

A RESEARCH BY



PROMETHEANS

AUGMENTING PEOPLE CAPABILITIES

# THE STATE OF HUMAN CAPITAL REPORTING IN MAURITIUS



# About

## THIS RESEARCH

- This research explores the state of human capital reporting in Mauritius. In a post-industrialisation era, an organisation's human capital is recognized as being a key driver of innovation and enabler to sustained business performance.

With more businesses adopting Environmental, Social and Governance (ESG) principles, there is an increased focus on how companies generate value through their human capital - and consequently how and what they report.

- Our analysis is based on information published by companies listed on the Stock Exchange of Mauritius (Official & DEM)<sup>1</sup>.
- Data was extracted from latest published annual reports as at 14<sup>th</sup> December 2023.

## PROMETHEANS

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We believe a people-centric culture, adept technology integration, and data-driven decision-making can create a competitive advantage. Through our network of partners, we provide access to cutting-edge solutions and thought leadership to address a broad spectrum of people-related challenges.

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# Executive Summary

- 1 out of 2 companies identified Human Capital (HC) as one of the business risks. HC related risks were predominantly identified as 'moderate' with most companies feeling confident that appropriate mitigating actions have been implemented or being put in place.
- Talent attraction and retention is the predominant Human Capital risk with an increasing talent shortage locally that requires different sourcing channels and methods.
- External pressures are increasingly mounting on companies to embrace more holistic and transparent reporting frameworks. Nearly 1 out of every 4 companies reported using an Integrated Reporting approach to their annual reporting.
- Companies that indicated using an Integrated Reporting approach were more likely to have a dedicated section of their annual reporting focusing on their HC. On average they used 3x more words to disclose about HC related topics compared to other listed companies.
- Companies which are forerunners in adopting integrated reporting have embraced international frameworks, best practices and guidelines such as Global Reporting Initiative (GRI) to demonstrate how they are using the different types of capital to generate value for their stakeholders.
- Most companies tend to primarily address compliance related issues such as labour practices, ethics & whistleblowing, stakeholder management, wages & employment costs, succession planning and health & safety. Companies are more selective in disclosing HC metrics. For e.g., whilst talent attraction and retention was regularly listed as a HC risk, only 19% of companies disclosed their current level of staff turnover.
- The number and types of metrics varied greatly across companies (even within similar industry) - which is one of the existing observations and challenges associated with HC reporting. As a result, comparability across companies can very often be a challenge.
- Only 8% of companies meet the mandatory 'fundamental four' reporting criteria recommended by the Human Capital Management Coalition (HCMC) i.e., number of employees, total workforce cost, turnover and workforce diversity<sup>2</sup>.

# Introduction

***“In the long run, your human capital is your main base of competition.”*** – Bill Gates

Few business leaders today will dispute the value and importance of human capital and the fact that it is one of the primary forces that drive innovation, build and sustain competitive advantage – which in turns drive business performance and success.

Traditionally, companies have focused on reporting on their tangible assets. With intangibles driving 90% of a company’s valuation<sup>4</sup> and a growing body of research linking effective HC management with business performance<sup>5,6 & 7</sup>, there is increasing demand from investors and other stakeholders to have greater visibility into those value drivers. Legislators are also expanding the requirements for companies to be more transparent and forthcoming with their reporting on Human Capital.

With Environmental, Social and Governance (ESG) taking more prominence on stakeholders’ agendas, the push to understand how companies are leveraging one of their most valuable assets to create and sustain value is unlikely to fade<sup>3,8</sup>.

A major challenge however with HC reporting is the diversity of metrics and plethora of approaches adopted by companies to structure their reporting obligations – making comparisons across companies tedious. That said, the multiplicity of models and frameworks can also be seen as evidence of the growing importance and demand for companies to appropriately disclose about the HC.

If HC plays such a pivotal role in today’s businesses, “what topics are companies reporting on?” and “how are they addressing how the growing demand to provide relevant insights into their HC practices and their effectiveness?”

This research was spurred by the desire to understand how Mauritian companies are responding to the above questions given what is being witnessed internationally and the absence of any prescriptive guidelines or legislation.

# Context

**2020**  
SEC expands human capital management disclosure using a principles-based approach

**2022**  
EU Parliament adopts Corporate Sustainability Reporting Directive (CSRD)

**2023**  
EU Directive on pay transparency requires companies to publish information about gender pay gaps

**2015**  
Dodd-Frank Wall Street Reform & Consumer Protection Act require public companies to disclose pay ratio of CEO to median employee compensation

**2014**  
EU Directive on Disclosure of Non-Financial & Diversity Information mandates large companies to expand their disclosure

**2013**  
Integrated Reporting Framework (IR Framework) introduced by the International Integrated Reporting Council (IIRC) expanding reporting on non-financial performance in a more transparent and comprehensive manner.

