



# EY's Excellence in Integrated Reporting Awards 2015

A survey of integrated reports of  
South Africa's top 100 JSE-listed  
companies

# 2014

## EY's Excellence in Integrated Reporting Awards



### Excellence in Integrated Reporting winners 2014 - Royal Bafokeng Platinum Ltd

From left to right: Reginald Haman (Royal Bafokeng Platinum), Martin Prinsloo (Royal Bafokeng Platinum), Anne Heath, Judge Professor Mervyn King (Chairman, International Integrated Reporting Council), Linda de Beer (Royal Bafokeng Platinum), Bets Janzen (Royal Bafokeng Platinum).



### Runners up Standard Bank Group Ltd and Liberty Holdings Ltd

From left to right: Bev Morris (Liberty), Mark Alexander (Liberty), Jeff Hubbard (CFO, Liberty), Judge Professor Mervyn King (Chairman, International Integrated Reporting Council), Stephen Brickett (Standard Bank), Simon Ridley (Group Finance Director, Standard Bank), Arina de Vos (Standard Bank), Lauren Penrose (Standard Bank).



### Sasol Ltd - 3rd place

From left to right: Paul Victor (Sasol), Brenda Baijnath (Sasol), Judge Professor Mervyn King (Chairman, International Integrated Reporting Council), Sophia Pitsillis (Sasol) and Nina Stofberg (Sasol).

# Purpose of the survey

The purpose of the survey is to encourage excellence in the quality of integrated reporting to investors and other stakeholders in South Africa's listed company sector.

## Benchmarking

EY encourages the use of a benchmarking process to give entities the opportunity to obtain independent input about the quality of their integrated report. The integrated reports are reviewed using guidelines from the *Excellence in Integrated Reporting* survey and a benchmarking report is issued.

The benchmarking reports contain practical suggestions and comments that can be used by the company to improve the quality of future reporting. The recommendations contained in these reports relate not only to the financial information contained in the company's integrated report, but also to the non-financial information used by analysts in assessing the company's overall performance. The benchmarking report is prepared either by the survey adjudicators or by members of the EY Professional Practice Group.



### Anglo American plc - Merit award for efficient reporting

From left to right: Ajen Sita (EY, CEO), Saleh Mayet (Anglo American), Judge Professor Mervyn King (Chairman, International Integrated Reporting Council).



### Adjudicators and keynote speaker

From left to right: Associate Prof. Mark Graham (UCT), Judge Professor Mervyn King (Chairman, International Integrated Reporting Council), Prof. Alex Watson (UCT).

## Contents

Foreword	1
The integrated reporting journey	3
Governance, integrated thinking and integrated reporting	5
2015 rankings	7
The top 10 companies	9
At a glance	15
General impressions and overall performance	16
10 practical suggestions to help improve your integrated report	23
The mark plan and adjudication process	25
About the adjudicators	29
EY contacts	

Companies wishing to obtain a benchmark report can contact Mary-Anne Donachie on 011 772 3034 or [maryanne.donachie@za.ey.com](mailto:maryanne.donachie@za.ey.com).

For more information on this survey, contact Joanne Henstock, Executive Director in the EY Professional Practice Group, on 011 502 0364 or [joanne.henstock@za.ey.com](mailto:joanne.henstock@za.ey.com).

## Disclaimer

The survey has been independently prepared by the College of Accounting at the University of Cape Town. The views expressed in this survey are accordingly the views of the College of Accounting and not those of EY.





The highlight of our year is undoubtedly the EY Excellence in Integrated Reporting Awards ceremony, held in August. The <IR> Framework was issued in December 2013, and so 2014 integrated reports are the first where many companies are adopting this framework to guide their integrated reporting. This year's annual integrated reporting survey shows that South African companies have once again raised the bar in their 2014 integrated reports. We have seen 4 new entrants to the list of top 10 integrated reports and have a brand new winner of the EY 2015 Excellence in Integrated Reporting Awards. We extend hearty congratulations to Liberty Holdings Ltd (Liberty) on this outstanding achievement. We know the team at Liberty has worked incredibly hard to deliver the best integrated report yet, and the interactive webpage used to display Liberty's report is definitely worth a visit.

In addition, we also celebrate and especially congratulate all those entities included in the top 10 excellent integrated reports category, and our merit award winners. Indeed, every one of the companies that has achieved a ranking of "Excellent" or "Good" for their integrated report deserves recognition for the good example they set both in South Africa and around the globe.

This survey is made possible by the continued involvement and dedicated efforts of Professor Alexandra Watson, Associate Professor Mark Graham and Mr. Goolam Modack, the panel of adjudicators from the College of Accounting at the University of Cape Town. We also thank Judge Professor Mervyn King, Chairman of the IIRC and Mark Weinberger, our Global CEO, for their ongoing support of our awards program and contributions to this year's brochure.

Through this annual survey, we hope to continue to drive the quest for reporting excellence, encouraging all South African companies to strive to improve the quality of their integrated reporting, including through embedding the practice of integrated thinking.

*For more details on how the companies were selected, the mark plan and the adjudicators, please refer to page 25.*



# The integrated reporting journey



Mark Weinberger is EY's Global CEO and Chairman, and is also a member of the International Integrated Reporting Council (IIRC).

## How has integrated reporting evolved over the last year?

Since the publication of the International Integrated Reporting <IR> Framework in December 2013, integrated reporting has continued to gain substantial momentum, and South Africa continues to be a leader in this movement. There are now an increasing number of very good examples of integrated reports available, including among South African-listed companies. Each year, integrated reporting is growing and evolving and the integrated reporting of 2014 is no exception.

A few noteworthy developments in non-financial reporting have also occurred, which are relevant to the longer-term development of integrated reporting. These include "King IV" in South Africa, "Grenelle II" in France and the recent EU Directive on Non-financial Reporting. In the United States, the formation of the Sustainability Accounting Standards Board (SASB) in 2012 has promoted active engagement with stakeholders to encourage non-financial reporting. The growing interest in non-financial information from investors and others will result in this information being measured and managed in a manner akin to that of financial information.

In addition, the dialogue is broadening to encompass the future of corporate reporting since integrated reporting cannot be just another report on top of the existing corporate reports that companies prepare. The continued evolution of integrated reporting is dependent on the IIRC working with other standard setters and stakeholders to reduce the confusion that has left many struggling to understand how the various corporate reporting frameworks and standards (both financial and non-financial) could be used together to enhance, yet streamline, corporate reporting.

I am encouraged by the efforts, for example, through the Corporate Reporting Dialogue (CRD), of which the IIRC is a founding member, to respond to market calls for greater coherence between frameworks, standards and related requirements. However, there is still a long way to go and we look forward to participating in the next steps over the coming years. We see this as one way in which EY can help to build a better working world.

## How has EY actively been assisting its clients with embedding integrated thinking and integrated reporting?

Integrated reporting is about moving beyond financial information alone to capture and communicate the full value of an organization. It requires specialized skills to understand and measure the interdependencies between the non-financial and financial information over time. This is why EY's Assurance Climate Change and Sustainability Services (CCaSS) practice has been working hard, not only in the field of integrated reporting, but also on educating clients, stakeholders and others on the nuances of non-financial information management.

EY is actively helping clients build a bridge to integrated reporting. The preparation of an integrated report requires an understanding of key resources, and an exploration of the interdependencies and trade-offs between the different types of capital employed by the organization. We are helping our clients to develop their understanding of how their information is connected, using our global methodology and tool kit; for example, by performing an initial gap assessment of their internal and external reporting against the <IR> Framework. We are also assisting them in considering and addressing gaps.

Our clients often need assistance with the design and implementation of systems to capture the additional information they need to facilitate the transformation in reporting that the <IR> framework encourages. For example, we are helping our clients to identify KPIs across the six capitals, so that they can report internally on those KPIs to senior management. The outcome is a stronger understanding of how to optimize impacts, mitigate risks and improve performance, which not only helps in the preparation of an integrated report, but also in strategic decision-making.

**How important is the governance of integrated reporting?  
What role should those charged with governance be playing with regard to integrated reporting?**

Historically, audit committees and others charged with governance have been involved most directly in the oversight of the preparation of the financial statements. An enterprise's financial statements and its annual report have long been a primary means of communication with the market and investors. Reporting on the other capitals envisaged within integrated reporting has had much less emphasis, but will become more prominent. As a result, those charged with governance will likely need to be more involved with the integrated report, and by extension, a broader set of stakeholders. Another key role for those charged with governance is to encourage forward thinking within their organizations by leading and engaging on integrated reporting and integrated thinking.

**How do you see different corporate reporting standard setters working together to improve the efficiency and effectiveness of reporting that enhances accountability and stewardship of the six capitals?**

CRD is a great initiative encouraging the dialogue between the different corporate reporting standard setters, participants and stakeholders. The recent Corporate Reporting Landscape Map (the Map) is an example of a useful tool to help view the standards and requirements of these standard setters through the lens of integrated reporting. Issued in May 2015, the Map should prove helpful for preparers of integrated reports.

Over the longer term, all those involved in the corporate reporting "chain" must work to simplify and reduce the number of competing frameworks and standards that organizations are faced with, both internationally and within countries. Therefore, I hope that the participants in the CRD, which include both accounting and sustainability standard setters, will continue to work together to bring about change in the corporate reporting landscape for the benefit of investors and stakeholders.

