

# **EY's Excellence in Integrated Reporting Awards 2018**

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

## Purpose of the survey

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

Over the years it became clear that financial statements on their own did not tell the whole story of a company's performance. Companies therefore started reporting on their environmental impacts, employee-related issues and corporate social responsibility issues in a separate report often referred to as a sustainability report, which accompanies the financial information distributed to shareholders.

Since 2010, all companies listed on the Johannesburg Stock Exchange (JSE) have been required to produce an integrated report in line with King III. This requirement has been carried forward to King IV, effective for financial years commencing on or after 1 April 2017. In addition, the JSE requires application and disclosure of King IV in any report lodged with them after 1 October 2017. EY has been commissioning the Excellence in Integrated Reporting survey for the last seven years in order to encourage excellence in the quality of integrated reporting to investors and other stakeholders by South Africa's top companies.

## Contact

For more information on this survey, contact Larissa Clark, Director in the EY Professional Practice Group on 011 772 3094 or [larissa.clark@za.ey.com](mailto:larissa.clark@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.

## Workshops

Excellence in Integrated Reporting workshops will be held in the following cities. Please contact Viv Mathys for more information: [viv.mathys@za.ey.com](mailto:viv.mathys@za.ey.com)

**Johannesburg:** Friday, 21 September 2018

**Cape Town:** Wednesday, 26 September 2018

For more information, please visit:

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

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## EY's Excellence in Integrated Reporting Awards 2017



**Excellence in integrated reporting winners 2017 - Kumba Iron Ore Ltd**  
From left: Ajen Sita (EY CEO), Johan Prins (Kumba) and Larissa Clark (EY)



**Third place - Sasol Ltd**  
From left: Paul Victor (Sasol) and Ajen Sita (EY CEO)



**Fourth place - Nedbank Group Ltd**  
From left: Ajen Sita (EY CEO) and Bruce Thomas (Nedbank)



**Merit award - Barloworld Ltd**  
From left: Moeketsi Nchoba, Lauren Wallace, Thirona Maharaj and Christopher Whitaker, all from Barloworld



**Tenth place - Standard Bank Group Ltd**  
From left: Professor Mark Graham (UCT), Larissa Clark (EY), Sandra Gouveia and Stephen Brickett from Standard Bank, Glenn O'Hearne (O'Hearne Ferreira), and Professor Goolam Modack (UCT)

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**Anglo American Platinum Ltd, Anglo American plc and Kumba Iron Ore Ltd**

**From left:** Elizna Viljoen and Sarahan Zariffis (Anglo American Platinum); Saleh Mayet and Romana Govender (Anglo American plc); Nadia Schoeman and Johan Prins (Kumba)



**Fifth place - Oceana Group Ltd**

**From left:** Ajen Sita (EY CEO) and Zarina Bassa (Oceana)



**Sixth place - Barclays Africa Group Ltd**

**From left:** Jason Quinn (Barclays Africa) and Lucia Hlongwane (EY Tax Leader)



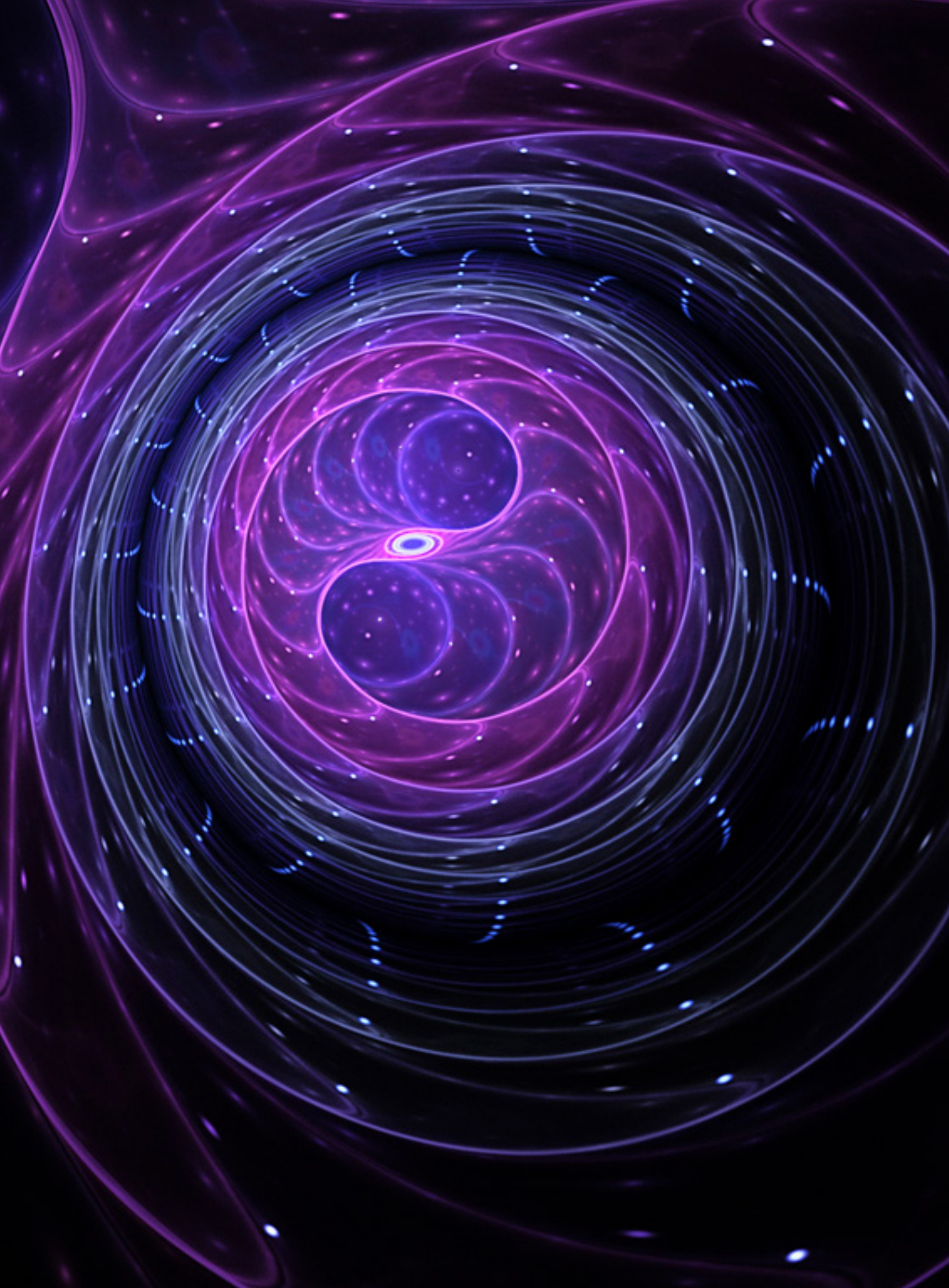
**EY Excellence in integrated reporting team**

