Integrated Reporting – Raising The Bar

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Registered Auditors | Accountants | Advisors

An analysis of the Top 100 JSE Listed Companies and those listed on the Socially Responsible Investment (SRI) Index on the Johannesburg Stock Exchange in South Africa

contents

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FOREWORD

As a valued member of Kreston International, Nkonki provides our network with access to world-class thought leadership materials, in particular with respect to the topic of integrated reporting.

As the CEO of Kreston International, which is currently ranked as the 12th largest accounting network in the world, covering over 100 countries and providing over 21,000 professional and support staff around the world, it gives me great pleasure to pen the foreword to Nkonki's sixth annual review.

As it has in the past five years, Nkonki is once again recognising the Johannesburg Stock Exchange (JSE) Top 100 companies for their integrated reporting efforts this year. In its inaugural review in 2011, Nkonki initially assessed only the Top 40 companies, as ranked by their market capitalisation. From 2012, the scope was extended to cover the Top 100 companies as more and more listed companies began to produce increasingly comprehensive and engaging annual or integrated reports to improve their reporting efforts and their stakeholder engagement.

South Africa is truly in a unique position when it comes to integrated reporting. Since 2010 companies listed on the JSE have been required to prepare integrated reports through the JSE Listing Requirements. The King III Code of Governance required listed companies to apply the principles in the Code on an "apply" or "explain" basis in their reports.

Although King IV, officially launched in South Africa on 1 November 2016 and coming into effect for organisations whose financial years start on or after 1 April 2017, will replace King III, the new Code – and the Listing Requirements – will continue to drive companies to produce integrated reports of a higher standard. This is evident from the fact that King IV incorporates the principles enshrined in the International Integrated Reporting Council's (IIRC) <IR> Framework, released in December 2013, in an endeavour to bring global congruence to corporate reporting standards.

In August of this year, I had the similar pleasure of writing the foreword to the Nkonki State Owned Companies Integrated Reporting review, entitled "*Integrated Reporting: A continued journey for Public Sector Entities in South Africa*". From that research, it was apparent that South Africa's public sector companies have not fully embraced the Framework to the extent hoped in their 2015 annual / integrated reports, and in fact, that the gap between those public sector companies that are making an effort to embrace integrated reporting and produce high-quality integrated reports and those that are not seems to be widening.

I am pleased to say that just the opposite seems to true in the listed company sector. Whilst it could be argued that JSE-listed companies have made more progress because they are compelled to produce integrated reports, the most notable improvement was made in this past year – this is the first time in the six-year history of the Nkonki review that a company scored over 90%. There was also an increase in those achieving an A rating (80% and above), with 19 companies achieving this rating compared to 16 last year. It is clear too that these companies have embraced the concepts set out in the <IR> Framework.

This is good news indeed, specially for investors and other stakeholders of listed companies. As the global economy remains unpredictable at best, and with South Africa's economy being as fragile as it is – latest projections by the South African Reserve Bank show growth of just 0.5% expected for the remainder of 2016 and a 1.3% improvement in annual growth in 2017[1] – it is now more important than ever for businesses to be as transparent as possible, and inculcate trust with those invested in them.

In this respect, an integrated report that aims to truly reflect the principles of the <IR> Framework and King IV can open a channel of communication between a company and its stakeholders in a way that has not been done before, allowing it to tell its value creation story in as clear, comprehensible and concise a manner as possible. This will serve it well in setting expectations and bringing comfort – and information – to its investees and other stakeholders.

On that point, all that remains for me is to congratulate this year's top 10 winners, ranked as follows:

1. ArcelorMittal South Africa Limited
2. Barloworld Limited
3. Nampak Limited
4. Royal Bafokeng Platinum Limited
5. Nedbank Group Limited
6. Anglo American Platinum Limited
7. Kumba Iron Ore Limited and Tsogo Sun Holdings
8. Exxaro Resources
9. Sibanye Gold Limited
10. Aveng Group Limited

ArcelorMittal must be lauded and congratulated for its extraordinary efforts this year, which resulted in the company achieving a score of 90.5% – a magnificent achievement.

Jon Lisby | CEO, Kreston International

1. Correct at the time of publication

These organisations continue to set the bar for their peers and to showcase South Africa's status as a global leader in corporate reporting and corporate governance.

INTRODUCTION

This is Nkonki's sixth year of releasing the results of the annual Top 100 JSE Listed Companies Integrated Reporting Awards, and the accompanying review. These awards were initiated in 2011 to encourage high-quality reporting and best practice adoption in South Africa, as well as to showcase the leaders in integrated reporting to inspire them to continue raising the bar, not only for their South African counterparts, but globally as well.

This review – as did the previous year's – provides insights into the extent to which South African listed companies applied the IIRC's International Integrated Reporting <IR> Framework to their 2015 reports. It reveals both the achievements and areas of improvement by these companies, which is done in the spirit of encouraging a continued high standard of corporate reporting in South Africa.

This year's report is based on the 2015 integrated reports of South Africa's Top 100 listed companies. The reports were scored using the same rigorous process of judging and adjudication as last year, using the <IR> Framework as a base.

Overall, the results indicate that the adoption of the Framework is improving, although the best performance remains in Consistency and Comparability (95% vs 2014: 84%), meaning that almost all the companies ensured consistency over time, enabling comparisons with other organisations (and with prior years of the same company) to the extent material to the organisation's ability to create value. The disclosure of Strategic Focus also received a high score, increasing from 78% in 2014 to 87% in 2015. Other categories showing good improvement were the overall Content Elements, increasing from 72% in 2014 to 79% in 2015, and the Fundamental Concepts, Business Model and Value Creation Model, increasing from 45% in 2014 to 56% in 2015. For the full insight, please refer to this year's results in the Executive Summary and in Chapter 1 of this report.