**What role do you believe technology can play in assisting integrated thinking and integrated reporting in an organization?**

Technology is, of course, important to the success of integrated thinking and integrated reporting. From the systems needed to gather the information about the six capitals, to the technology to analyze data and calculate KPIs,

and ultimately, to providing innovative ways of reporting, having robust technology in place is key. Technology may enable, in the future, a "real-time" update of an organization's activities.

We're very excited to be a part of the IIRC's Technology Initiative that is exploring how technology can be an enabler for integrated reporting, because there is more to learn. This is also a reason why initiatives such as the EY Excellence in Integrated Reporting Awards are so important: they encourage innovation and experimentation.

Another key role for those charged with governance is to encourage forward thinking within their organizations by leading and engaging on integrated reporting and integrated thinking.

**How can companies benefit from the EY Excellence in Integrated Reporting Awards?**

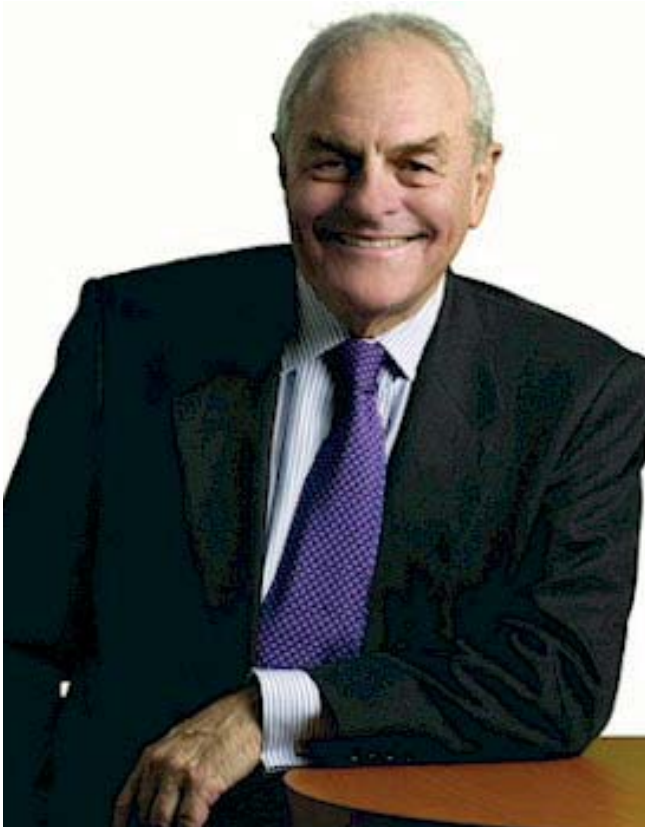
Companies recognized for their ground-breaking integrated reports benefit from being seen as leaders in corporate reporting. They provide a benchmark for others to emulate, demonstrate good governance and provide improved information to their stakeholders.

But there are other tangible benefits too. The disciplines required to prepare an integrated report - for example, considering how financial and non-financial information are interrelated; developing meaningful new KPIs; and implementing more integrated systems to gather the information needed - also help enterprises to assess and respond better to both risks and opportunities, and to make more informed decisions around resource allocation and investment.

In addition, the awards encourage excellence in reporting, helping to raise standards by recognizing great examples of integrated reports. The awards are more than just a ranking; they also provide insights into the top 10 companies, share trends and help to spread leading practices. Now in their fourth year, we can see how the awards are raising the bar, with the quality of reports showing steady improvement each year. This benefits the market as a whole: it raises the expectations of stakeholders and preparers.

Integrated reporting is about moving beyond financial information alone to capture and communicate the full value of an organization.

# Governance, integrated thinking and integrated reporting



*Mervyn King is the Chairman of the International Integrated Reporting Council (IIRC).*

**Judge Professor Mervyn King, you often refer to the need for business enterprises to make the change from financial capitalism to inclusive capitalism. As simply as possible, what is meant by the phrase “inclusive capital”?**

Very briefly, this is about making capitalism more inclusive. That is, by making sure companies are managed and governed for the long term and driven by the conscious realization that, to be sustainable in the long run, businesses need to be governed and managed in a manner that actively makes their approach to resource accumulation, deployment and redistribution that we know as capitalism, more responsive to the needs of all. In this way, businesses will be able to become the engine for achieving shared prosperity of all.

Only in this way, driven by this wider view, can the corporate world deliver sustainable capitalism. A model of capitalism that can survive, regenerate and thrive into the future. There is growing understanding that inclusive capitalism is the way forward.

Directors and managers need to appreciate that business is at the junction of, and consequently impacts on, the economy, society and the environment. The organization’s ability to create long-term value requires recognition of this critical aspect.

When we adopt this attitude, we know that we can no longer develop strategy solely with reference to how we harness, accumulate, deploy and distribute financial capital. We also have to develop the entity’s business strategy with reference to its use of other types of capital that affect the business and that the business also affects, i.e. arising from the resources used and the ongoing relationships the business has with its stakeholders.

**Applying this thinking to a particular business context, how does any business go about discerning which other non-financial capitals are relevant in the particular business value creation context?**

The first critical thing is to understand the entity’s business model - that is, how the entity generates value over the short, medium and long term. In most cases, the business model for financial value creation is very well understood - it needs to be for financial survival. Very often, the question of how the business generates and measures value beyond the question of financial value is not well addressed. Even worse, this question may sometimes not even have yet been considered.

Therefore, for corporate boards and management of any business entity, the first step on this journey to embrace sustainable capitalism is to understand their entity’s business model fully, and how it generates value over the short, medium and long term - and not only in the context of measuring financial value and return on investment from the financial capital employed (typically the focus of the company’s traditional financial statements), but also in context of measuring return on the entity’s investment in natural, human, social, intellectual and manufactured capitals. In this sense, the word “success” in conducting a business implies the efficient and effective deployment of all the types of capital relevant to the business, including all those relevant to the long-term viability of the business. We identify and measure return on capital and return on investment (the outputs and related outcomes) across the range of capitals deployed in the business (the inputs), not just the return on financial capital.

It is only when the entity has developed the full, holistic picture of its own value creation story through the application of its business model that it will be ready to move forward on this journey. Simply put, this is the foundation, the basis, for what is termed “integrated thinking.”



Some companies are currently applying some of this thinking in a more unstructured or even “ad hoc” manner, and oftentimes this explanation will resonate quite well and the comment is made - “Aaah, we’ve been doing this all along!” However, it’s really only by applying the structured thinking and approach offered by the IIRC’s <IR> Framework that an entity will be fully applying a comprehensive methodology that will lead it to think about the business, the business model it’s using and the results achieved (in terms of both outputs and outcomes) in this holistic manner.

### **What new board-level thinking and behaviors does integrated thinking and integrated reporting engender?**

The critical aspect is “have corporate boards in South Africa and elsewhere in the world changed their thinking?” It’s the move to adopt integrated thinking that is critical.

First, boards need to see, understand and adopt the concept of sustainable capitalism.

Directors need to be plugged in, and have a duty to develop this level of understanding and integrated thinking, in their oversight of management’s development and execution of the business strategy.

Three shifts are happening internationally that directors ought to be aware of:

Firstly, the shift to inclusive capital already explained. Secondly is the shift from short-term capitalism to sustainable capital, also explained above. And thirdly, resulting from the first two shifts, is the shift from reporting in silos - as occurs with both financial and sustainability reporting - to integrated reporting.

Having acquired this level of understanding about the business they govern, directors need to direct management of the company to embrace this philosophy to develop the business strategy and what that means for running and overseeing the business activities and operations in executing that strategy. This needs to be done pervasively. It’s not akin to putting a coat of icing on the cake, or a cherry on top of the existing reporting infrastructure management has developed for the company’s reporting - the financial report and sustainability report. If a board has really understood both the financial and the non-financial aspects of the business and has properly embedded all those critical sustainability issues into the business strategy, one can see that has happened in the quality of the integrated report.

The <IR> Framework provides the broad methodology and thinking to enable this approach. The board and management of each individual company can, and should, aim to use the framework to develop their own particular value creation story, harnessing this broad methodology and applying integrated thinking.

### **It’s evident that some great work has been done by the IIRC in the last two to three years. What are the key challenges for the next one to two years?**

The development of the <IR> Framework - that happened over the last four and more years - and its publication in December 2013, was the IIRC’s product creation/development phase. In the next 24 months, we are in the “break through” phase, or the adoption and evidential phase, for integrated thinking and integrated reporting. With the help of the independent research house Black Sun, the IIRC has been collecting information from companies, gathering evidence of the benefits being derived from integrated reporting. The IIRC prefers to have independent research reports about the benefits of IR, gathered from talking to companies around the world, including those that were part of the IIRC’s pilot program - 105 of the world’s iconic companies - and are now leaders in integrated reporting and integrated thinking. We’ve started the IIRC Business Network, where companies from different industry sectors, such as mining and insurance, are sharing discussions on the integrated reporting process and how they have benefited from them. South African companies are also participating in this research.

### **Is the IIRC seeing significant attention to integrated thinking and integrated reporting and related key governance issues elsewhere in Africa?**

The answer is yes. As countries in Africa continue to develop their national corporate governance codes, and particularly in embracing transparency, they are recommending integrated reporting as part of codes and also as part of listing requirements in some cases, for example in Botswana. While very many countries in Africa are becoming receptive to integrated thinking and integrated reporting and are beginning to think about it along the correct lines both in the private and public sector settings, others such as Zambia and Kenya have become absolutely sold on moving to adopt integrated reporting.