**From left:** Professor Goolam Modack (UCT), Mary-Anne Donachie, Lindsay Gotsman, Viv Mathys and Larissa Clark (EY), Professor Mark Graham (UCT), Marieke Fourie, Gail Moshoeshoe and Sarah Custers (EY)



**Merit award - Exxaro Resources Ltd**

**From left:** Carina Wessels and Hanno Olinger, both from Exxaro



# Foreword

By Larissa Clark, Professional Practice Director at EY

Following a volatile year of business uncertainty, the need for building trust and confidence in South Africa's capital markets is a key priority for business and the future prosperity of the country. We believe that EY's Excellence in Integrated Reporting survey and awards play an important role in restoring trust by identifying best practice and standards of excellence for integrated reporting among listed companies.

As we mark 21 years of Excellence in Reporting this year, our programme has reached a deeper level of maturity. The programme has kept pace with the transformative nature of the business environment by moving from corporate reporting, then sustainability reporting, evolving into what is widely referred to as "integrated reporting".

Integrated reporting is about moving beyond financial information alone, to explain how an organisation creates value over the short, medium and long term. Through integrated reporting, the opportunity for organisations exists to tell their own stories, with the aim of building trust and understanding. Increasingly, organisations' stakeholders want more transparency and honesty, communicated in a way that is meaningful and clear. Stakeholders want to better understand what strategies are undertaken, the impact and outcomes of those strategies, and where accountability exists in the organisation.

At one point in the early stages of integrated reporting, we witnessed the compilation of beautiful marketing documents masquerading as integrated reports that were far-removed from the realities facing organisations. The current business environment demands more substance over form, and that organisations should explain the context and environment in which they operate to their stakeholders.

The impact of digital transformation and disruption on business has started to raise new questions for integrated reporting. For example, with the proliferation of data, questions arise about the increasing importance of the governance of data. Also, how do the use of "bots", to streamline the accounting and reporting function, increase quality and controls? Technologies such as artificial intelligence and blockchain are transforming every aspect of corporate reporting. So, how are organisations aligning the impact of this to their strategic key performance indicators, and reporting on this to their stakeholders?

Last year we saw the introduction of King IV™ Code in South Africa. Under the new Code, organisations are having to explain how they have applied the governance principles in their own context. This has resulted in companies explaining their governance processes in much more detail.

However, there is still some improvement needed in explaining how the governance structures will create value or prevent value from being destroyed. This will go a long way to increase organisations' legitimacy with their stakeholders, drive ethical and transparent cultures and build public trust.

On that note, it is our great pleasure to congratulate Nedbank Group Ltd for achieving first place in our 2018 awards. As you will read further on in this report, the judges felt that Nedbank was highly successful in its comprehensive explanation of how the Group creates value for its various stakeholders, during the current year.

We are also pleased to congratulate all the entities included in the Top 10 for their outstanding reports. All those companies that achieved the rankings of "Excellent" and "Good" are congratulated for the examples they have set.



**Larissa Clark**  
Director  
Professional Practice  
Group EY

This survey is made possible by the continued involvement and dedicated efforts of Professors Alex Watson, Mark Graham and Goolam Modack, the panel of adjudicators from the College of Accounting at the University of Cape Town.

EY is committed to continuing the quest for excellence in integrated reporting. We hope that companies will be both inspired and encouraged by those who have set the bar high to improve the quality of their integrated reports.

**We believe that EY's Excellence in Integrated Reporting survey and awards play an important role in restoring trust by identifying best practice and standards of excellence for integrated reporting among listed companies.**

*For more details on how the companies were selected, the markplan and the adjudicators, please refer to page 17 & 18.*

**“Boards play crucial roles in how their organizations create value: a board’s decisions and actions not only provide governance, but also determine an organization’s future outlook and ability to create value over the long term. So board members need deep understanding of their organizations’ strategies, stakeholders, risks and opportunities.**

**Governance disclosures in Integrated Reports can help stakeholders judge how well boards are performing.”**

Mark A. Weinberger  
Global Chairman and CEO, EY

# Why integrated reporting matters in the restoration of public trust

By Ajen Sita, CEO, EY Africa



**Ajen Sita**  
CEO, Africa

## What role does integrated reporting play in the restoration of public trust?

The revelations in the last 24 months about state capture and corruption have brought into sharp focus the importance of public interest and trust. The accounting and audit profession hasn't been spared, with questions being raised about independence, audit quality and serving the right clients. In response, EY has prepared a Transparency Report, the first of its

kind, that we will produce annually, to share information with the market about how we're organised, how we manage risk in our business and how we serve the public interest.

As we recognise companies for their efforts to produce high quality integrated reports, benchmarked in our **Excellence in Integrated Reporting survey**, it's a reminder of the important public interest roles these reports play to build market confidence and public trust. It is only through greater transparency and communication that companies will start to rebuild trust.

