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Assessing Human Capital Disclosure in Sustainability Reporting: Application of a South African Reporting Framework

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Abstract: Human capital (HC) disclosure improves transparency on employee investment decisions and reduces information asymmetry, yet this is not aligned with the GRI standards in sustainability reporting. This study applies the human resource (HR) reporting framework of the South African Board for People Practices (SABPP) and the Global Reporting Initiative (GRI) standards to assess HC information in sustainability reporting. A cross-sectional design method was applied to a population of the top 100 companies listed on the Johannesburg Stock Exchange (JSE). Five dimensions of the framework, namely, human capital availability (HCA), human capital wellbeing (HCW), human capital investment and growth (HCIG), human capital contribution (HCC), and human capital wealth creation (HCWC), were utilized deductively to construct an assessment instrument/disclosure index. Exploratory factor analysis (EFA) was performed, and Cronbach's alpha coefficients above 0.60 were generated for the five dimensions, thereby confirming the internal consistency and validity of the disclosure index. A key managerial implication is that the disclosure index will enable HR professionals to provide value-relevant information in sustainability reporting based on GRI standards. Therefore, a novel contribution of the study is the development of a disclosure index to specifically assess employee-related information in sustainability reporting.

Keywords: Disclosure index, employee-related information, GRI standards, human capital disclosure, SABPP HR reporting framework, sustainability reporting.

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INTRODUCTION

Efforts to improve the disclosure of human capital (HC) information in corporate reports are gaining momentum and receive immense international attention. HC serves as a key organizational intangible asset that creates shareholder value and stimulates investor confidence; hence, the disclosure of employee-related information must be prioritized in line with international reporting standards. Over the years, the investment community has been grappling with corporate reporting standards to enhance the requirements for improving HCD in corporate reporting (Lajili, 2023; Pandit, 2021; Passetti & Cinquini, 2014; Salvi, Raimo, Petruzzella, & Vitolla, 2022; Sürdü, Çalışkan, & Esen, 2020; Tejedo-Romero & Araujo, 2022; Tejedo-Romero, Ponce, Corcoles, & Perez, 2023; Veselinović, Krstić, & Rađenović, 2022). These attempts are aimed at improving mandatory non-

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financial reporting since most organisations are less transparent and only seem to share employee-related information that creates a favourable impression in the annual/integrated reports.

For this reason, the 2014/95/EU Directive requires non-financial reporting, including HC information such as labour practices, safety, human rights, and workforce diversity (Samani, Overland, & Sabelfeld, 2023). Since its introduction, the adoption of the EU Directive (2014/95) has intensified the corporate governance mechanism with the role of the board in disclosing employee-related information (Samani et al., 2023). HC information requirements of the EU Directive (2014/95) dovetail with the GRI standards on sustainability reporting (Posadas & Tarquinio, 2021), confirming the essential use of such value-relevant disclosures in building investor confidence and maximising shareholder returns. Recently, the ISO 30414 also added a voice towards enhancing non-financial reporting by recommending HCD according to 11 categories, namely, compliance; workforce costs; diversity; leadership; leadership development; occupational health and safety; organisational culture; recruitment, mobility and turnover; employee bench strength; skills and capabilities as well as workforce availability (Bruwer, Scholtz, De Beer, & Rothmann, 2022; Veselinović, Krstić, & Veselinović 2021; Whiteman, Charas, Bui, Webster, & Gaskin, 2023). Additionally, the Securities and Exchange Commission (SEC) in the U.S. promulgated the HCD rules compelling publicly listed companies to report HR metrics such as the number of full-time, part-time, or contingent employees; workforce stability or turnover; training; total labor costs; incidence; and injury frequency rate.