# 2015 rankings

The adjudication process ranks entities into the categories of “Excellent” (which includes the top 10 positions), “Good,” “Average” and “Progress to be made.” “Excellent” and “Good” are awarded to those entities that achieve progressively a higher level of adherence to the spirit of integrated reporting.

Top 10	Liberty Holdings Ltd	1
	Anglo American plc	2
	Barclays Africa Group Ltd	3
	Sasol Ltd	4
	MTN Group Ltd	5
	Redefine Properties Ltd	6
	Standard Bank Group Ltd	7
	Truworths International Ltd	8
	Gold Fields Ltd	9
	Kumba Iron Ore Ltd	10

The following merit awards are awarded to “Excellent” and “Good” ranked companies not included in the top 10.

---

## Merit awards

**For conciseness:** Clicks Group Ltd

**For governance reporting:** JSE Ltd

**For most improved:** Massmart Holdings Ltd

**For effective reporting:** Exxaro Resources Ltd

**For risk disclosure:** Anglo American Platinum Ltd

**For strategic focus:** Barloworld Ltd

---

<b>Excellent*</b>	African Rainbow Minerals Ltd	Massmart Holdings Ltd
	Anglo American Platinum Ltd	Nampak Ltd
	AngloGold Ashanti Ltd	Nedbank Group Ltd
	ArcelorMittal South Africa Ltd	Oceana Group Ltd
	Aspen Pharmacare Holdings Ltd	PPC Ltd
	Barloworld Ltd	SABMiller plc
	Clicks Group Ltd	Sappi Ltd
	Exxaro Resources Ltd	Tsogo Sun Holdings Ltd
	Growthpoint Properties Ltd	Vodacom Group Ltd
	Intu Properties plc	Woolworths Holdings Ltd
	Life Healthcare Group Holdings Ltd	

<b>Average*</b>	Acucap Properties Ltd	Naspers Ltd
	AECI Ltd	Northam Platinum Ltd
	Assore Ltd	Pick n Pay Stores Ltd
	Attacq Ltd	RCL Foods Ltd
	The Bidvest Group Ltd	Redefine International plc
	Brait SE	Remgro Ltd
	Coronation Fund Managers Ltd	Reunert Ltd
	Datatec Ltd	Santam Ltd
	Distell Group Ltd	Steinhoff International Holdings Ltd
	Firststrand Ltd	Super Group Ltd
	Mediclinic International Ltd	Telkom SA SOC Ltd
	MMI Holdings Ltd	Vukile Property Fund Ltd
	Mr Price Group Ltd	

<b>Good*</b>	Alexander Forbes Group Holdings Ltd	JSE Ltd
	BHP Billiton plc	Kap Industrial Holdings Ltd
	British America Tobacco plc	Lonmin plc
	Capital & Counties Properties plc	Mondi plc
	Capitec Bank Holdings Ltd	Netcare Ltd
	Discovery Ltd	Old Mutual plc
	The Foschini Group Ltd	Omnia Holdings Ltd
	Glencore plc	Pioneer Food Group Ltd
	Grindrod Ltd	Sanlam Ltd
	Hyprop Investments Ltd	Sibanye Gold Ltd
	Illovo Sugar Ltd	Sun International Ltd
	Impala Platinum Holdings Ltd	The Spar Group Ltd
	Imperial Holdings Ltd	Tongaat Hulett Ltd
	Investec plc	

<b>Progress to be made*</b>	AVI Ltd	Resilient Properties Income Fund Ltd
	Capital Property Fund Ltd	Compagnie Financière Richemont Ltd
	EOH Holdings Ltd	RMB Holdings Ltd
	Famous Brands Ltd	Rockcastle Global Real Estate Company Ltd
	Hosken Consolidated Investments Ltd	Shoprite Holdings Ltd
	New Europe Property Investments plc	Tiger Brands Ltd
	PSG Group Ltd	Trencor Ltd
	Rand Merchant Insurance Holdings Ltd	Zeder Investments Ltd
	Reinet Investments S.C.A.	

\* Not ranked within categories



by Associate Professor Mark Graham  
Head: College of Accounting, University of Cape Town



# The top 10 companies

## 1

### **Liberty Holdings Ltd**

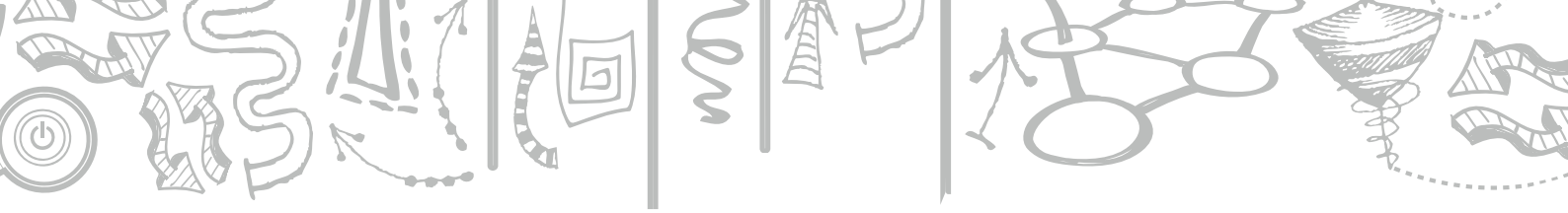
Liberty's report is bold and innovative in the way in which it explains the group's value creation story by focusing on strategy and the creation of sustainable value. Furthermore, Liberty has adopted a fresh and logical approach to the structure and content of its report.

Early on, the reader is sensibly directed toward the more detailed statutory and additional information that is available online. Excellent use is made of dashboards and infographics to convey information in a crisp and concise manner and various icons are used to improve connectivity effectively between the various areas of the report.

The report starts with brief, but focused reviews by the chairman and the chief executive, which set the tone for the rest of the report. Governance information is included early in the report and clearly outlines how the group's approach to governance protects and adds value to the group and its stakeholders. We particularly liked the business model infographic, which is supplemented by crisp narrative and which clearly explains how Liberty creates value and how risk is managed.

The structure of the report is sensibly focussed on the key stakeholder partnerships that Liberty believe will maximize their ability to generate competitive sustainable value.

The report is particularly well balanced and the presentation of the self-assessment of performance against strategic objectives is clear.



## 2

### **Anglo American plc**

Although Anglo American has not specifically produced an integrated report, its report nonetheless exhibits a high level of integrated thinking. We believe that it complies to a great extent with the Guiding Principles and Content Elements outlined in the <IR> Framework.

The report includes a sound explanation of the environment within which the group operates, as well as a comprehensive explanation of how the group intends to deliver on its strategy. This is followed by a business model infographic that is structured around the capitals and includes easily understood detail on inputs, value chain, operating model, capital allocation and business outcomes.

The report has achieved a high level of connectivity in a number of areas. We particularly liked the way in which strategies are directly linked to remuneration and the way in which the excellent risk disclosures are clearly linked to the group's strategy.

The divisional reviews are outstanding and achieve a certain granularity with respect to value creation. The governance section is sensibly introduced by the chairman and infographics are used to good effect to illustrate the diversity of the Board.

## 3

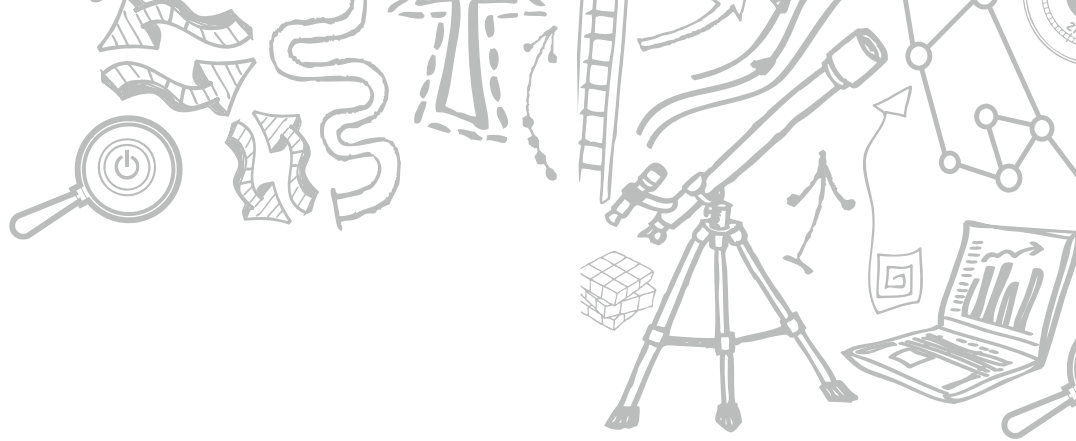
### **Barclays Africa Group Ltd**

Barclays Africa's report achieves an excellent balance between summarized information and detailed disclosures. The report starts with a crisp and effective introductory overview of the business that includes a business model that demonstrates how each of the core activities translate into products and services that meet the needs of customers and clients.

Material matters are clearly presented, together with the process that was used to identify them. Furthermore, those matters that are material to the organization's sustainability are clearly presented, together with an explanation of how these matters are being dealt with. The report uses a balanced scorecard approach to strategy and the reader is left with a clear sense of performance against previous commitments, as well as the strategic priorities for the year ahead.

The KPIs that are used to evaluate performance are clear and sensibly show the trend over three years. The reporting is balanced and a serious effort has been made to include all matters, both positive and negative.

Key extracts from the financial statements are appropriately included in the informative finance director's review. Within the corporate governance section, the Board's objectives are clearly outlined and we liked the way in which a serious attempt has been made to link remuneration to the group's KPIs.