## How can integrated reports support companies' engagement with their stakeholders?

Integrated reporting is more than just the reporting of the financial performance of a business. This means that integrated reports should consider the needs of stakeholder groups such as employees, communities, and, in fact, the country as a whole.

Over the last 36 months it is evident, from the public outcry and negative media exposure, that many companies have ignored this aspect of public interest and the role that they play in communities and societies. This is an opportunity for Boards to take a leadership role over the governance of their integrated reports and to ensure that their companies, in addition to serving their financial stakeholders, are also playing a responsible and ethical part in the communities and countries in which they operate.

## What are the key priorities for companies to improve their integrated reports over the next year?

There are three aspects that, as EY, we would like to see companies improve in their integrated reports:

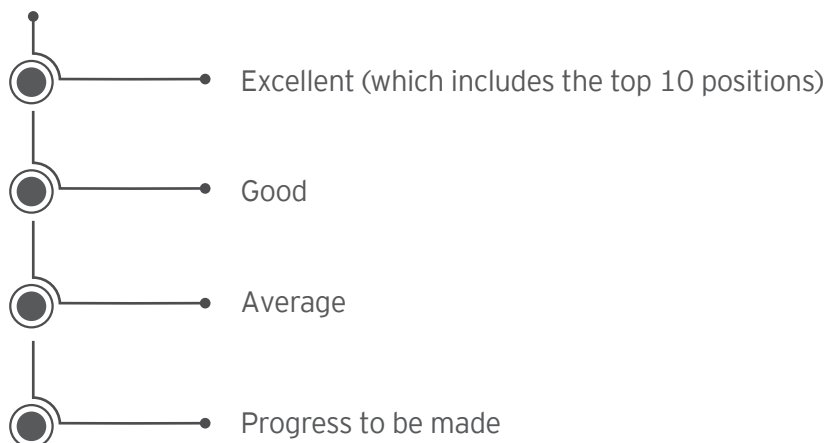
1. The governance of the value creation narrative. In other words, how do companies ensure that the story that they share with their stakeholders is authentic and credible? There are many ways this can be done and at some point it would be great for audit firms to be able to provide assurance over the whole integrated report. However, there is still a lot of work that has to be done in this area.

In the meantime, Boards should consider which parts of their reports should be assured, what role the organisation's internal audit function can play and explain, in clear language, how they are comfortable that the information they have provided is complete, reliable and creates value for the organisations' stakeholders.

2. The themes of disruption, digital and cyber security remain top of mind. Companies have a unique opportunity in their integrated reports to explain how they have adapted their business strategy to these external factors and how they have considered the risks or opportunities relating to these issues.
3. In the age of social media and around-the-clock news, it is important that relevant information is shared with both shareholders and stakeholders as soon as possible. Many integrated reports are only completed and circulated many months after a company's financial year-end, dissipating their impact. Providing information to users in a more timely manner, will increase the relevance of integrated reports and elevate their impact as effective stakeholder communication channels.

# 2018 Rankings

The adjudication process ranks entities in the following categories:



"Excellent" and "Good" are awarded to entities that progressively achieve a higher level of adherence to the spirit of integrated reporting.

## Top 10

- |   |   |  |  |
|---|---|--|--|
| <p><b>1</b> <i>with Honours</i><br/>Nedbank Group Ltd</p> | <p><b>2</b> <i>with Honours</i><br/>Redefine Properties Ltd</p> | <p><b>3</b> <i>with Honours</i><br/>Kumba Iron Ore Ltd</p> |  |
| <p><b>4</b><br/>Sasol Ltd</p>                             | <p><b>5</b><br/>Vodacom Group Ltd</p>                           | <p><b>6</b><br/>Oceana Group Ltd</p>                       | <p><b>7</b><br/>Impala Platinum Holdings Ltd</p> |
| <p><b>8</b><br/>Standard Bank Group Ltd</p>               | <p><b>9</b><br/>Truworths International Ltd</p>                 | <p><b>10</b><br/>Barclays Africa Group Ltd</p>             |  |

"Honours" is awarded to those high quality integrated reports, which the adjudicators believe have come closest to complying with the requirements of the <IR> Framework.



**Excellent\***

Anglo American plc	Liberty Holdings Ltd	Reunert Ltd
Aspen Pharmacare Holdings Ltd	Life Healthcare Group Holdings Ltd	Sasol Ltd
Attacq Ltd	MTN Group Ltd	Standard Bank Group Ltd
Barclays Africa Group Ltd	Nedbank Group Ltd	Telkom SA SOC Ltd
Exxaro Resources Ltd	Netcare Ltd	Truworths International Ltd
Gold Fields Ltd	Oceana Group Ltd	Vodacom Group Ltd
Impala Platinum Holdings Ltd	Pick n Pay Stores Ltd	Woolworths Holdings Ltd
Kumba Iron Ore Ltd	Redefine Properties Ltd	

**Good\***

African Rainbow Minerals Ltd	Distell Group Ltd	Northam Platinum Ltd
Anglo American Platinum Ltd	Glencore plc	Redefine International plc
AngloGold Ashanti Ltd	Hammerson plc	Sappi Ltd
Barloworld Ltd	Intu Properties plc	The Foschini Group Ltd
BHP Billiton plc	JSE Ltd	Tongaat Hulett Ltd
British American Tobacco plc	Massmart Holdings Ltd	Tsogo Sun Holdings Ltd
Clicks Group Ltd	Mediclinic International plc	
Coronation Fund Managers Ltd	Mondi plc	
Discovery Ltd	Mr Price Group Ltd	