Furthermore, the United Nations Global Reporting Initiative (GRI) standards contain key indicators for HR reporting, although these are scattered in the economic, governance and social dimensions (Abeysekera, 2022; Frangieh & Yaacoub, 2019; Massaro, Dumay, Garlatti, & Dal Mas, 2018; Oliveira, Lima Rodrigues, & Craig, 2010; Pedrini, 2007; Petcharat & Zaman, 2019). Lastly, and through a consultative stakeholder approach, the South African Board for People Practices (SABPP) developed the human resource reporting framework (HRRF) with five key dimensions: human capital availability (HCA), human capital wellbeing (HCW), human capital investment and growth (HCIG), human capital contribution (HCC), and human capital wealth creation (HCWC). It aims to promote standardized HCD practices. The framework contains similar and somewhat different HR metrics compared to other international standards, which may create duplication in HCD. The proliferation of HCD requirements with duplicate reporting standards creates anxiety among the preparers of annual reports, making it increasingly critical to harmonize these frameworks (Oberwallner, Pelger, & Sellhorn, 2021).

Therefore, the main research question is: How is human capital information captured in sustainability reporting? The objective is to assess HCD in sustainability reporting by extracting employee-related GRI standards and categorizing these into five dimensions of the SABPP HR reporting framework.

LITERATURE REVIEW

Human Capital Theory (HCT)

HC is regarded as the employees' knowledge, skills and abilities acquired through different forms of investment such as household, education, and employment, which enable them to generate future personal and business earnings. HC theory asserts that more investment in employees translates into improved individual job performance, increased productivity at the organisation and national levels (Abraham & Mallatt, 2022; Álvarez & Palencia, 2018; Koziol & Mikos, 2020). The cost of HC is incurred from the early stages of human development and increases from childhood until a person is ready to participate actively in the labor market. Upon entry in the employment environment, companies continue to invest in HC to ensure the alignment of people's embodied assets with the organisational culture and business objectives. Koziol and Mikos (2020) constructed an HC valuation model to determine the impact of people's embodied assets on business improvement based on job outputs and confirmed that enhanced competencies increase organisational performance, which positively impact the employees' remuneration. Measuring the value of HC in this manner allows the organisation to track the impact of investment and make meaningful decisions on talent sourcing, development, and retention.

Hence, the disclosure of HC information driven by the board of directors (BoDs) through good corporate governance (CG) builds investor confidence and improves stakeholder trust (Abeysekera, 2012; Aggarwal, 2023; Firmansa, Zakaria, & Nindito, 2018; Raimo, Ricciardelli, Rubino, & Vitolla, 2020; Tejedo-Romero et al., 2023).

The SABPP HR Reporting Framework

In the year 2013, the SABPP organised a committee consisting of senior management team members of the board, academics, and HR industry leaders to develop a framework for reporting key HR metrics at the national, board and senior management levels. This stakeholder consultative approach was deemed essential to understand the need for HCD internationally and how SABPP can support the integrated reporting process with employee-related information. Consultation in standard setting not only promotes stakeholder participation but also yields a broad range of insights, facilitates buy-in from users, and can ultimately enhance the quality of reporting (Kulik & Dobler, 2023). Figure 1 presents the five dimensions of the HRRF used in this study to identify and classify the employee-related GRI standards towards developing a measurement instrument/disclosure index.