# 4

## Sasol Ltd

Sasol's report is sensibly structured around the six capitals with a clear focus on value creation. The group's priorities are clearly explained and carried through into the more detailed business unit disclosures. The explanation of the group's business model and the value creation scorecard, together with how this business model can be sustained, achieves many of the objectives of integrated reporting.

The chief financial officer's report is excellent and we particularly liked the explanation of how key factors that affect performance are managed. Furthermore, the discussion around value drivers and risks, as well as the explanation of sensitivity to oil price changes, is extremely well handled.

The level of connectivity within the report is high. Strategies and risks are clearly linked and the way in which stakeholder engagement is connected to decision-making is informative. The group's priorities for the year ahead are clear and carried through into the business unit reviews.

The explanation of the group's project pipeline is useful to readers and clearly outlines the way in which value will be unlocked for shareholders over the long term and thereby achieve Sasol's definition of "victory."

# 5

## MTN Group Ltd

MTN's explanation of how it creates value is excellent. The report is structured in a sensible manner and good use is made of icons and cross-referencing to improve navigation and connectivity. The presentation of the group's strategic focus and future orientation is crisp and clear.

All the key elements of the group's value creation story are clearly presented using an appropriate blend of infographics and narrative. A useful explanation of where the group operates is followed by a detailed description of its operating context. This section is then followed by a comprehensive explanation of how the group creates value and incorporates inputs, outputs and outcomes relating to the various capitals that it employs.

Material issues are clearly identified for both internal and external environments and are linked to the group's strategic themes, which are, then in turn, linked to where greater detail on each issue can be found in the report. The group's performance against each of its strategic themes is presented using KPIs, together with the capitals and stakeholders that are relevant to each indicator, in a manner that clearly shows which areas require attention.

The corporate governance section is well laid out and achieves the objective of explaining how the various governance processes will support MTN's ability to create value in the future.



# 6

## **Redefine Properties Ltd**

Redefine's report is an excellent example of how a property company can tell the story of how it creates value. The report uses the concept of the capitals in telling this story and sensibly concentrates on the role of its 'manufactured capital' (i.e., its property portfolio). It does not, however, neglect the other capitals. For example, the reader is also left with a clear sense of how human capital plays a role in the group's business model and creates value.

The first section of the report entitled 'essential reads' provides the reader with a crisp and clear introduction to the report that incorporates a high-level overview of the group's capitals, properties, geographic spread, strategy, strategic priorities and risks.

Strategies are linked to key risks and the residual risks are cleverly rated using icons. The financial director's report is informative and achieves a sensible balance between highlights, graphics and narrative. Furthermore, the central value creation theme of the report is carried through into the financial director's report and thereby adds to the overall cohesiveness of this report.

# 7

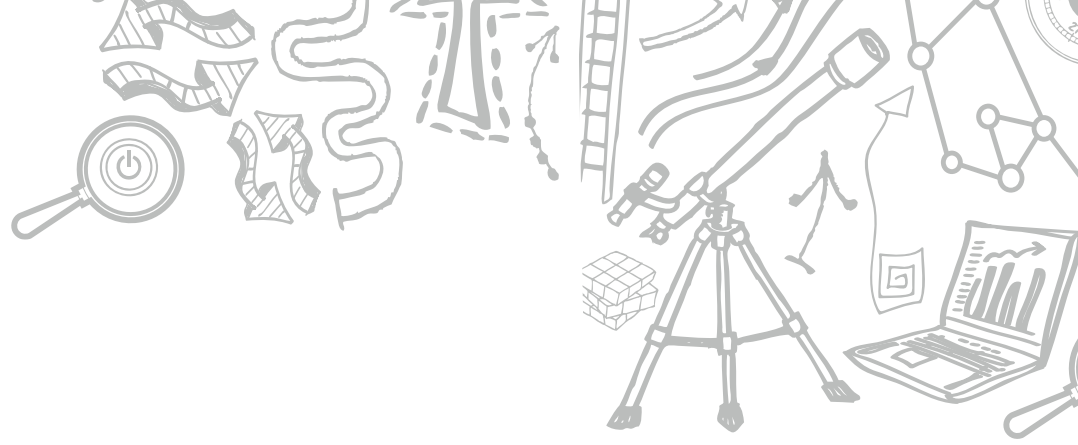
## **Standard Bank Group Ltd**

Standard Bank's report begins with an excellent description of how it uses integrated thinking within its business. The introduction to the report includes useful cross-referencing protocols, information on what disclosures have been assured and references to where additional information may be found. It is easy to read and is written in plain English.

The report has an excellent description of how each business activity within the group creates value and the principal risks arising from each of these activities. A clear link is also made between each business activity and its contribution to broader value creation by linking profitability to socially beneficial outcomes.

The report presents the reader with a clear strategy linked to both the risks that the group faces, as well as the opportunities that are available to the group. The governance section of the report focuses on issues that lead to value creation and is sensibly introduced by the chairman.

The report has an extremely good description of how the business makes its money. The financial director's review is excellent and we particularly liked the way in which it included a high-level overview of the impact of economic indicators on key ratios and a table that summarizes the most significant economic factors affecting operations in the rest of Africa.



# 8

## **Truworths International Ltd**

Truworths' report clearly shows that the group continues to think carefully about the best way to explain how they intend to create sustainable value in the short, medium and long term. The report is crisp, concise and appropriately focused around the core theme of 'sustainable future in fashion,' while clearly identifying the factors that have the potential to impact the sustainability of the business.

Whilst the report is not structured around the 'six capitals,' an introduction to the report clearly indicates where the capitals are covered within the integrated report. We found this to be a sensible and acceptable way of dealing with this new concept. The report focuses on eight issues that are considered to be material to stakeholders and which could impact on value creation within the business.

The way in which this report presents and integrates the group's material issues, the explanation of performance in the current year against previous targets, challenges, key risks, mitigation strategies and objectives, plans and targets for the coming year is excellent.

The report is innovative, attractive and easy to read and covers most of the issues one would expect to find within the integrated report of a fashion retailer.

# 9

## **Gold Fields Ltd**

Gold Fields' report commences with an excellent overview of its business that includes the group's strategic priorities, global footprint, business model and a performance 'dashboard'. The 'dashboard' clearly indicates the extent to which various financial and non-financial performance measures are deemed to have been acceptable or not.

The group's materiality determination process is well explained and the material issues are usefully scored and prioritized. The risk disclosures, which follow the explanation of strategic trends, are excellent. These disclosures include an explanation of the processes used to identify risk, a description of each risk and the mitigation strategy and a 'heat map' that visually presents the severity and probability of each risk. Risks are also separately presented for each geographical region within which the group operates.





# 10

---

## **Kumba Iron Ore Ltd**

Kumba's report is well structured with useful and extensive cross-references to other reporting publications. The scope and boundary of the report are outlined early on and the use of clear diagrammatic presentations enhances the general crispness of the report. The explanation of the business model is excellent.

The explanation of how risks are identified and the presentation of these risks, together with a 'heat map' that depicts the likelihood and impact or consequence of each particular risk, is particularly well handled. The process for determining material issues is clearly outlined, together with the matters that are material to the group and how the group is responding to each issue. A sensible distinction is made between matters that are of concern in each of the short, medium and long term.

The chief financial officer's review clearly summarizes the financial performance of the group and good use is made of waterfall graphs to show year-on-year movements for a number of key financial metrics. The explanatory narrative alongside each key financial statement presented within the review is particularly effective in explaining the story behind the numbers.





# At a glance

- ▶ Judging slightly stricter this year as all companies had access to the <IR> Framework
- ▶ Number of “Excellent” JSE-listed companies declined to 31 this year from 35 in previous year
- ▶ 58 companies ranked as “Excellent” or “Good”
- ▶ Overall, 12 companies moved up in the rankings, 18 moved down
- ▶ 27 companies aimed their integrated report at investors (2014: 13)
- ▶ Average page length continues to decline (2015: 151 pages, 2014: 159 pages, 2013: 172 pages)
- ▶ 50 companies included summarized financials (2014: 46)
- ▶ 37 companies refer to the “capitals”
- ▶ 62 integrated reports clearly endorsed by directors

## The trends

### Positive trends

- ▶ Evidence of innovation in layout and structure
- ▶ Improved information on the basis of preparation
- ▶ Increased use of cross-referencing and navigation tools
- ▶ Better use being made of tables and graphs
- ▶ More entity-specific information and fewer “boilerplate” disclosures
- ▶ Less repetition of information
- ▶ More companies referring to the “capitals”
- ▶ Improved business models
- ▶ Trend toward conciseness
- ▶ Improved connectedness of information

### Negative trends

- ▶ Some companies not making an effort to produce an integrated report
- ▶ Lack of substance in some reports
- ▶ Presentation of information that is not material
- ▶ Tendency to concentrate on the positive issues
- ▶ Too much emphasis on past performance and not enough on strategy and value creation
- ▶ Lack of connectivity between strategy and risk
- ▶ Lack of meaningful KPIs
- ▶ Focus on how the organization affects the environment rather than how the environment affects the organization
- ▶ Executive directors’ remuneration still poorly handled
- ▶ Not much evidence of integrated thinking



# General impressions and overall performance

Interview with Goolam Modack on the adjudicators' impressions of this year's survey

## What is your overall impression of the quality of integrated reports produced during 2014?

As has been the case in the past, the quality of reports varied. There is a widening gap between the quality of those integrated reports that we ranked at the top end and those that we ranked in our bottom two categories. We are finding that it is becoming easier to identify and distinguish between integrated reports that we rank as "Excellent" and "Good", and those that rank poorly.