**Average\***

Astral Foods Ltd	Imperial Holdings Ltd	RMB Holdings Ltd
The Bidvest Group Ltd	Investec plc	Sanlam Ltd
Brait SE	Investec Property Fund Ltd	Santam Ltd
Capital & Counties Properties plc	MAS Real Estate Inc	Shoprite Holdings Ltd
Curro Holdings Ltd	MMI Holdings Ltd	Sibanye Gold Ltd
Dis-Chem Pharmacies Ltd	Pioneer Food Group Ltd	The Spar Group Ltd
Echo Polska Properties NV	PSG Konsult Ltd	Tiger Brands Ltd
FirstRand Ltd	Rand Merchant Investment Holdings Ltd	
Growthpoint Properties Ltd	RCL Foods Ltd	
Hyprop Investments Ltd	Remgro Ltd	

**Progress to be made\***

AECI Ltd	Fortress Income Fund Ltd	PSG Group Ltd
Anheuser-Busch Inbev NV/SA	Globe Trade Centre SA	Reinet Investments SCA
Assore Ltd	Greenbay Properties Ltd	Resilient REIT Ltd
AVI Ltd	Hosken Consolidated Investments Ltd	SA Corporate Real Estate Ltd
Bid Corporation Ltd	Italtile Ltd	South32 Ltd
Blue Label Telecoms Ltd	KAP Industrial Holdings Ltd	Super Group Ltd
Capitec Bank Holdings Ltd	Naspers Ltd	Vukile Property Fund Ltd
Compagnie Financière Richemont SA	NEPI Rockcastle plc	Zeder Investments Ltd
Dataftec Ltd	Old Mutual plc	

# Top 10 companies

By Mark Graham, Associate Professor,  
University of Cape Town



## Nedbank Group Ltd

Nedbank scored excellently in almost every aspect of the marking process by demonstrating a high level of adherence to the guiding principles and content elements of the International <IR> Framework. The report has a sensible layout with a clear and consistent focus on value creation. We particularly liked the comprehensive explanation of how the Group creates value for its various stakeholders as well as the detailed explanations of the value that the Group has created for each stakeholder grouping during the current year. The Group's strategy is explained clearly and comprehensively together with key performance indicators, which track performance against previous strategies and sets targets for the future. Governance is introduced early on in the report with cross referencing to where more detailed information on various important governance issues can be found.

Furthermore, the governance disclosures are clearly focussed on how the governance mechanisms in place ensure and protect value. The trade-offs relating to each strategic focus area are outlined and explain the background to the tough decisions the Group has had to make together with the rationale for each decision that was made.

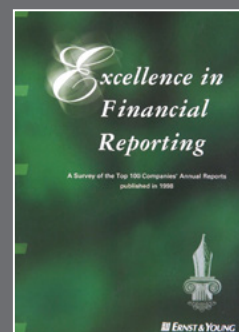
## Redefine Properties Ltd

Redefine's report is once again an excellent example of how a property company can explain how it will deliver sustained value to each of its stakeholders. How the Group delivers value to their key stakeholders is explained early on in the report and appropriately sets the scene for the value creation narrative that follows. There is a high level of connectivity within this report and sensible use is made of icons that make appropriate links between the various content elements. The explanation of the Group's various stakeholder relationships is particularly well presented and includes an innovative way of describing the quality and impact of these relationships.

The disclosure of the Group's risks are comprehensive and we particularly liked the way in which risk heat maps were presented with both an 18-month and a five-year perspective.



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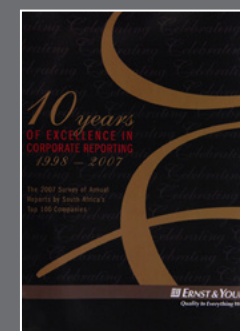
2004



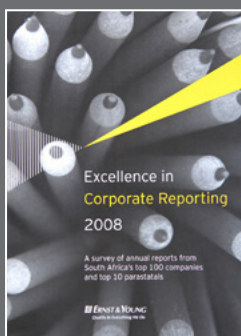
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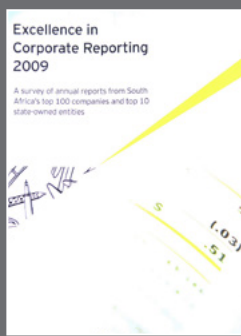
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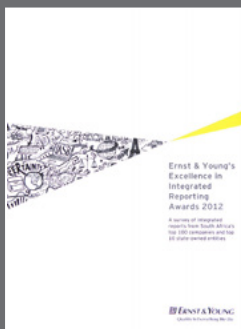
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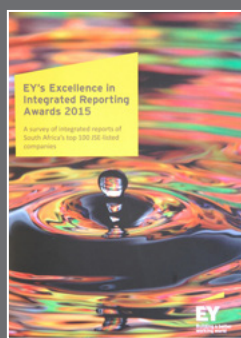
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2016



2017

Reporting against priorities identified in the prior year report adds credibility to the report. It is clear from the report that the Group adopts an integrated approach to understanding their business. This is emphasised within the explanation of the Group's business model and within the extensive discussions around the six capitals and how the strategy contributes to the development and preservation of these capitals.

3

## Kumba Iron Ore Ltd

Kumba's report clearly sets out their strategy to create value as well as an explanation of their capacity to deliver on this strategy with an appropriate focus on how value will be optimised for all their stakeholders. The description of the Group's business model, together with the related value chain activities and impacts is excellent. We particularly liked the detailed disclosures of the key outcomes and the way it was made clear which outcomes had a positive or negative implication on value creation in each stage of the value chain.

There is comprehensive disclosure of key performance indicators for each value pillar that include a three year trend, a trend line graphic as well as a clear indication of whether the outcome was positive, negative or neutral. The Group's operating context is clearly explained with reference to the material issues that will have an impact on the business model (including some sensitivity analysis) and the Group's ability to create value. The way in which the financial statements are included within the Chief Financial Officer's review and linked to the various capitals using 'pop-up' boxes is innovative and demonstrates true integration of reporting.