**2012**  
Workplace Gender Equality Act (2012) requires private sector employers with 100+ employees to report on gender equality indicators

# Methodology

- We scoured through 80 reports published in 2023 by listed companies on the Stock Exchange of Mauritius (Official and DEM).
- Data was extracted and compiled from publicly available reports as at 17 December 2023.
- Word searches were used to analyse where, what and how companies disclosed information about their human capital.
- Our research sought to explore and assess the views expressed by listed companies regarding their Human Capital from the 3 following angles:

## 1

### What people-related risks are companies identifying?

- **Focus:** The perceived HC risks impacting companies
- **Measure:** The perceived severity of HC risks on business performance and continuity of operations

## 2

### How prominent is Human Capital to companies?

- **Focus:** The extent to which companies specifically address HC related topics in a dedicated section in their published reports
- **Measure:** Wordcount of all Human Capital related content

## 3

### Which Human Capital topics do companies address?

- **Focus:** The nature of HC topics addressed based on the principles advocated by most common frameworks i.e., ISO30414, HCMC, GRI and SASB<sup>3</sup>
- **Measures:** The types of measures reported and disclosed

# Company Profiles

- Sixty-one percent (61%) of the reports reviewed were from companies with a financial year running from July to June which was the most common reporting period.
- On average, listed companies reported more than Rs 6bn in revenue and employed more than 2,000 employees during that period. Investment companies had on average more than Rs 5bn in Net Asset Value (NAV).

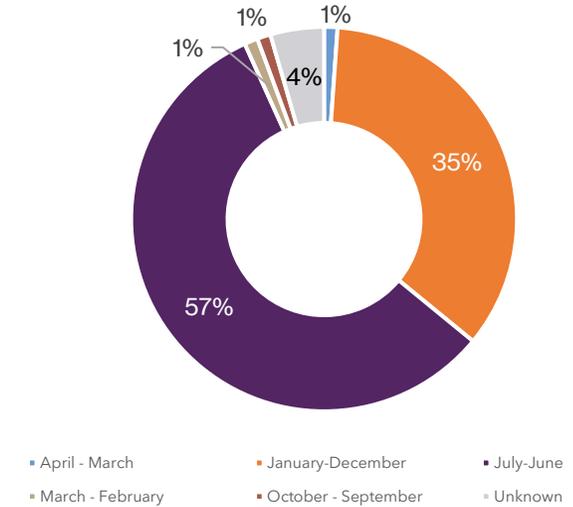
AVERAGE



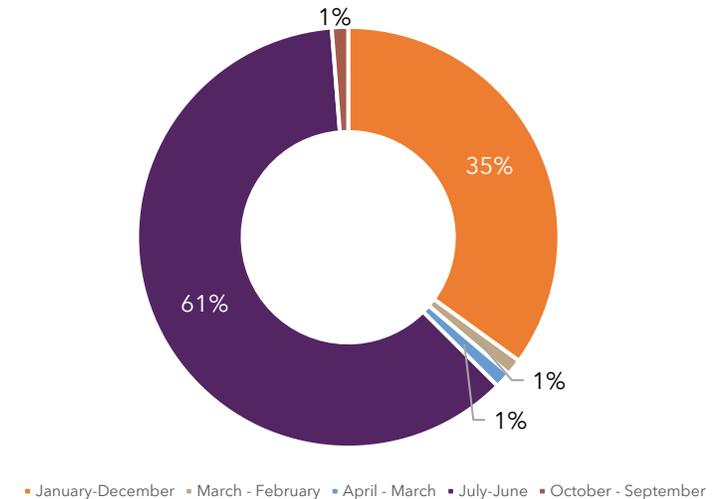
<sup>a</sup> Excluding investment companies / companies that reported not having employees on their books (n = 13)

<sup>b</sup> Excludes managed operations

Annual reporting calendar (n=89)



Distribution of reviewed reports based on company's reporting calendar (n=80)