The better reporters are continuously improving and are presenting innovative reports that are having some success in telling the value creation story of their company. While many companies have increased their level of disclosure on the different capitals, or resources and relationships, we are still hoping to see increased evidence of integrated thinking.

However, there are still many companies that do not appear to be making an effort to produce an integrated report as envisaged by the IIRC. There are many others that have the right terminology but lack substance - this could be as a result of being written by professionals rather than documenting what the board is thinking.

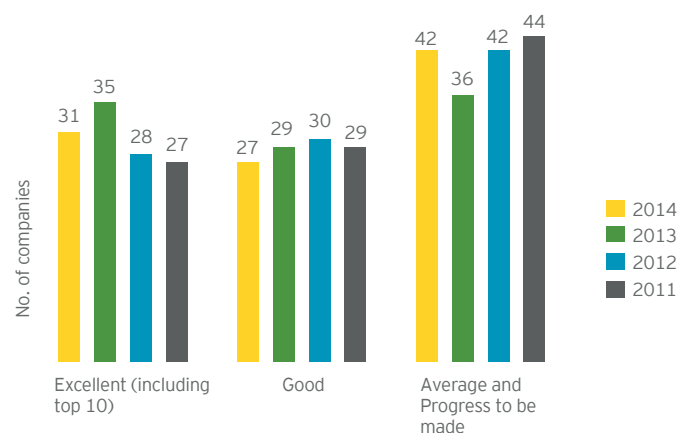
We know that even those companies that we have ranked in the top 10 have not presented an integrated report that we consider to be perfect, but they have set a benchmark to work toward. We hope that those preparers that are improving the quality of their companies' integrated reports continue to do so, and we encourage those that are not to move in the right direction.

## Have you observed any trends in the rankings over the past four years of the survey?

While you may be able to interpret some information from the data (see below), it is important to note that the data is skewed by the amount of guidance that was available at the time. Any attempt to discern trends is therefore probably meaningless at this stage.

When the 2014 awards were announced, we said we would be stricter in our assessments this year as there are now clearer guidelines. And we see this reflected in this year's rankings. The number of integrated reports that we ranked as "Excellent" decreased to 31 this year from 35 in the previous year. We saw an increase in the number of integrated reports in our bottom categories "Average" and "Progress to be made" to 42 this year from 36 in the previous year. This is a reverse of the declining trend in these categories that we saw in the 2011 to 2013 period. Overall, 12 companies moved up in the rankings and, disappointingly, 18 moved down.

## Trends in rankings



## General impressions and overall performance

### What did companies do particularly well in their 2014 integrated reports?

More companies are providing information on the basis of preparation and scope, as well as cross-referencing to other reports. We found that more companies are using tables and graphics to present information, which makes the integrated reports flow better and easier to read. Information is also better cross-referenced, which achieves connectivity. We continue to see an improvement in companies providing more information that is entity specific rather than merely boilerplate and particularly more information around non-financial capital. There is also less repetition.

### What is being done relatively poorly and where can improvements be made?

One of the challenges with integrated reporting is to get investors to incorporate the information into investment decisions. We would like to see companies focusing on more balanced reporting, i.e., giving equal prominence to the positive and negative impacts of the company's activities. There is still a tendency to "greenwash" in some reports and generally to ignore bad news. A common example of this is the identification of highlights without lowlights or challenges.

There needs to be more focus on what is most relevant to the company's ability to add value in the long term and include other relevant disclosures elsewhere. To do so, companies would need to be more specific as to how they define and truly create value. Many companies are providing more non-financial disclosures, but we are not always sure how material these are for that company.

Last year, we commented that too many companies focus on how they engage with their stakeholders at the expense of how the needs of these stakeholders have influenced the strategic direction of the business. We have not seen much improvement here. Companies provide very little meaningful disclosure around stakeholder concerns and how these are being addressed.

Companies are disclosing more on KPIs, yet it is not always clear why companies have chosen specific KPIs, nor how these are measured and what the impact of the current performance is. For example, if an indicator decreases against the comparative, is that good or bad?

There is still a lack of connectivity between strategy and risk, with half of the companies in this year's survey not establishing a clear link. This could easily be remedied by using cross-referencing or including information in tables. Companies are also not clearly indicating the impact and severity were they to suffer losses associated with the risks that they are exposed to. We found that more than half of the companies in this year's survey did not have clear disclosure of the impact associated with their risk exposure. A useful way of disclosing this is by using a heat map.

Most companies are disclosing the impact of the company on the capitals, but there is not enough disclosure of the dependency of the company's business model on the capitals, i.e., showing how much water was used, but not showing what would happen if water was constrained. Another topical example is the disclosure of electricity usage, but not how dependent the business model is on continuous power supply. Very few companies discuss the trade-offs between different capitals. Many companies are disclosing efforts made to cut emissions, reduce water etc. but without any disclosure of impact on financial capital or the trade-offs between manufacturing and human capital.

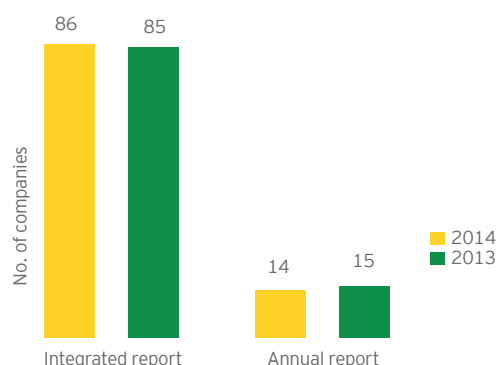
### This is the fourth year of surveying integrated reports, to what extent are companies producing integrated reports?

The majority of companies are producing a report that is titled "integrated report." However, this does not mean that it is necessarily an integrated report as envisaged by the <IR> Framework. This was most evident in how companies deal with sustainability issues. There are companies that still have a separate sustainability report within their integrated report. We do not believe that an integrated report is simply the traditional annual report with a sustainability report bolted on. An ideal way of dealing with sustainability information is by including only those sustainability issues that are material to the entity's value creation in the integrated report, and to make detailed sustainability information available elsewhere (a separate report or online) with suitable references in the integrated report.

We also know that the majority of the 14 companies that named their 2014 report an "annual report" do so because they have primary listings on another exchange, which does not require the preparation of an integrated report. Nonetheless, many of these annual reports include the principles of integrated reporting.

We do not believe that an integrated report is simply the traditional annual report with a sustainability report bolted on.

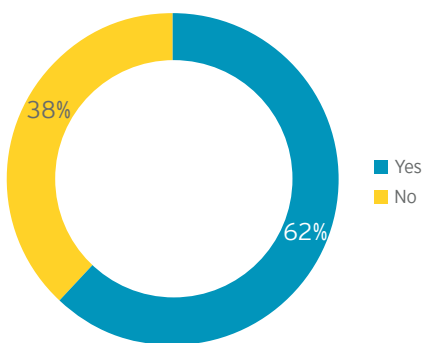
Title of report



The <IR> Framework states that the integrated report should include a statement from those charged with governance acknowledging their responsibility for the report and expressing their opinion or conclusion on whether the report has been prepared in accordance with the framework. To what extent is this being done?

This year, we saw 62 companies include a clear statement of endorsement from those charged with governance. This is a slight decrease from the 67 companies that provided a statement of endorsement from those charged with governance in the previous year.

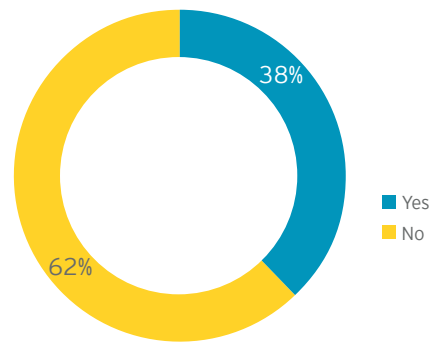
### Have the directors endorsed the integrated report?



Of the companies that included a clear statement of endorsement, 38 had the statement signed by directors. A clear statement acknowledging the directors' responsibility for the report, and their opinion or conclusion on whether the report is prepared in accordance with the <IR> Framework, are critical aspects underpinning the perceived credibility of the report for the users. Without this element of the report, users may have reason to doubt its reliability of the report or of the information underlying the report.

A clear statement acknowledging the directors' responsibility for the report, and their opinion or conclusion on whether the report is prepared in accordance with the <IR> Framework, are critical aspects underpinning the perceived credibility of the report for the users

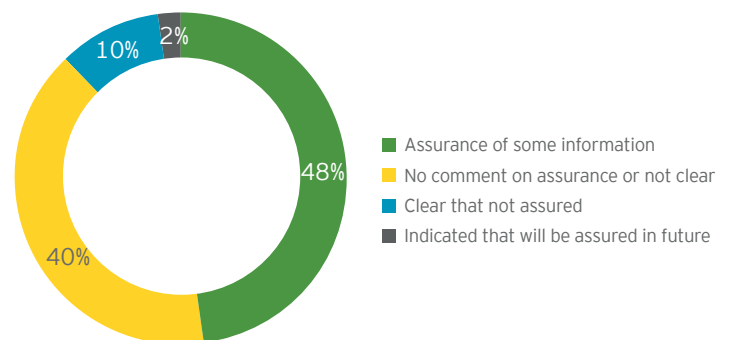
### Did the directors sign the endorsement?