4

## Sasol Ltd

Sasol's report is crisp and concise and clearly explains how they use their six capitals to create value for their various stakeholders. We particularly liked the way that infographics are used to convey complex information. The explanation of the Group's external environment and how the environment will impact the Group's ability to create value is excellent. The description of the principles that are used to allocate capital is detailed and is a useful indication of how resources are allocated within the Group.

The explanation of the Group's risks and how they are dealing with them is comprehensive and we particularly liked the presentation of a "watch list" that outlines risk themes that could potentially impact the Group in the future. The Group's operational reviews achieve an appropriate level of granularity with suitable summaries of each operation's performance, outlook and an explanation of which of the Group's strategic objectives is relevant to each operation.

5

## Vodacom Group Ltd

Vodacom's report is structured in a way that makes it easy for the reader to understand how the Group creates value and to make an informed assessment about the Group's ability to create value over time.

The detailed description of how the Group creates and sustains value is excellent. The inclusion of detailed strategies within various strategic pillars and the inclusion of a longer-term perspective within the report is informative. Disclosure of three years' performance against the strategic pillars demonstrates the embedding of the strategy into the operations.

The report clearly outlines the key trends within the Group's operating environment and the way in which the Group will manage the risks and realise the opportunities associated with each of these trends. We particularly liked the expanded narrative that was provided on various stakeholder "hot topics", which enhanced the explanation of the various stakeholder's needs and concerns. Disclosures with respect to risk were well presented and innovatively enhanced with information relating to the speed at which the various risks, should they materialise, would adversely affect the financial performance of the Group.

6

### Oceana Group Ltd

Oceana's report is easy to navigate and commences with a comprehensive overview of the Group's business model and operating context. This includes a detailed businesses model infographic as well as how trade-offs are managed in the capitals and the issues that impact on the Group's business model. The way this report addresses and reports on the various sustainability issues that will play a key role in the Group's ability to create value is excellent. We particularly liked the way material risks are clearly presented within the report by using both inherent and residual risk heat maps to show the principal risks that will affect the Group's ability to create value. Furthermore, the potential impact on value for each risk is clearly outlined, thereby enhancing the general connectivity within the report.

The disclosure of performance is excellent and the way both financial and non-financial performance is discussed with reference to each of the Group's strategic objectives further evidences the integrated nature of this report.

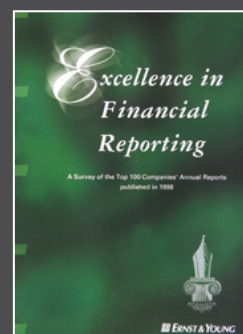
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### Impala Platinum Holdings Ltd

Impala's report sensibly starts with a comprehensive explanation of its business model that includes inputs, positive and negative outcomes as well as how the various activities within the business model contribute to the Group's value chain. How the Group plans to generate value is clearly explained and elaborated on using the concept of the six capitals. The Group's strategic objectives and the strategies necessary to achieve these objectives are clearly set out by the Chief Executive Officer. The inclusion of both short and medium targets for each element of its strategy adds credibility to the commitment to the strategy. We particularly liked the way the Group's overall inputs, outcomes and strategies are carried through into the divisional reviews. The use of graphs that show the Group's sensitivity to changes in key variables is excellent.



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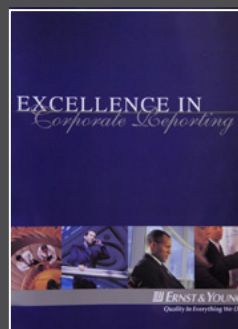
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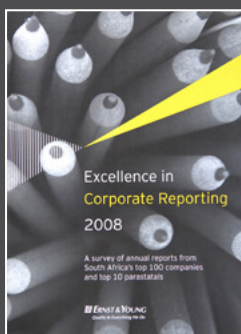
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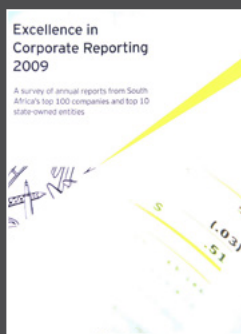
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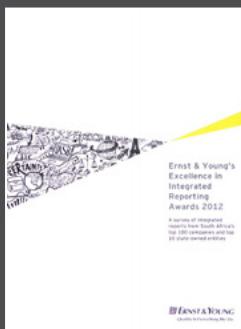
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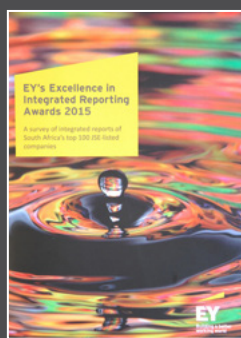
2012



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2016



2017

8

## Standard Bank Group Ltd

Standard Bank's report starts appropriately with an explanation of the Group's overall approach to value creation. This explanation then gives clear links to where more information can be found on the key areas of stakeholders, strategy, risk and governance. There is a clear focus on strategy throughout the report and the way strategic considerations are woven into the human capital and information technology reports is particularly commendable. We particularly liked the integrated way the report explained the progress that has been made against each of the Group's strategic value drivers.

In the context of a financial institution, the explanation of how the Group measures its financial outcome, together with the consequences of adopting the new IFRS 9 Financial Instruments standard is excellent.

9

## Truworths International Ltd

Truworths' report tells its value creation story in an engaging way with an appropriate focus on its four material issues. The report is crisp and concise and the explanation of the Group's business model is excellent. We particularly liked the way the report clearly separates and deals with its operations in its two distinctive geographical spheres of operation. The connectivity within the report is high and the summary of material issues, risks and opportunities together with descriptions of the related performance measures, challenges and targets is useful for the reader.