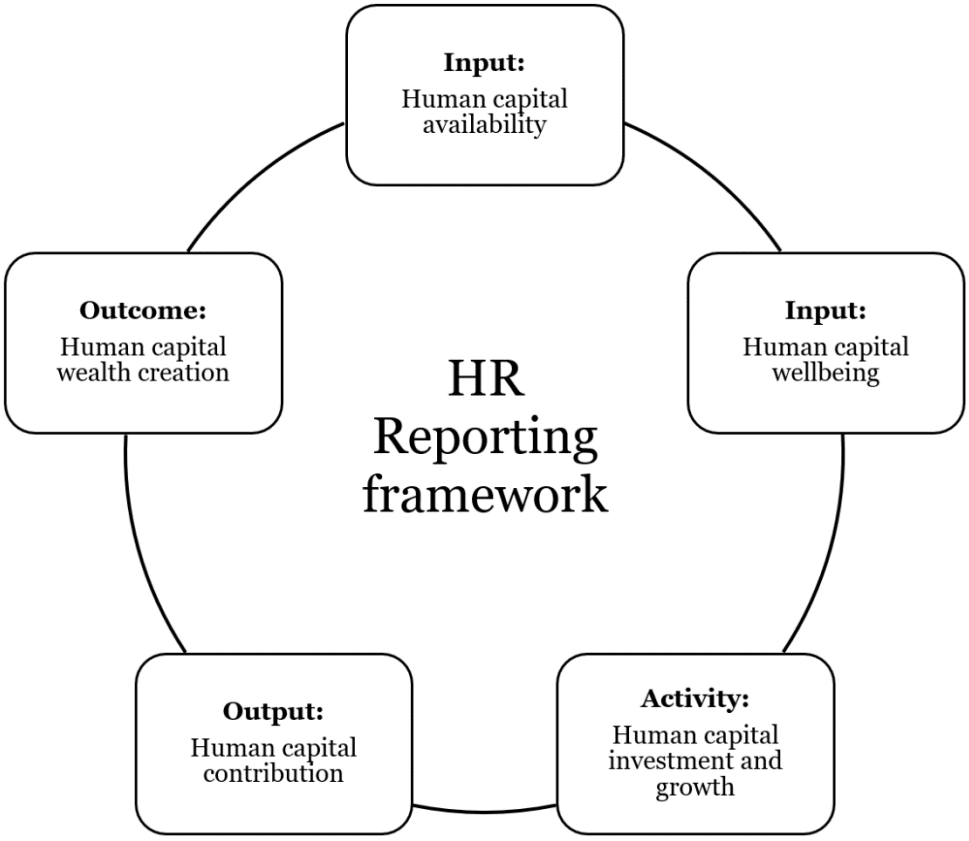

Figure 1: Human Resource Reporting Framework (HRRF)

The framework was developed through intense stakeholder engagement, considering international best practices, an integrated reporting framework, and King IV requirements on corporate governance. Based on this, the current study adopted this framework and incorporated employee-related GRI standards to develop a measurement instrument to assess HCD in sustainability reporting. The next section provides the existing body of knowledge related to the five dimensions of the HR reporting framework.

Human Capital Availability (HCA)

Plans to acquire, source and retain HC in the organisations are critical towards operational excellence and business continuity. This is an aspect of HCA focused on the organisations' measures of maintaining an affordable, competent, and appropriate headcount required to execute the business strategy in line with the set objectives. In recent times, companies utilise data-driven insights derived from workforce analytics to plan for the availability and optimisation of HC, resulting in improved individual performance and business success (Tucker, 2022). The effective application of HR practices (HRPs) in talent sourcing, acquisition, succession planning, managing employee turnover, employee retention and managing the retirement process enables the organisation to maintain HCA. For some time now, the organisations track and report these HCA metrics to communicate efforts to maintain a sufficient staff complement with the requisite skills (Bowrin, 2018; Pandit, 2021; Raimo et al., 2020). HCA metrics form part of the GRI standards and organisations are required to disclose this information. While HCD literature suggests that the JSE-listed companies in South Africa are relatively transparent with HCA information (Magau, 2024; Mpofu, 2024), these disclosures may not be value-relevant if not aligned to the GRI standards. Hence, it is imperative to isolate HCA metrics from the GRI standards to assess how companies share this information through sustainability reporting.