### What evidence is there that the integrated report has been assured?

The IIRC released a document entitled *Assurance on <IR>: an exploration of the issues* in 2014 and received 63 responses from various stakeholders globally. While integrated reporting gains more traction globally, assurance thereof is still at a formative stage. Many companies are likely waiting for clarity on what should be assured, what type of assurance should be obtained (nature and extent) and who should be responsible for, or otherwise be engaged for, reporting on assurance in relation to integrated report. This year, we saw very limited evidence of assurance - 48 companies indicated that aspects of the integrated report had been assured. Typically, this relates to sustainability information and is in the form of limited assurance reporting by external assurance service providers, although this is not always clear. The remaining companies either clearly indicated that the integrated report had not been assured, or that it will be assured in the future, or simply did not refer to the issue at all.

### What evidence is there of assurance?

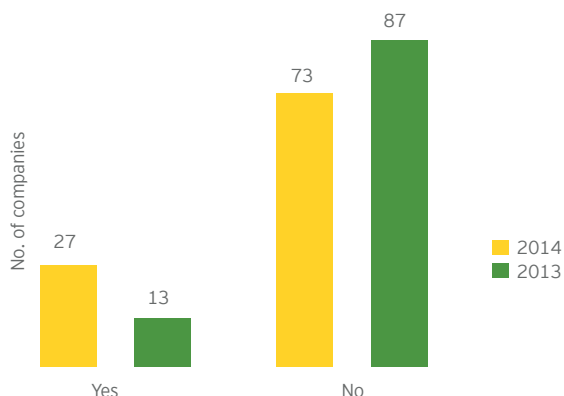


## General impressions and overall performance

**The <IR> Framework states that the primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. Are companies clearly indicating investors as the primary audience of their integrated reports?**

We know that there is some controversy here as King III recommends that the integrated report should be aimed at all stakeholders. Consistent with guidance from the Institute of Directors of Southern Africa, which recommends that companies apply whichever approach is most suitable for them, we would not prescribe what companies should be doing. However, we would expect some clear indication of the target audience. In this year's survey, we found that 27 companies explicitly indicated investors as their target audience; an increase from 13 in the previous year. The remaining 73 companies are either addressing their reports to all stakeholders or do not identify a primary audience at all.

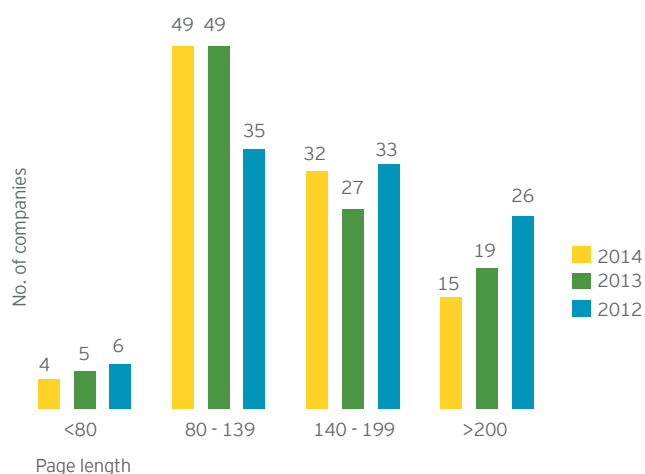
**Are companies aiming their integrated reports primarily at investors?**



**According to the <IR> Framework, the integrated report should be concise. Did you see any evidence of this?**

Conciseness implies that the integrated report includes "sufficient context without being burdened with less relevant information." This does not imply that the integrated report should be short for it to be concise. However, simplistically, it is worth noting that the average page length continues to decrease - from 159 pages last year to 151 pages this year. Fewer companies are presenting integrated reports that exceed 200 pages - only 15 companies in this year's survey compared with 19 in the previous year. The inclusion of summarized financial statements, the use of diagrams and tables to present key information, better cross-referencing and less repetition are all driving this reduction in page length.

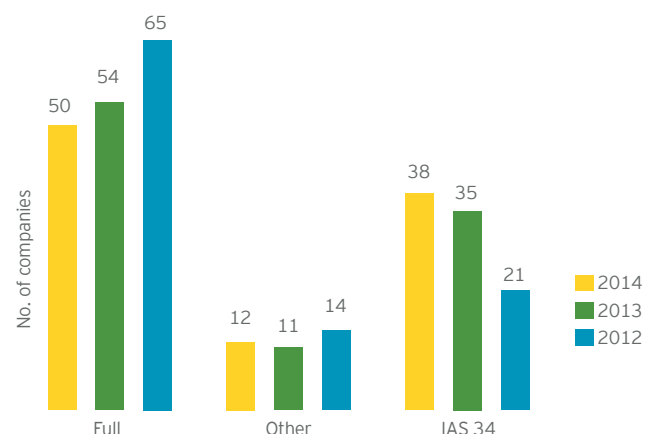
**Length of integrated report**



**How are companies dealing with the presentation of financial information in their integrated report?**

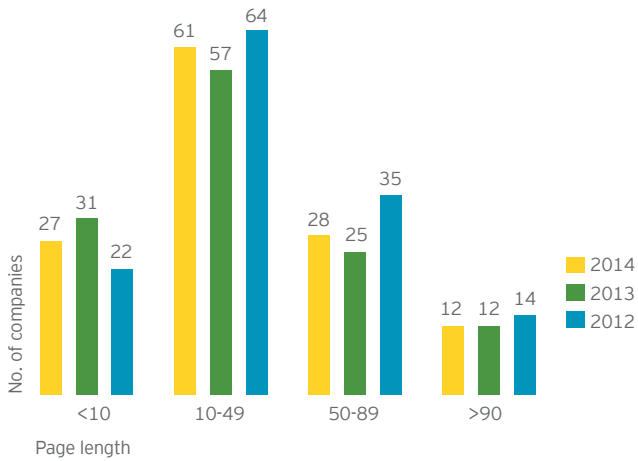
There is a steady increase in the number of companies that are including only summarized financial statements in their integrated reports. We found that 50 companies included summarized financial statements in 2014, compared with 46 in 2013. Thirty-eight of the companies that presented summarized financial statements opted to present these in a format that complies with IAS 34. The remaining 12 chose a different presentation format. For example, by not presenting any financial statements but only highlighting key financial information in the financial review.

**Format of financial statements**



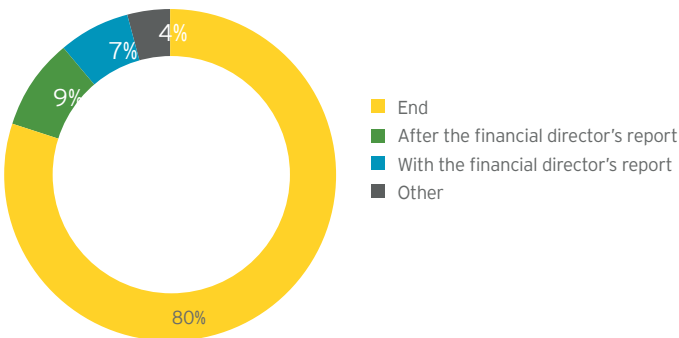
Coupled with the increase in the use of summarized financial statements is the reduction in the length of pages devoted to financial statements. This year, we saw a slight decrease from 45 pages to 43 pages in the average page length. This may indicate that we are reaching some stability in the reporting of financial statements.

### Length of financial statements



In this year's survey, we found that 80 companies presented their financial statements at the end of the integrated report. We encourage preparers to consider ways to embed the financial statements more cohesively into the integrated report with appropriate referencing to where the full annual financial statements can be found.

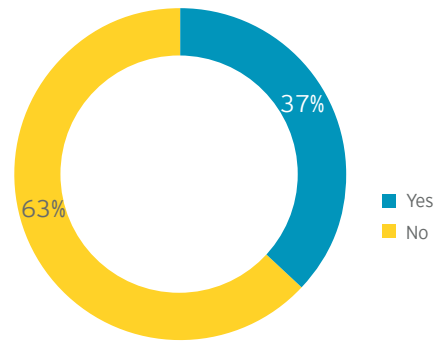
### Where are financial statements presented?



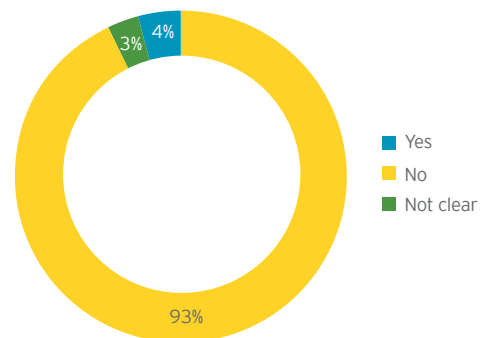
### Did many companies use the "capitals" as a basis for reporting?

We found that 37 companies clearly referred to the capitals in their 2014 integrated report. We expected the inclusion of the six capitals as one of the fundamental concepts of integrated reporting to result in changes to the focus or structure of some integrated reports. However, we found that only four companies specifically structured their 2014 report around the capitals (this is unchanged from the number of companies in last year's survey). We were surprised by this, as structuring the integrated report around the capitals is an effective way for companies to explain how they create value.

### Are the capitals clearly referred to?



### Are the capitals used as a basis for report structure?



## General impressions and overall performance

### **The quality of remuneration disclosures has historically been a concern of the adjudicators. Was there an improvement in the 2014 integrated reports?**

No, not really. Some reporters provide little or no disclosures. The better reporters are using the United Kingdom requirements to describe the policy and the actual remuneration for the year. In many cases, though, there is so much information presented and so the disclosures become meaningless. We continue to struggle to identify what directors have actually earned in a period, which factors impact on variable remuneration and how these are linked to performance against the company's strategy and strategic objectives.