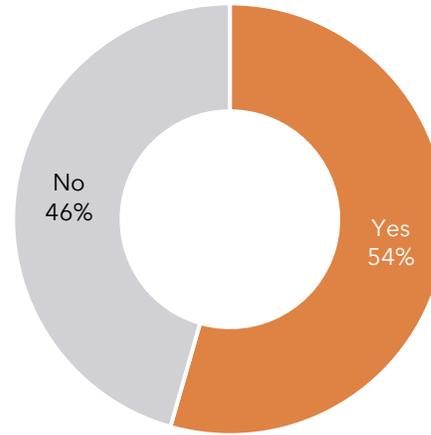


# Human Capital Risk

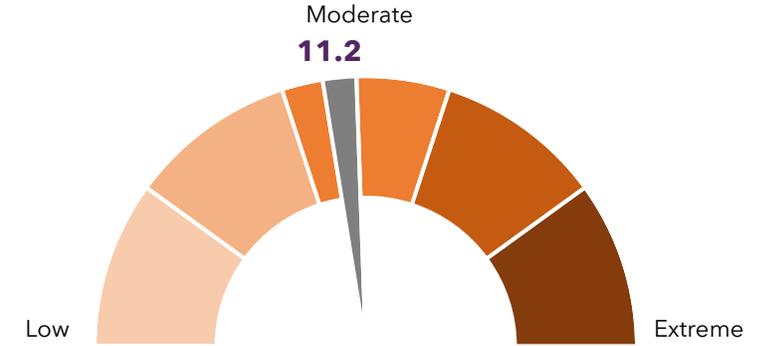
- Just over 1 out of 2 companies identified Human Capital as a risk factor.
- 1 out of 3 companies disclosed their risk assessment - out of which 71% used a matrix framework (likelihood and impact) to determine a risk rating.
- The average risk rating<sup>c</sup> assigned by those companies was 11.2 out of 25.
- Talent attraction and retention amidst challenging labour market conditions topped the list of HC related risks.

<sup>c</sup> scores were standardized to a maximum score of 25

Human Capital as a risk



Human Capital Risk Assessment



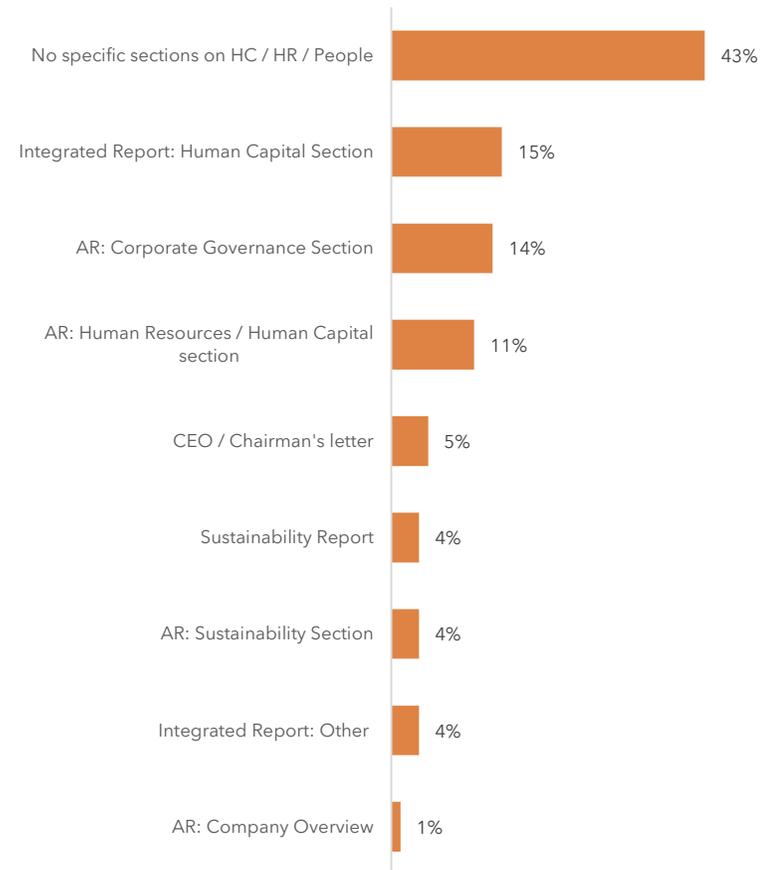
Risk Nature



# Human Capital Report Practices

- Fifty-four percent (54%) of companies made references to their Human Capital across different sections within their annual reports - with an additional 4% using their separate sustainability report to disclose about their people.
- 1 out of every 4 companies had a dedicated section about Human Capital where they extensively discussed their HC initiatives and achievements.
- Companies who reported embracing an Integrated Reporting approach were 3 times more expansive in talking about their HC than companies who did not.