Human Capital Wellbeing (HCW)

Occupational health and safety are integral to the wellness programmes organisations implement to secure HC for the benefit of both employees and business continuity. It is about prioritising the employees' physical, psychological, emotional, and financial well-being by implementing initiatives to maintain good work attendance whilst minimising occupational hazards and risks. According to Caicedo, Mårtensson, and Roslender (2010), a health and safety system contributes to the reduction of absenteeism, occupational injuries, diseases, and sickness, which is crucial for employee productivity and value creation. Hence, such systems must be reviewed on a regular basis to respond to the emerging wellbeing challenges affecting employee and organisational performance. For instance, at the beginning of 2020, the eruption of the COVID-19 pandemic exposed significant gaps in companies' health and safety systems, with a lack of measures to respond to the spread of the virus effectively and efficiently (Simpeh & Amoah, 2022). Such information must be disclosed to determine the potential HC risks impacting investor decision-making and shareholder value (Bruwer et al., 2022; Lajili, 2023; Pandit, 2021; Passetti & Cinquini, 2014; Posadas & Tarquinio, 2021; Salvi et al., 2022; Samani et al., 2023; Sürdü et al., 2020; Tejedo-Romero & Araujo, 2022; Tejedo-Romero et al., 2023; Veselinović et al., 2022; Veselinović et al., 2021; Whiteman et al., 2023). HCW metrics incorporated in the GRI standards must be prioritised in sustainability reporting to provide the investment community with value-relevant employee-related information.

Human Capital Investment and Growth (HCIG)

Investment in HC distinguishes the best-performing companies from the medium-to-low performers and serves as a source of competitive advantage. Guo and Chen (2022) confirmed that HC investment through learning, knowledge sharing, and incentives is directly linked to optimal competency development and subsequently enhances business competitiveness. In South Africa, the Skills Development Act 97 of 1998 provides the requirements for companies to promote a culture of learning by allocating training expenditure to invest in HC and report this information to the relevant Sector Education and Training Authorities (Horwitz & Jain, 2008). Besides training and development, companies also invest in the form of salaries, benefits, and incentives to attract and retain good-quality HC. This forms part of the earnings-based method in terms of HCT, asserting that extrinsic rewards ignite employee and organisational performance (Abraham & Mallatt, 2022; Álvarez & Palencia, 2018; Koziol & Mikos, 2020). Undoubtedly, HCIG information is useful in understanding the impact of company investment in leveraging employee and business performance; moreover, it is a disclosure requirement in terms of GRI standards.

Human Capital Contribution (HCC)

HCC relates to the direct effect HR practices have on increased employee productivity and innovation especially during organisational change processes where employee resilience is paramount (Richman, 2015). Over the years, the impact of the HR practices on HCC has been under scrutiny with key stakeholders in the investment community doubting the value-add of the HR departments. This continues to place pressure on the HR departments to measure how the HR practices enhance the employees' HC and translate into tangible business returns. Veselinović et al. (2022) considered the metrics such as sales revenue per employee, earnings before interest and tax per employee, HC market value, HC value added, HC return on investment, efficiency in the use of HC, sales revenue, earnings before interest and tax essential in measuring the contribution of HC towards business performance. Hence, when aligned to the GRI employee-related metrics, HCC measured in terms of the impact of HR practices on innovation, productivity, performance and value add can enable investors to predict future business outputs if such information is disclosed through sustainability reporting.

Human Capital Wealth Creation (HCWC)

Inventor returns, shareholder, and stakeholder value can be considered wealth creation outputs experienced through HC investment over time. In fact, the three expected outputs are intertwined, as maximization of shareholder value forms part of good corporate citizenship toward employees, customers, suppliers, the environment, and the local community, which is ultimately beneficial to investors (Bhasin & Shaikh, 2013). It implies ensuring that the CG mechanisms under the boards' oversight do not compromise corporate citizenship but rather prioritise this equally for maximum business returns. Rooly (2022) investigated the impact of board composition on shareholder value creation and emphasised that good CG is essential in protecting stakeholder and shareholder interests. Wealth creation is not only about shareholder value, but also stakeholder value, and HR departments play a critical role in harnessing key relationships with interest groups, including employees. GRI standards provide clear requirements for disclosing stakeholder-related information, with implications for improving HR practices.