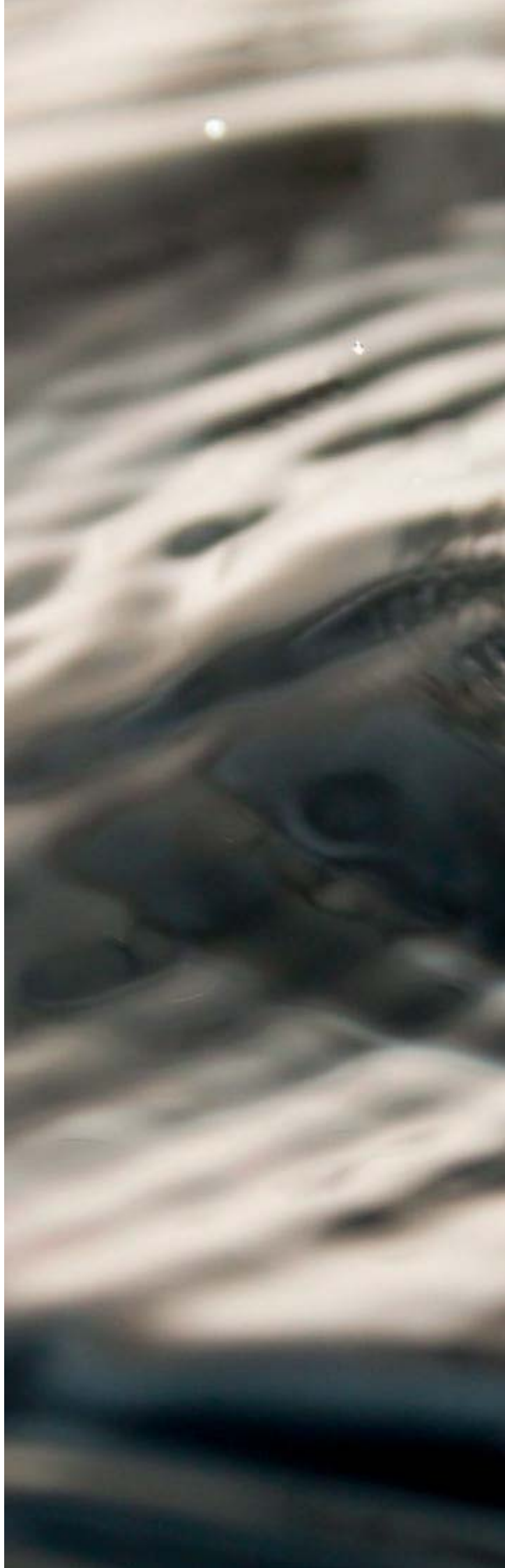
Remuneration disclosures are bound to be controversial, but they are useful to investors and users of integrated reports. There have been some interesting developments internationally. For example, companies in the United Kingdom present a single figure for the total remuneration per director and companies in United States now present a CEO pay ratio. However, much work remains to be done in improving the quality of the disclosures in this area by South African companies.

### **The integrated report is ideally meant to be a demonstration of integrated thinking. Is there any evidence of this?**

We would imagine that this is happening, but there is little or no clear evidence of this in the reports. It is clear to us that demonstrating integrated thinking, and therefore producing an integrated report, will be difficult if the board and management are not thinking in an integrated way.

Hopefully, the reality of how directors make strategic decisions and the noted lack of evidence of integrated thinking in the reporting is disconnected. Increasingly, reports are using appropriate terminology and structure, but most still lack entity-specific substance, which may indicate a lack of engagement by the board in the reporting process. We hope that more informed and active investors will encourage companies to provide more meaningful reporting on how their business model relies on and impacts the different capitals and lead to more meaningful disclosures on integrated thinking.

Structuring the integrated report around the capitals is an effective way for companies to explain how they create value.







# 10 practical suggestions to help improve your integrated report



by Professor Alex Watson  
*College of Accounting, University of Cape Town*

The <IR> Framework does not prescribe the layout and structure of the integrated report. This would not be appropriate as each business should “tell the story” of how it uses its stock of capitals to create value. The 10 suggestions that follow are potential practical ways to improve the value creation story within your integrated report.

## 1. Introductory section

The first 20 or so pages of an excellent integrated report should convey the key information that the reader needs to understand the organization’s value creation story - its philosophy, its business model, the context within which it operates, its strategy, the material issues (financial and non-financial) that affect it, KPIs and the risks that the organization faces. This key information can then be cross-referenced to more detail in other areas of the integrated report, other reports or online content.

## 2. Capitals

Much of the content within the integrated report can be presented logically, and with an emphasis on value creation, by structuring the report around the six capitals. The disclosures should reflect the impact of the organization on the capitals and the reliance of the business model on the different capitals, as well as the trade-offs between capitals.

## 3. Stakeholders

The organization’s stakeholders, together with their legitimate needs and concerns, should be introduced early on in the report with their material issues cross-referenced to strategy and risk disclosures.

## 4. Strategy

The organization’s strategy should be explained in as much detail as possible, taking into consideration commercial sensitivities. Disclosure of the long-term strategy, together with short-term focus areas, can be particularly effective. Appropriate linkage to the needs of stakeholders and reference to reliance on the various capitals should be considered.

Much of the content within the integrated report can be presented logically and with an emphasis on value creation by structuring the report around the six capitals.

## 5. Key performance indicators

Financial and non-financial key target performance indicators that measure success in achieving strategic priorities should be disclosed. Future targets, performance against previous targets and an indication as to whether performance has improved or deteriorated should be presented.

## 6. Risk

Risk disclosures should be entity specific, linked to strategy and focused on those areas that are material to the business. Some indication of the potential impact of the various risks and their probability should be considered. A “heat map” is an obvious way to present this information.

## 7. Governance

Consideration should be given to placing much of the detailed corporate governance information elsewhere, with only a crisp summary of the key governance issues that speak specifically to value creation being included in the report. A high-level summary of what each board committee has focused on during the year, together with plans for the year ahead, would be useful. Statutory corporate governance disclosures can be placed in an addendum to the integrated report if necessary.

## 8. Financial statements

Condensed or summarized financial information should ideally be positioned within the financial capital or financial performance section of the report, which could then expand and elaborate on the key issues and make appropriate links to non-financial information. If it is felt that users of the integrated report would still appreciate more traditional financial statements (full or summarized), these could perhaps be included as an addendum to the integrated report.

## 9. Remuneration

The ideal integrated report should make a clear link between the organization’s strategy, key performance indicators and the metrics used to determine the variable component of executive directors’ remuneration. Furthermore, consideration should be given to showing how the achievement of the various performance targets translates into the amount of remuneration awarded to executive directors.

## 10. Sustainability disclosures

An integrated report should not include a separate and distinct sustainability section. Sustainability issues should be woven into the report from the start and included in the organization’s strategies and key performance indicators. Detailed data on environmental, social and governance can be made available on the organization’s website with appropriate cross-references from the integrated report.

Sustainability issues should be woven into the report from the start and included in the organization’s strategies and KPIs.



# The mark plan and adjudication process



## Interview with adjudicator Goolam Modack

*Deputy Head: College of Accounting, University of Cape Town*

### **How were the companies included in the EY 2015 Excellence in Integrated Reporting Awards?**

These are the top 100 companies listed on the JSE, selected on the basis of their market capitalization at 31 December 2014, which was the last trading day of that year.

All companies were regarded as being eligible to be included in the survey, other than pure holding companies, such as Pick n Pay Holdings. The final top 100 included the full range of listed companies on the JSE, from resources to industrials, retailers and financial institutions and also included a number of companies with dual listings, such as SABMiller plc and Old Mutual plc. In the case of Investec Ltd and Investec plc, as well as Mondi Ltd and Mondi plc, which operate through a dual listing structure, the combined group was included and consequently only the combined report was reviewed.

### **Did you notice anything of interest with respect to the companies that were selected this year?**

Yes, it is interesting to note that the market capitalization of the 100 companies in this survey range from approximately R1.28 trillion at the top end (British American Tobacco plc) to R10.5 billion (JSE Ltd) at the lower end. These 100 companies account for approximately 94% of the total market capitalization of the JSE. This, in a sense, supports our decision to rank only the largest 100 companies listed on the JSE as at the specified date.

Furthermore, following changes in market capitalization and other corporate activity, 10 companies that featured in last year's survey for the 2014 awards were not part of this year's survey of JSE Top 100 companies used for this year's awards, resulting in the appearance of ten newcomers. For example, last year's overall winner, Royal Bafokeng Platinum Ltd, did not fall within the population of the JSE top 100 companies surveyed this year, despite an increase in its market capitalization as at the date of the survey. This particular situation is acknowledged as being somewhat unusual but, on a very positive note, it signals evidence of the likelihood that a great deal of excellent and good integrated reporting is occurring in the rest of the listed company sector that is not covered by this survey.



### **How was the mark plan developed?**

The mark plan was developed by the three adjudicators from the UCT College of Accounting in conjunction with EY's Professional Practice Group. The UCT team comprises Professors Alexandra Watson and Mark Graham and myself. All had been involved for many years in EY's Excellence in Corporate Reporting survey and have also been involved in EY's Excellence in Integrated Reporting surveys since 2011.

