their priorities had marginally improved to eight (8 or 33.3%).

The mining industry in South Africa remains vulnerable and volatile. It is concerning that most mining companies have not considered the labor relations (poor employee relations)/wage negotiations as one of their top risks even after the Marikana incident. This could only imply that this risk is not receiving attention and that companies may not have conducted scenario analysis including the business impact assessments that could be helpful in mitigating this risk.

Given the ongoing challenges in the labor space, the non-disclosure of this risk in integrated reports for most of the listed mining companies is possibly distorting risk profile of organizations concerned. Even though investors are supposed to be aware of the market information, those who rely on the integrated reports of companies to make decisions about the sustainability as well as the riskiness of certain companies could end up with the distorted risk profile. Investors with no or little appetite for this type of risk could end up investing with the view that the company does not have this type of risk or that this risk is very low.

Conclusion and implications of findings

This paper sets to critically assess the risk disclosed by South African listed mining companies pre and post the Marikana incident. Using the content analysis to code the categories of risks disclosed by mining companies in the annual reports, it was found that the most prominent risks prior and post the Marikana incidents revolved around the fluctuation in commodity prices and currency volatility. This is understandable because most South African mining companies export their output and therefore could be impacted by the volatility of the currency as well as the downturn in commodity markets.

The other most prominent risk were the safety and health (Health, Safety and Environment – Occupational hazards including dust, noise, high number of accidents, HIV/AIDS and TB) and the input cost escalations. Once more, it is understandable as mining is deemed to be hazardous.

It was, however noted that the main issue that has been prevalent in the public discourse which is labor relations (poor employee relations)/wage negotiations was not that high on the risk agenda of mining companies. Given the prominence of industrial action (sometimes coupled with violence), it was expected that this risk will feature high on the list of risks that were reported by mining companies, especially after the Marikana incident and the ongoing labor disturbances in the mining space. The implication of this is that this risk may not necessarily be receiving attention. The main downside of this risk not being in the strategic agenda is that companies may not have conducted scenario analysis including the business impact assessments that could be posed by this risk.

The paper argues that the non-disclosure of this risk in integrated reports for most of the listed mining companies is possibly distorting risk profile of organizations concerned. Even though investors are supposed to be aware of the market information, those who rely on the integrated reports of companies to make decisions about the sustainability as well as the riskiness of certain companies could end up with the distorted risk profile. Investors with no appetite for this type of risk could end up investing believing that the company does not have this type of risk or that this risk is very low.

Companies are therefore encouraged to consider the risk management process a vital planning and control tool of their strategic and day to day activities. Companies are further encouraged to make honest assessments and be transparent in disclosures, especially with regards to the key risks facing their operations. This, if done honestly and transparently has a potential to permit users of risk information such as analysts and investors to formulate a proper and an informed risk profile of a company concerned.

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