RESEARCH METHODOLOGY

A cross-sectional-based quantitative study was followed by focusing on companies listed on the Johannesburg Stock Exchange (JSE) to extract HC sustainability-related information using the GRI standards. This was carried out by means of a deductive content analysis approach with a bottom-up approach to identify and classify GRI standards according to five dimensions of the SABPP HR reporting framework. Confetto and Covucci (2021) recommended a systematic process of classifying items to measure the content of sustainability according to key dimensions of measurement. The GRI standards can be utilised to identify and determine the classification of HC indicators into a sustainability reporting framework to measure the disclosure patterns (Pedrini, 2007). These guidelines were adopted in the construction of the measurement instrument/disclosure index, which can be used to assess the disclosure of HC sustainability-related information. In this study, a population of the top 100 listed companies was considered based on the market capitalisation, but only 94 organisations with published integrated reports for the year 2022 were included in the final sample. Similarly, Steenkamp, Dippenaar, Fourie, and Franken (2019) also followed a predefined inclusion and exclusion criterion to a sample of 62 companies for the reporting period of 2016 to 2017, subsequently retrieving the annual reports for data collection. It must be noted that sample sizes below 100 are considered inadequate, but one essential rule of thumb for factor analysis is that several variables in the dataset per observation should range between 4-to-1 and 20-to-1 to validate the measurement instrument (Lorenzo-Seva & Ferrando, 2024). This was considered when constructing the HCDI. The development of a self-constructed disclosure index must follow a structured and systematic approach of literature review to identify possible constructs and related items (Bozzolan, Favotto, & Ricceri, 2003; Cormier, Aerts, Ledoux, & Magnan, 2009; Guthrie, Petty, & Ricceri, 2006; Oliveira et al., 2010). In this study, the literature survey underpinning the five dimensions of the SABPP HRRF was studied to understand HC information types.

Subsequently, the employee-related GRI standards were extracted and categorised according to five dimensions of the measurement instrument/disclosure index shown below in Table 1:

Table 1: Measurement instrument

Human Capital Availability	Human Capital Wellbeing	Human Capital Investment & Growth	Human Capital Contribution	Human Capital Wealth Creation
15	23	13	16	13

To test the measurement instrument, data was extracted from the annual integrated reports with an ordinal scale of 0 = *Information not disclosed* and 1 = *Information disclosed in the integrated reports*. It is well established that the annual reports of listed companies are useful sources of HCD (Lajili, 2023; Pandit, 2021; Salvi et al., 2022; Sürdü et al., 2020; Tucker, 2022). To minimise subjectivity and enhance internal consistency, such instruments must be subjected to reliability tests to promote robustness of results (Biscotti & D'Amico, 2016; Hassan & Marston, 2019). Therefore, a total of 80 HC metrics generated from the GRI standards were subjected to factor analysis to determine the reliability and validity of the HCDI. Specifically, exploratory factor analysis (EFA) was performed by exploring item correlations, followed by the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (MSA) with a threshold of 0 to 1 and Bartlett's test of sphericity to confirm factorability of the constructs. Furthermore, eigenvalues greater than unity were determined, then subsequently, principal factoring and varimax rotation with Kaiser normalisation were generated to extract the unobserved factors. Factor loadings from 0.60 were considered in line with Hair, Black, Babin, and Anderson (2019). Similarly, Naidu, McCullough, and Peerbhai (2024) created a corporate governance index for South African firms by using principal component analysis to determine the construct validity of the corporate governance measures.