The section that deals with the Board's deliberations is innovative insofar as it separates these deliberations into those that are key and those that are routine, as well as classifying the issues into those that have been noted, considered, approved, authorised or resolved.

10

## Barclays Africa Group Ltd

Barclays Africa's report clearly outlines its strategy to handle its separation from its previous parent and to become a standalone business. The report once again successfully uses a balanced scorecard approach to report on its material matters and to show how the Group creates value for its various stakeholders. Key stakeholders are identified within the balanced scorecard and desired outcomes for both stakeholder and the Group are clearly identified for each element of the scorecard. We particularly appreciated the way the first page of the report lists the key issues that a reader may be interested in and where more information on each issue can be found. The balanced scorecard performance summary with its clearly defined measures of success is excellent.

There is a high level of connectivity within this report and sensible use is made of icons that make appropriate links between the various content elements.

# Overall impressions - at a glance

- 
- “Excellent” integrated reports have a **strategic focus**, an emphasis on **value creation** and a high level of **connectivity** between the elements presented
  - 23** Companies ranked as **“Excellent”**, a slight decrease from 27 in 2017
  - 47** Companies ranked as **“Excellent”** and **“Good”**, compared to 59 in 2017
  - 3** Integrated reports awarded an **“Honours”** compared to 5 in 2017

### Positive trends

1. **Layout and structure** of the value creation narrative continues to improve
2. Increased disclosures of the **value** that the organisation is **creating** for itself and others
3. General improvement in the explanation of the **strategy to create value**
4. Increased disclosures of the **opportunities** that are available
5. Evidence of a better understanding of the **difference** between **outputs and outcomes**

### Negative trends

1. Value creation not extended beyond **financial value** and/or the value that will be created for shareholders
2. **Governance** disclosures are largely boilerplate and **compliance** driven
3. The explanation of **trade-offs** between the various capitals need to be more detailed and less superficial
4. Insufficient emphasis on **balanced reporting** through including the “bad news” and negative outcomes
5. The linkage and **connectivity** between the **various content elements** needs improvement.

# Adjudicators' observations and overall performance

By Mark Graham, Associate Professor, University of Cape Town

## Companies included in the survey

- ▶ Top 100 Johannesburg Stock Exchange (JSE) Limited **listed companies**, selected on the basis of their market capitalisation as at 31 December 2017
- ▶ Integrated report or annual report for **year-ended on or before 31 December 2017**
- ▶ **Largest in survey** - Anheuser-Busch InBev SA (market capitalisation of R2.3 trillion)
- ▶ **Smallest in survey** - RCL Foods Ltd (market capitalisation of R11.5 billion)
- ▶ The 100 companies in the survey account for **93% of the market capitalisation** of the JSE at 31 December 2017

## Changes to the top 100

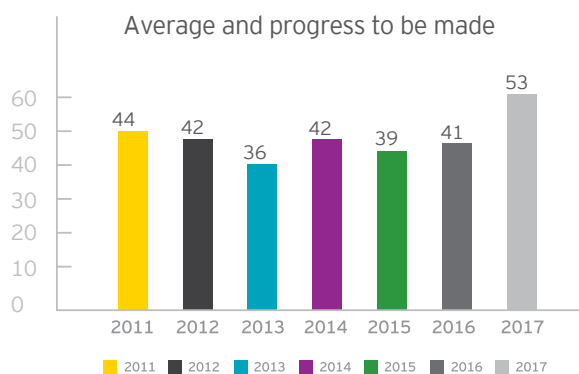
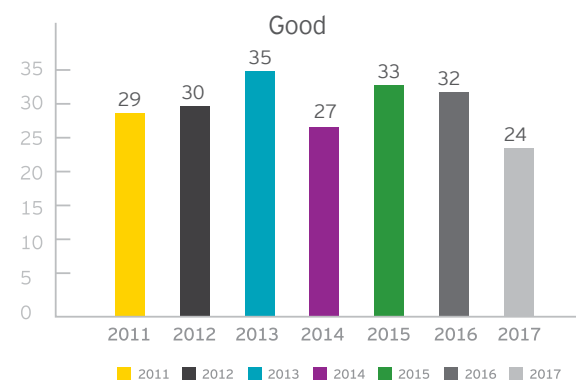
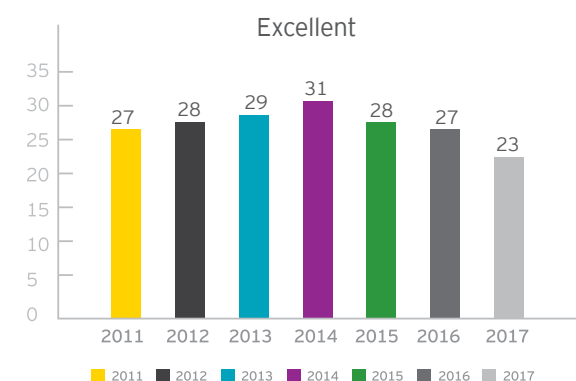
- ▶ Eight companies that appeared in the 2017 survey are no longer regarded as being eligible as result of falling out of the Top 100 due to declining market capitalisation or other corporate activity.
- ▶ New / returning in the 2018 survey:
  - ▶ Astral Foods Ltd
  - ▶ Datatec Ltd
  - ▶ Dis-Chem Pharmacies Ltd
  - ▶ Echo Polska Properties NV
  - ▶ Greenbay Properties Ltd
  - ▶ Investec Property Fund Ltd
  - ▶ MAS Real Estate Inc
  - ▶ PSG Konsult Ltd