Where companies talk about their HC



Total number of words used to describe Human Capital (Average)

1460

Integrated Annual report

VS

471

Annual Report

# Side Note: The Case for HC Reporting

- The push for greater HC reporting is not only being fuelled by regulation but also increasingly investors are taking an active interest and urging companies to be more transparent and forthcoming with their HC reporting.
- The economic imperative for more and better HC reporting relies on a growing body of research that highlight the importance and relationship between HC and business performance. For example, the Human Capital Management Coalition - a group run exclusively by asset owners references the following studies.
  1. Ocean Tomo (2020) attribute 90% of the S&P market value to intangible assets - which are primarily derived from human capital.

2. Research by Rouen & Regier (2020) show that investing in companies that effectively utilize their investments in human capital, as determined from their total personnel expenses, results in annual returns exceeding the norm by 4.0% to 9.3%.
3. Increasing body of research lend support to the argument that companies with effective HC management and practices outperform their peers - a finding also confirmed by meta-analysis studies.

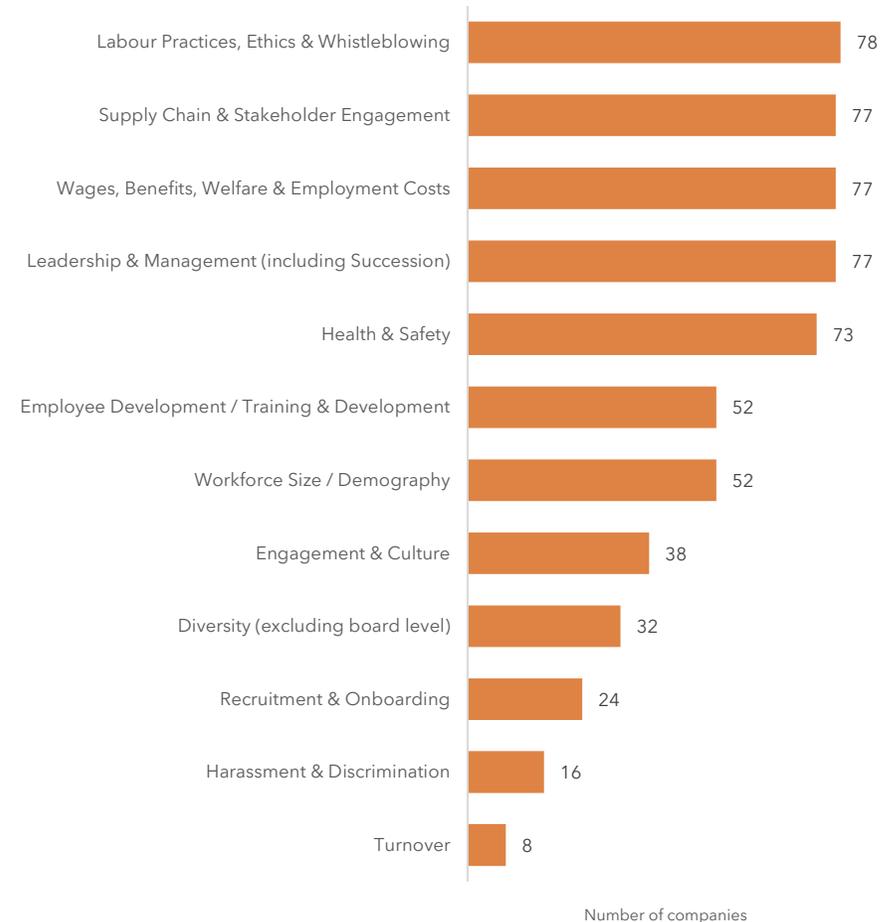
## Frameworks

- Amidst the challenges associated with HC reporting such as access to relevant and reliable data and limited regulatory requirements, the lack of consensus on what and how to measure human capital stand out - ultimately restricting comparisons across organisations.
- To date, four main frameworks have emerged namely ISO 30414, HCMC, GRI and SASB (*refer to the paper from the Center for the Future of Higher Education and Talent Strategy provide a succinct summary of commonalities, gaps and differences between those frameworks<sup>3</sup>*).
- The GRI emerges as the most prevalent framework selected by early adopters of Integrated Reporting.

# HC Metrics

- Listed companies mostly address topics that were compliance related (primarily related to corporate governance guidelines) as reflected in the Top 5 topics.
- Over and above the traditional staff cost, most of the companies therefore tend to report the existence of a code of ethics or whistleblowing procedure, succession planning process and their approach to stakeholder engagement and health & safety.
- They were however less likely to disclose on topics such as employee turnover, harassment & discrimination - although a few reported addressing the latter as part of their code of ethics.