RESULTS AND DISCUSSION

The results are presented according to five dimensions of the SABPP HRRF framework with GRI-based HC metrics. Firstly, Table 2 presents a summary of factory analysis with reliability statistics:

Table 2: KMO and Bartlett's Test including the reliability outputs for the HCD constructs

KMO and Bartlett's Test		HCA	HCW	HCIG	HCC	HCWC
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.735	0.745	0.643	0.508	0.551
Bartlett's Test of Sphericity	Approx. Chi-Square	402.296	631.215	336.608	367.247	116.974
	df	105	136	66	120	36
	Sig.	0.001	0.001	0.001	0.001	0.001
Reliability	Cronbach's alpha coefficients	0.806	0.788	0.676	0.612	0.673

KMO index values and eigenvalues greater than 1 were generated, thereby confirming the factorability of the constructs. Despite a sample size of 94 listed companies based on their market capitalization, Cronbach's alpha values above 0.60 confirm the internal consistency of the measurement instrument. The next table presents detailed item reliability statistics, and some of these variables have low item-total correlation (<0.2), indicating that they do not measure the underlying construct. Pallant (2013) indicates that item-total correlation should range between a minimum of 0.3 and a maximum of 0.8 values. To this effect, Table 3 presents item-correlation statistics to confirm internal consistency of the HCD constructs:

Table 3: Item-correlation statistics of the HCD constructs

Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Human Capital Availability				
1. Employees based on business operations	3.04	8.019	0.297	0.803
2. Employees per employment contract	3.16	7.726	0.414	0.792
3. Employees per gender	3.18	7.430	0.537	0.780
4. Employees per geographic location	3.19	7.663	0.446	0.789
5. Employees in significant activities	3.50	8.809	0.139	0.806
6. Recruitment of new employee age group	3.50	8.500	0.334	0.797
7. Recruitment of new employee per gender	3.47	8.293	0.393	0.793
8. Recruitment of new employees per region	3.53	8.582	0.371	0.796
9. Percentage of total employees by gender	3.07	7.222	0.606	0.773
10. Diversity per category in terms of gender	3.19	7.065	0.694	0.765
11. Diversity per category in age group	3.36	7.861	0.457	0.787
12. Diversity per category of other indicators	3.39	7.972	0.438	0.789
13. Employee turnover by age	3.51	8.479	0.375	0.795
14. Employee turnover by gender	3.53	8.602	0.355	0.797
15. Employee turnover by region	3.51	8.521	0.347	0.796
Human Capital Wellbeing				
1. Occupational health and safety system	1.57	2.769	0.497	0.634
2. Occupational health services' functions	1.62	2.905	0.439	0.648
3. Access to non-occupational services	1.58	2.872	0.430	0.650
4. Employees covered for health and safety	1.84	3.702	0.015	0.700
5. Parental leave by gender	1.86	3.625	0.277	0.685
6. Parental leave provision by gender	1.86	3.625	0.277	0.685
7. Parental leave returnees by gender	1.86	3.625	0.277	0.685
8. Work-related hazards on routine basis	1.64	2.733	0.598	0.614
9. Work-related hazards on non-routine	1.67	3.057	0.377	0.660
10. Injuries including fatalities and hours	1.65	2.855	0.512	0.633
11. Work-related ill health and fatalities	1.54	3.314	0.119	0.717
12. Number of employee grievances	0.61	1.839	0.274	0.743
13. Reviewed employee grievances	0.67	1.888	0.366	0.727
14. Resolved employee grievances	0.67	1.888	0.366	0.727
15. Actions pending and completed on anti-competitive behaviour	0.71	2.125	0.091	0.746
16. Operations and suppliers where rights to freedom of association may be violated	0.69	2.049	0.166	0.744
17. Operations and suppliers where rights to collective bargaining may be violated	0.70	2.003	0.342	0.731
18. Risk for incidents of child labour	0.61	1.650	0.530	0.704
19. Risk for incidents of young workers exposed to hazardous work	0.69	1.838	0.619	0.706
20. Risk for incidents of forced labour	0.65	1.642	0.675	0.685
21. Risk for incidents of compulsory labour	0.68	1.821	0.555	0.708
22. Incident discrimination	0.59	1.633	0.492	0.711
23. Employee violations involving the rights of indigenous peoples	0.71	2.061	0.308	0.736
Human Capital Investment and Growth				
1. Training work-related hazards	2.96	3.623	0.550	0.627
2. Training on hazardous activities	2.94	3.579	0.558	0.625
3. Training on ethics	2.84	3.931	0.281	0.677
4. Training of anti-corruption per category	3.11	4.477	0.126	0.688