## Key observations

- ▶ The **quality** of "Excellent" integrated reports **continues to improve**
- ▶ **"Excellent"** integrated **reports** have:
  - ▶ a clear **strategic focus**
  - ▶ an **emphasis on value creation**
  - ▶ a high level of **connectivity** between the **various elements** presented and consequently tell the value creation story clearly
- ▶ Very **little improvement** in those integrated reports ranked as **"Average"** or **"Progress to be made"**
- ▶ **Layout and structure** of the value creation narrative continues to improve
- ▶ Increased disclosures of the **value** that the organisation is **creating** for itself and others
- ▶ General improvement in the explanation of the **strategy to create value**
- ▶ More reports using the concept of the **six capitals**
- ▶ Increased disclosures of the **opportunities** that are available
- ▶ Evidence of a better understanding of the **difference** between **outputs and outcomes**



## Trends in the rankings



## Areas for improvement

- ▶ Agree on what **value organisation aims to create and report against that** i.e. a value added statement should include impact on all capitals or be called 'financial value added'
- ▶ **Governance** disclosures still largely **boilerplate and compliance driven**. Need a greater emphasis of how the governance structures will create value or prevent value from being destroyed.
- ▶ Include **negative** as well as positive outcomes
- ▶ The explanation of **trade-offs** between the various capitals need to be more detailed and less superficial. **Link trade-offs to strategy** i.e. how much financial capital will be sacrificed to have an operating process that creates more jobs?
- ▶ In some cases only strategy objectives are being disclosed without the **detailed strategies** that will be used to achieve these objectives
- ▶ The explanation of **value creation needs to be extended beyond financial value** and/or the value that will be created for shareholders
- ▶ Increase the emphasis on **balanced reporting** by including the **"bad news"** and negative outcomes
- ▶ Include a limited number of **key performance indicators** that will be used to measure the achievement of strategic objectives
- ▶ Improve the linkage and **connectivity** between the **various content elements**

## Rankings

- ▶ **47 of the 100** integrated / annual reports reviewed this year were ranked as **"Good"** or **"Excellent"**
- ▶ **Decrease** in number of integrated / annual reports classified as **"Good"** or **"Excellent"** due to slightly higher expectations by adjudication panel now that <IR> is well established internationally
- ▶ **53** companies **are not making a serious attempt** to produce an integrated report that complies with the International Integrated Reporting Council's <IR> Framework

## Honours awards

- ▶ An "Honours" is given to those **high quality** integrated reports that are believed to have come closest to complying with all the requirements of the <IR> Framework
- ▶ **3** integrated reports were awarded an "Honours" award in the current year compared to 5 in 2017

## Title of the report

- ▶ **19 of the 100** companies in the survey do not produce an integrated report
- ▶ **17 of these 19** companies have their primary listings on stock exchanges other than the JSE
- ▶ **10** of these companies have their primary listing on the London Stock Exchange
- ▶ **7 of the 10** companies with their primary listing on the London Stock Exchange and which do not produce an integrated report have a report that is ranked as being "Good" or "Excellent"
- ▶ **2** companies that have their primary listing on the JSE do not produce a report that is titled an integrated report

## Endorsement by the directors

- ▶ **64 of the 100** companies in the survey have an integrated report that is endorsed by the directors
- ▶ **52** of these endorsements were **signed** by the directors

## Audience of integrated reports

- ▶ The <IR> Framework clearly states that the primary purpose of the integrated report is to explain to **providers of financial capital** how an organisation creates value
- ▶ **29 of the 100** integrated reports clearly state that their integrated reports are primarily aimed at providers of capital
- ▶ **36 of the 100** integrated reports state that their integrated reports are aimed at a variety of stakeholders

## Length of integrated reports

- ▶ Average length of reports in this year's survey is **151 pages** (2017: 149 pages)
- ▶ Average length of the reports that are titled an integrated report is **144 pages**
- ▶ **Shortest** integrated report is **56 pages**
- ▶ **Longest** integrated report is **297 pages**

## Style of financial statements

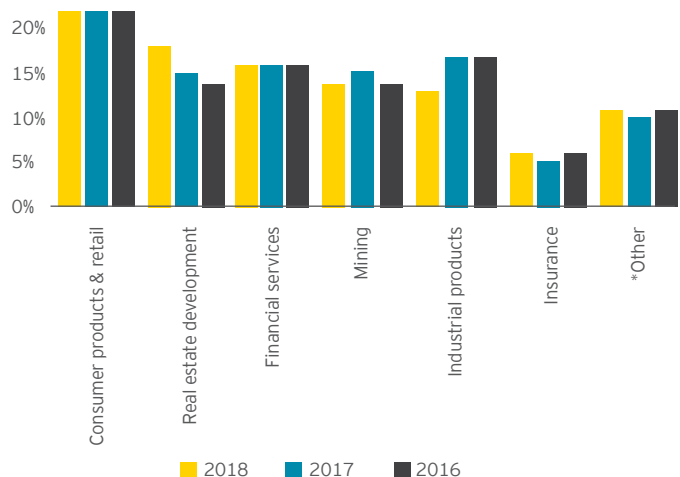
- ▶ Average length of financial statements within the reports is **36 pages**
- ▶ Average length of the financial statements within reports that are titled an integrated report is **30 pages**
- ▶ **46 companies** in the survey included full financial statements in their report
- ▶ **22 companies** in the survey include IAS 34<sup>1</sup> financial statements within their report
- ▶ **73 companies** included their financial statements at the end of the report
- ▶ **9 companies** include extracts of their financial statements within their financial review

<sup>1</sup> International Accounting Standard 34 - Interim financial reporting ("IAS 34")

## Industries included in the survey

- More than 20% of the companies included in the 2018 survey operate in the **consumer products and retail sector**. Approximately 15% of the companies included in the survey are **financial services, mining, industrial products** and **real estate development** companies respectively.