Topics covered by listed companies in annual reports



# Popular KPIs

The following are some of the popular and common HC metrics reported by listed companies:

## HEADCOUNT



n<sup>d</sup> = 52  
mean = 3,025

## GENDER (ALL)



n = 27  
mean = 65%

n = 27  
mean = 35%

## GENDER (MANAGERS)<sup>e</sup>



n = 8  
mean = 63%

n = 8  
mean = 37%

## WAGE BILL



n = 69  
mean = Rs 977m

## EMPLOYEE TURNOVER



n = 8  
mean = 20%

## TRAINING SPEND



n = 14  
mean = Rs12m

## TRAINING SPEND PER EMPLOYEE



n = 5  
mean = Rs 8,934<sup>f</sup>

## TRAINING HOURS



n = 13  
mean = 63,603

## TRAINING HOURS PER EMPLOYEE



n = 11  
mean = 13.6 hrs<sup>g</sup>

## ENGAGEMENT



n = 12  
mean = 79%

<sup>d</sup> n = number of companies reporting

<sup>e</sup> Excluding Board

<sup>f</sup> Adjusted mean based on calculated index for 13 companies is Rs 9,867

<sup>g</sup> Adjusted mean based on calculated index for 17 companies is 13.3 hours

# Insights & Reflections

- The lack and absence of productivity metrics was noted - an observation which was also made by similar studies in the US in the aftermath of the expanded regulation. We however have a baseline index of Rs 13.4m (revenue) per employee.
- HC on average accounted for just over 1/5<sup>th</sup> of revenue - going as high as 73%. Whilst this percentage will likely vary based on factors such as industry and organisation size, it does reinforce the impact and influence that HC has on the company's books.
- The level of investment in training relative to wage bill is close to the statutory levy of 1.5% of basic salary. With the world of work changing at an unprecedented pace and on-going 'war for talent' on-going, it raises concerns about the preparedness of the current workforce to face tomorrow's challenges?
- Disclosure on Learning & Development (L&D) was fairly prevalent with metrics such as quantum spent on training and number of employees trained. While, L&D typically represents a significant chunk of HC budget and investment, there is little disclosure on its Return on Investment.
- The lack of standardized reporting makes it a daunting task for investors to compare performance across companies and it is a challenge that is not limited to the Mauritian context. Greater adoption of international best practices will contribute to the quality and comparability of disclosures.

AVERAGE

## REVENUE PER EMPLOYEE



## WAGE BILL AS A PERCENTAGE OF REVENUE



## TRAINING SPEND AS A PERCENTAGE OF WAGE BILL



## % OF EMPLOYEES TRAINED



# Concluding Remarks

- Some companies have noticeably taken on the challenge of leading the way as “early adopters” by embracing international best practices and guidelines.
- We anticipate that companies fully espousing the principles of good governance and sustainability will likely strengthen and expand their HC reporting further. Additionally, reported investments in Human Capital Management (HCM) systems by many of the companies is expected to bolster tracking, analysis and reporting capabilities. Whether companies will choose to be more forthcoming in their reporting remains to be seen and we expect shareholding structures and the legislative climate to moderate the extent of disclosure.
- The surge in HC reporting represents both a challenge and an opportunity for HR professionals. The latter lies in the fact that the increasing recognition of the impact of HC on business performance is contributing to the elevation of the function into a ‘strategic partner’. The former lies in the fact that expectations to deliver are therefore high and that stakeholders will likely also be looking for tangible ROI on HC investments.
- While the burden of compliance and reporting will continue to fall on listed companies, HR professionals in privately-owned companies stand to not only benefit from the adoption of effective HC practices but also in being more effective in showcasing and communicating their impact on business performance.

## References:

1. [Listed companies on the Stock Exchange of Mauritius](#)
2. [The Investor-First Approach to Human Capital reporting: Balancing Fundamental Metrics and Tailored Principles for Optimal Analysis and Decision-Making \(2021\)](#)
3. [Human Capital Measurement and Reporting: The New Frontier in Talent Strategy and ESG \(2023\)](#)
4. [Intangible Asset Market Value Study \(2020\)](#)
5. [Does Human Capital Matter? A Meta-Analysis of the Relationship Between Human Capital and Firm Performance \(2011\)](#)
6. [The Stock Market Value of Human Capital \(2020\)](#)
7. [The Materiality of Human Capital to Corporate Financial Performance \(2015\)](#)
8. [The Value of Human Capital Reporting \(2016\)](#)

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