Items **Human Capital Availability**	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
5. Training of anti-corruption per region	3.13	4.180	0.467	0.656
6. Average hours of training by gender	3.15	4.299	0.437	0.663
7. Average hours of training by category	3.13	4.326	0.314	0.670
8. Type and scope of programmes	2.54	3.960	0.271	0.678
9. Assistance with skills upgrade	2.52	3.898	0.315	0.670
10. Assistance on continued employability	2.64	3.671	0.408	0.653
11. Security human rights training	3.19	4.611	0.182	0.684
12. Training security on other policies	3.20	4.701	0.000	0.690
13. Employee training on human rights	3.03	4.364	0.127	0.694
Human Capital Contribution				
1. Performance and career review	3.01	5.198	0.228	0.632
2. Defined benefit plan	2.66	4.268	0.462	0.587
3. Defined liabilities	2.55	4.688	0.232	0.633
4. Employee pension participation	2.71	4.457	0.378	0.604
5. Ratio of the annual total compensation	2.91	4.814	0.327	0.616
6. Ratio of the % increase in compensation	2.84	4.910	0.198	0.635
7. Ratio of the basic salary	2.94	4.954	0.274	0.624
8. Ratio of women to men per category	2.97	4.947	0.343	0.618
9. Ratio of women to men per location	2.99	5.031	0.327	0.622
10. Ratio of the entry-level wage by gender	2.99	5.031	0.327	0.622
11. Tax on remuneration and taxes withheld	2.98	5.375	0.002	0.652
12. Tax on remuneration and taxes paid	2.90	5.135	0.108	0.646
13. Employee benefits than temporary staff	2.74	4.714	0.255	0.627
14. Employee benefits than temporary staff per location	3.03	5.280	0.220	0.635
15. Direct economic value generated (EVG)	2.87	4.721	0.336	0.614
16. Direct economic value distributed (EVD)	2.70	4.878	0.159	0.645
Human Capital Wealth Creation				
1. Employees in collective bargaining	2.43	3.602	0.396	0.637
2. Participation in the occupational health and safety management system	2.56	4.062	0.212	0.665
3. Engagement on remuneration	2.08	3.618	0.280	0.662
4. Engagement on remuneration voting	2.31	3.841	0.176	0.681
5. Stakeholder groups with employees	2.00	3.521	0.359	0.645
6. Stakeholder groups with trade unions	2.43	3.540	0.440	0.629
7. Identifying trade unions	2.55	3.834	0.392	0.642
8. Engaging trade unions	2.55	3.834	0.392	0.642
9. Trade union engagement approach	2.58	3.872	0.447	0.639
10. Employee issues to the trade union	2.55	3.792	0.429	0.637
11. Anti-corruption policies communicated to employees per category	2.61	4.241	0.141	0.671
12. Anti-corruption policies communicated to employees per region	2.62	4.280	0.120	0.672
13. Weeks' notice to employees and their representatives for restructuring	2.55	4.042	0.212	0.665

The highest mean values suggest that the removal of these items would increase the overall mean, whereas items with low values would slightly reduce it. Scale variance if item deleted measures the spread of the data, and the variance ranging between 0.59 and 8.019 across all items indicates that the removal of items with low values may lead to greater consistency in extracted data, whereas the higher variance suggests more variability if items were removed.