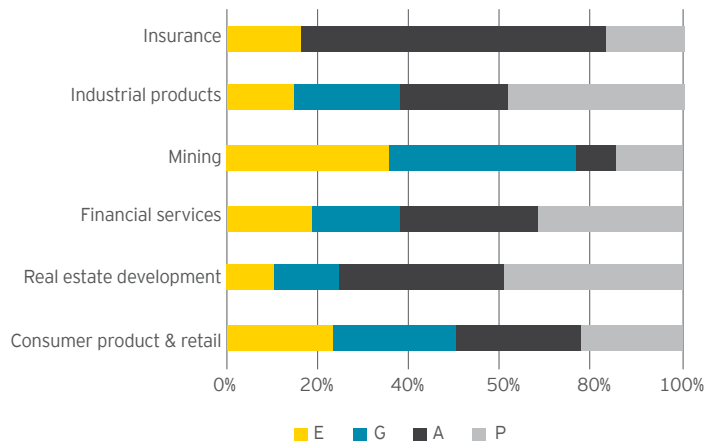
Industries



- A further analysis of the entities per industry included in the 2018 survey, show that almost 80% of the **mining companies** included in the survey are included in “Excellent” and “Good” categories.

This is followed by the **consumer and retail products companies** with 45% and the **financial services and industrial products** sectors that have almost 40% of the companies included in the survey included in the “Excellent” and “Good” categories.

2018 rating per Industry



\* Industries included in other: Agriculture, education, healthcare, media & entertainment, telecommunication and travel & leisure

# The mark plan - at a glance

## Overview of the mark plan:

The mark plan is based on the <IR> Framework's<sup>1</sup>, seven Guiding Principles and the eight Content Elements. In addition, consideration is given to the Framework's Fundamental Concepts.

### Companies included in the 2018 EY Excellence in Integrated Reporting Awards:

- ▶ Top 100 JSE listed companies
- ▶ Based on market capitalisation as at 31 December 2017
- ▶ Pure holding companies are excluded
- ▶ Dual-listed entities are included
- ▶ Eight newcomers and companies returning to the survey
- ▶ Integrated report for year-ended on or before 31 December 2017

### The Guiding Principles

The guiding principles underpin the preparation of an integrated report, informing the content

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

### The Fundamental Concepts

The fundamental concepts underpin and reinforce the requirements of the Framework:

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

### The Content Elements

An integrated report includes content elements that are fundamentally linked to each other and are not mutually exclusive:

1. Organisational 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

Further details of the mark plan and adjudication process can be found on our website [ey.com/excellenceintegratedreporting2018](http://ey.com/excellenceintegratedreporting2018)

<sup>1</sup> International Integrated Reporting Council's <IR> Framework, issued in December 2013.

# About the adjudicators

## Mark Graham

Mark is an Associate Professor and former Head of the College of Accounting at the University of Cape Town (UCT). He convenes the Master of Commerce (specialising in financial reporting, analysis and governance) programme, within the College and also teaches on the MBA, EMBA and Executive programmes 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. Mark is the current chair of the adjudicating panel for the annual EY Excellence in Integrated Reporting awards. He has also previously been a member of the adjudicating panel, and prior EY reporting awards since they were introduced in 1997.



**Associate Professor Mark Graham**  
*College of Accounting, UCT*

## Alexandra Watson

Until March 2018 Alex was the Richard Sonnenberg Professor of Accounting in the College of Accounting at the UCT. She is a past member of the South African Integrated Reporting Committee Working Group, a Board member of the Global Reporting Initiative, a member of the Financial Reporting Investigations Panel and was the Chairman of the Accounting Practices Committee, the technical accounting committee of SAICA. Alex is an Independent Director of two listed companies and has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting awards, and prior EY reporting awards since they were introduced in 1997.



**Professor Alex Watson**  
*College of Accounting, UCT*

## Goolam Modack

Goolam is an Associate Professor and current Head of the College of Accounting at the UCT. He teaches financial reporting at an undergraduate and postgraduate level and has co-authored a number of financial reporting textbooks. He is also an independent director of subsidiaries of a JSE listed financial services group and consults to the accounting profession. Goolam has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting awards, and prior EY reporting awards since 2005. Goolam is also a member of the adjudicating panel of the Malaysian Integrated Reporting awards since 2017.



**Associate Professor Goolam Modack**  
*Head: College of Accounting, UCT*

# How can EY help?

Service	Contact person
<ul style="list-style-type: none"> <li>▶ King IV briefings, gap analyses and assistance with implementation</li> </ul>	<p><b>Joanne Henstock</b> (011) 502 0364 <i>joanne.henstock@za.ey.com</i></p> <p><b>Luveshan Naiker</b> (011) 502 0526 <i>luveshan.naiker@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Excellence in Integrated Reporting Awards benchmark report (including in-person consultation with one of the awards' adjudicators)</li> </ul>	<p><b>Larissa Clark</b> (011) 772 3094 <i>larissa.clark@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Learning and development on integrated reporting: On-site briefings on the International Integrated Reporting Council's &lt;IR&gt; Framework and on applying the Framework (including an industry relevant application)</li> </ul>	<p><b>Joanne Henstock</b> (011) 502 0364 <i>joanne.henstock@za.ey.com</i></p> <p><b>Kelly Gilman</b> (021) 443 0473 <i>kelly.gilman@za.ey.com</i></p>
<p><b>Other sustainability and integrated reporting services</b></p> <ul style="list-style-type: none"> <li>▶ Gap analysis of existing reporting against GRI G4 Guidelines, &lt;IR&gt; Framework and local and international best practice and peers</li> <li>▶ Facilitation of the materiality determination process</li> <li>▶ Writing the sustainability or integrated report</li> <li>▶ Assurance of non-financial information in the sustainability or integrated report</li> </ul>	<p><b>Joanne Henstock</b> (011) 502 0364 <i>joanne.henstock@za.ey.com</i></p> <p><b>Kelly Gilman</b> (021) 443 0473 <i>kelly.gilman@za.ey.com</i></p>

## About EY

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