### **What was included in the mark plan?**

This year, the mark plan is quite simple and is based on the Guiding Principles and Content Elements that appeared in the <IR> Framework issued by the IIRC in December 2013. A mark out of 10 is awarded for each of the 7 Guiding Principles (i.e., strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and, lastly, consistency and comparability). Similarly, a mark out of 10 is awarded for each of the 8 Content Elements (i.e., organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook and, finally, basis of presentation and preparation). Marks are also awarded for the extent to which the integrated report incorporates the <IR> Framework's fundamental concepts, dealing with how value is created and the six "capitals."

### **Who was included in the EY Excellence in Integrated Reporting survey?**

- ▶ Top 100 JSE-listed companies
- ▶ Based on market capitalization at 31 December 2014
- ▶ Pure holding companies are excluded
- ▶ Dual-listed entities are included
- ▶ Ten newcomers
- ▶ Integrated report for year-ended on or before 31 December 2014

## The mark plan and adjudication process

### **Could you explain what you were expecting to see with respect to the six capitals?**

We believe that an explanation of how a business creates value with respect to the six capitals is a particularly suitable way for most companies to present much of the content that needs to be shown within its integrated report. An explanation of how value is created within an organization can sensibly be structured around how value is embodied in the capitals that it uses. Doing this should also give the report a more logical flow.

So, while we do not always expect companies to explicitly structure their report around the six capitals, or indeed use this specific terminology, we certainly would have looked for disclosures relating to the stock and flow of the capitals (i.e., financial, manufactured).

### **In South Africa, the target audience of the integrated report may vary. How did you handle this when marking?**

Yes, you are quite correct. While King III recommends that an integrated report be aimed at all stakeholders, the <IR> Framework states that the primary purpose of an integrated report is to explain to providers of financial capital (i.e., the body of shareholders in the case of a company) how the organization creates value over time. However, the <IR> Framework also acknowledges the organization's stakeholders as being among those who benefit from the report, stating that "the report benefits all stakeholders interested in an organization's ability to create value over time." The mark plan is therefore appropriately not prescriptive about this; however, we do expect the company's view to be explicitly stated.

### **Which document did you mark?**

We reviewed and marked the document that is actually labeled as being the integrated report. For those dual-listed companies that do not produce an integrated report, we evaluated the information contained in their annual report. We found this was not detrimental to these companies, as many of the integrated reporting principles are included in their reports, nonetheless. In all cases, the online pdf or hard copy of the report was reviewed.

### **Did you look at separate sustainability reports or other reports?**

No, we only looked at the document that is labeled as being the integrated report or the annual report where companies have not produced an integrated report.

### **Who actually marked the integrated reports?**

Each of the integrated reports of the JSE top 100 companies was separately marked by each of the three adjudicators from the UCT College of Accounting using the pre-agreed mark plan.

### **Is this simply a box ticking exercise?**

No, absolutely not. Much more emphasis is placed on the quality of information presented; the relevance, understandability, accessibility and connectedness of that information; whether users of the integrated reports would have a reasonable sense of the issues that are core to the operations of each of the companies; and whether companies have dealt with the issues that users would have expected. This implies that much more credit is given for crisply presented information that highlights relevant facts, compared with the same information needing to be extracted from less relevant information.

Furthermore, once the marking process is complete, the scores for the seven Guiding Principles, the eight Content Elements and for adherence to the fundamental concepts and individual members' recommended rankings are collated, resulting in a final ranking being awarded. The final ranking is therefore based on a combination of the average of these scores, overall perceptions and extensive discussions surrounding the final rankings for each company. This ranking process is particularly important as the scoring process is subjective, and scores may differ based on the adjudicators' impressions at the time.

### **Did the markers attempt to achieve consensus on the scores?**

No, not really. It's really the ranking that matters. Where an adjudicator's ranking differed widely from the others, this was reviewed to ensure that information had not been overlooked. Often, scores varied widely. Despite this, there was a high degree of consensus in the adjudicators' overall perceptions and recommended rankings.

### Is there an overriding objective to the ranking?

Yes, absolutely. The overriding objective in ranking the integrated report is to identify the extent to which the report complies with the spirit of integrated reporting as defined by King III, that being “a holistic and integrated representation of the company’s performance in terms of both its finance and sustainability,” and by the <IR> Framework, that being “a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.”

### Any last comments on the marking process?

The adjudication process results in each of the JSE top 100 companies included in the survey being ranked as either “Excellent”, “Good”, “Average” or “Progress to be made.” A further evaluation results in a ranking of the ten best integrated reports from among those ranked as “Excellent.”

Finally, we would be the first to acknowledge that others might produce a different mark plan that would doubtlessly yield different results. We do, however, believe that this process clearly differentiates between those companies that exhibit a high level of integrated reporting, and those that do not. We therefore hope that this process has resulted in a ranking that recognizes those that are doing well, but also encourages improvement by those ranked otherwise in the survey results.

## The mark plan at a glance Based on the <IR> Framework

### Consideration is given to the Framework’s fundamental concepts:

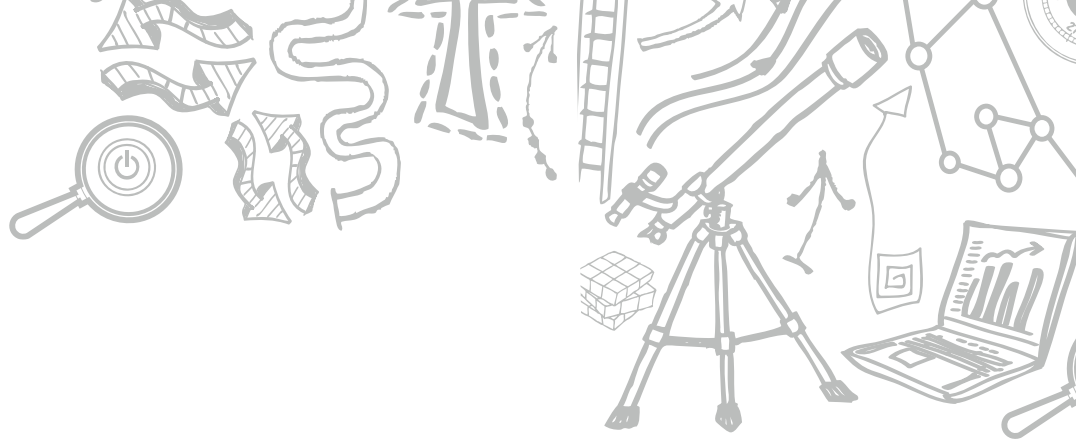
1. Various capitals that the organization uses and affects
2. How value is created

### Based on the seven Guiding Principles:

1. Strategic focus and future orientation
2. Connectivity of information
3. Stakeholder relationships
4. Materiality
5. Conciseness
6. Reliability and completeness
7. Consistency and comparability

### And on the eight Content Elements:

1. Organizational overview and external environment
2. Governance
3. Business model
4. Risks and opportunities
5. Strategy and resource allocation
6. Performance
7. Outlook
8. Basis of presentation



# About the adjudicators

## Mark Graham

Mark is an Associate Professor and head of the College of Accounting at the UCT, where he specializes in financial reporting and financial analysis. He also teaches on the MBA, EMBA and Executive programs at UCT's Graduate School of Business. He consults to the accounting profession and regularly presents courses on various aspects of accounting, both public and in-house. He has been involved with EY's Excellence in Corporate Reporting Awards since its inception in 1997 and is the current chair of the adjudication panel for the annual EY Excellence in Integrated Reporting Awards.

---

## Alexandra Watson

Alex is the Richard Sonnenberg Professor of Accounting at the College of Accounting at the UCT. She is a member of the South African Integrated Reporting Committee Working Group, a board member of the Global Reporting Initiative, member of the Financial Reporting Investigations Panel and the past-Chairman of the Accounting Practices Committee, the technical accounting committee of SAICA. She is an independent director and chair of the audit committee of an asset management company listed on the JSE and has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting Awards, and previous EY reporting awards since they were introduced in 1997.

---

## Goolam Modack

Goolam is a Senior Lecturer and Deputy Head of the College of Accounting at the UCT. He teaches financial reporting at an undergraduate and postgraduate level and has co-authored financial reporting textbooks. He is an independent director of subsidiaries of a JSE-listed financial services group. Goolam has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting Awards, and previous EY reporting awards since 2005.





By providing a more complete picture of strategy, business model, governance and performance – and how they link together – an integrated report can help stakeholders to make better informed decisions about where to allocate their capital.



From left to right: UCT's Mark Graham, Alexandra Watson and Goolam Modack





## About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

© 2015 EYGM Limited.  
All Rights Reserved

Studio ref. 150703. Artwork by Khumalo.

ED none

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)

# Contacts

## Joanne Henstock

Executive Director, Professional Practice Group

Tel: +27 11 502 0364

Email: [joanne.henstock@za.ey.com](mailto:joanne.henstock@za.ey.com)

## Jeremy Grist

Director, Climate Change and Sustainability Services

Tel: +27 11 772 3029

Email: [jeremy.grist@za.ey.com](mailto:jeremy.grist@za.ey.com)

## Larissa Clark

Director, Assurance Professional Practice Group

Tel: +27 11 772 3094

Email: [larissa.clark@za.ey.com](mailto:larissa.clark@za.ey.com)

## Kelly Gilman

Senior Manager, Climate Change and Sustainability Services

Tel: +27 21 443 0473

Email: [kelly.gilman@za.ey.com](mailto:kelly.gilman@za.ey.com)