Also, corrected item-total correlation indicates the coherence of items with the overall structure of the measurement scale and in this study, several items produced values below 0.2. Firstly, all HCA disclosure items yielded good item-total correlation except "Employees in significant activities" with a value of 0.139, indicating potential mismeasurement. Apart from all items in the HCW construct, "Actions pending and completed on anti-competitive behaviour" and "Operations and suppliers where rights to freedom of association may be violated" yielded 0.091 and 0.166, respectively. Then in terms of the HCIG, "Training of anti-corruption per category" generated a 0.126 corrected item-total correlation, whereas "Training security on other policies" had a value of 0.000, and "Employee training on human rights" produced 0.127. Information pertaining to "Tax on remuneration and taxes withheld" and "Tax on remuneration and taxes paid" in the HCC dimension shows corrected item-total correlation values of 0.002 and 0.108, respectively, which highlight measurement inconsistencies. Lastly, only two items in the HCWC produced <0.2 values, and these are "Anti-corruption policies communicated to employees per category" with 0.141, as well as "Anti-corruption policies communicated to employees per region" with 0.120. Albeit low corrected item-total correlation values, all items except information pertaining to "Defined benefit plan" produced Cronbach's alpha coefficients above 0.60, which is deemed acceptable for disclosure indices. It can be deduced that most companies did not disclose information related to the items with low corrected item-total correlation and these were considered invalid. However, it must be noted that all those items were conceptualised according to their relevance to the measured constructs and based on the employee-related GRI standards.

Therefore, low item-correlation values can be attributed to either non-disclosure, infrequent disclosure or different disclosure patterns and restriction of range due to a scoring system of a two-point scale that produced a lack of variability. Also, a sample of 94 companies seems insufficient to generate robust reliability statistics of the overall instrument. Thus, growing pressure on companies to improve the disclosure of HC in sustainability reporting necessitates the development of an instrument focused on employee-related metrics. Currently, there is a plethora of standards and frameworks established internationally to improve transparency and quality of sustainability reporting (Oberwallner et al., 2021). Amongst these are the GRI standards, which contain HC-related metrics companies are required to track and disclose (Abeysekera, 2022; Álvarez & Palencia, 2018; Cinquini, Mazzoni, & Tenucci, 2012; Frangieh & Yaacoub, 2019; Lim & Mali, 2022; Massaro et al., 2018; Oliveira et al., 2010; Pedrini, 2007; Petcharat & Zaman, 2019). HC metrics are scattered in different GRI standards, and the value of HR practices is not clearly demonstrated when information is disclosed. This led to the development of the HR reporting framework in South Africa aiming to bridge this gap, although this has not been adopted nationally and is not based on the GRI standards. The integration of the employee-related GRI standards with the five dimensions of the HR reporting framework can serve as a useful tool to streamline the reporting practices in HRM and improve the assessment of employee-related sustainability information. This will avoid duplication and omission of information needed to enable investor decision-making in sustainability improvement. In fact, the current HC reporting practices, including numerous standards, are not enabling the preparers of annual reports and lead to inconsistent disclosure patterns. Therefore, the disclosure index constructed in this study can be used by HR professionals to consolidate and structure sustainability-related information. The adoption of this instrument will enable companies to produce annual reports with specific metrics aligned to GRI standards and provide clear evidence of how HR practices maximize shareholder value and build stakeholder trust.

CONCLUSION

The application of GRI standards remains paramount in sustainability reporting despite other frameworks in corporate disclosure. From an HCD perspective, there have been global attempts to streamline reporting practices, although most do not focus on sustainability-related information. As a result, the construction of the instrument sought to classify employee-related GRI standards and metrics to consolidate them into five dimensions of the HRRF.

The SABPP has developed this framework to encourage improved HC disclosure, but its current format does not facilitate sustainability reporting as determined by the UN. To avoid duplication of standards pertaining to HCD, it is advisable to adopt the assessment tool developed in this study to better organize employee-related sustainability information. This will reduce information asymmetry and reveal the hidden value of HC in the investment community. In terms of limitations, a sample of 94 listed companies seems insufficient to generate robust test results, whereas a scoring system of 0 and 1 to extract information from the integrated reports produced range restriction and low item correlations. In the future, a sample of more than 100 company participants can be considered when assessing HCD in sustainability reporting, and a scale of more than two response categories will be useful in improving the reliability and validity of the HCDI.

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