As mentioned in the Foreword, the King IV Code of Governance will soon supersede its predecessor, King III. The new Code has been hailed as a positive step forward, in that it is principles-based and outcomes-based, and it takes the challenges and realities of today's business environment into account. It also reflects global developments since 2009, including leadership challenges, the changing corporate governance requirements, and the so-called "three shifts", from financial capitalism to inclusive capitalism, from short-term capital markets to long-term sustainable capital markets, and from silo-reporting to integrated reporting.

This is in keeping with the ambitions of the <IR> Framework. While South Africa has long been acknowledged as a leader both in corporate governance and corporate and integrated reporting, to remain in this leadership position, it is essential to acknowledge global developments, and in King IV this has been done very effectively.

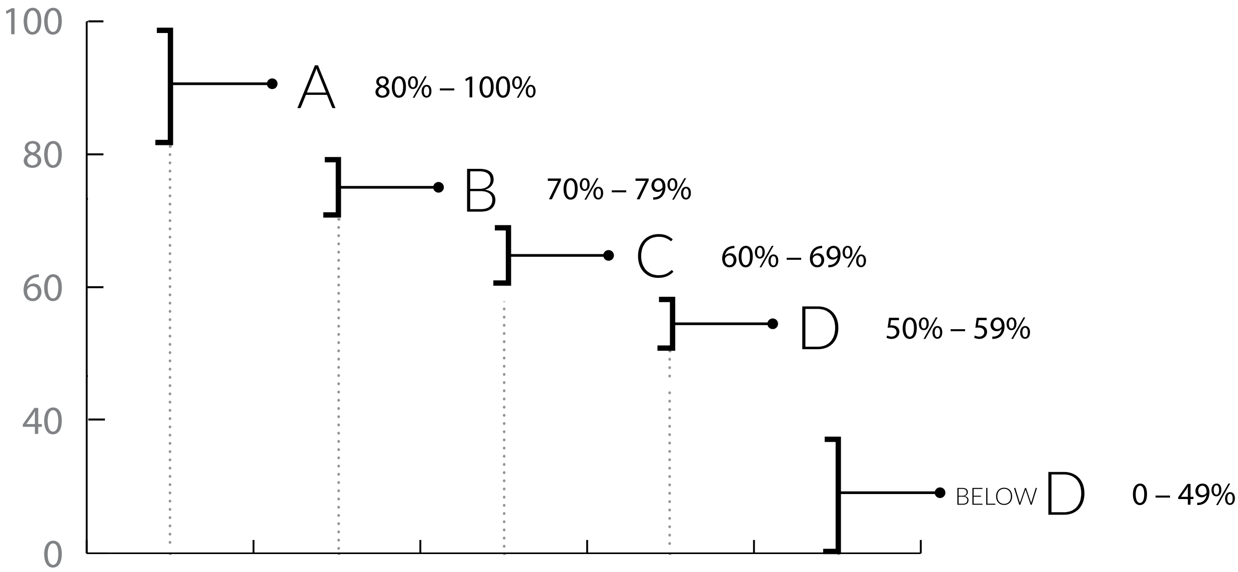
We are thus optimistic that in the next few years, we will see even greater adoption of the Framework, driven in part by King IV, and look forward to benchmarking the top performers as we have done in the past.

We extend our congratulations to the top three winners this year, ArcelorMittal South Africa Limited, with an A rating (in this instance, achieving more than 90%); Barloworld Limited, with an A rating, and Nampak Limited, with an A rating. We also commend those companies making the Top 10 list.

This survey has once again been made possible by the continued involvement and dedicated efforts of Anton du Toit and the panel of adjudicators from Monash South Africa team. We would further like to thank Jon Lisby, the CEO of Kreston International, for his contribution to this report.

Thuto Masasa | Partner

GUIDE TO THE RATINGS



Interesting STATISTICS

Asset base:

- 2015: exceeded **R15 trillion**
- 2014: exceeded **R10.7 trillion**
- 2013: exceeded **R9.6 trillion**

Revenue:

- 2015: exceeded **R5.4 trillion**
- 2014: **R3.2 trillion**
- 2013: **R2.9 trillion**

Average number of pages of integrated reports:

- 2015: **153 pages**
- 2014: **169 pages**
- 2013: **157 pages**

Lengthiest integrated report:

- 2015: **422 pages**
- 2014: **516 pages**
- 2013: **296 pages**

Market capitalisation:

- 2015: **R9.5 trillion**
- 2014: **R8.6 trillion**
- 2013: **R7.4 trillion**

Number of companies referring to the IIRC in their reports:

- 2015: **75** of the **107 companies (70%)**
- 2014: **71** of the **106 companies (67%)**
- 2013: **53** of the **107 companies (50%)**

EXECUTIVE SUMMARY

To better understand how the JSE listed companies are applying the Framework, it is ideal to benchmark the largest of them all – hence the Top 100 – as well as those companies which claim to be socially responsive.

To better understand how the JSE listed companies are applying the <IR> Framework, it is ideal to benchmark the largest – hence the Top 100 – as well as those companies which claim to be socially responsive. For this reason, companies included on the JSE's Socially Responsible Investment (SRI) Index are also benchmarked in this survey. While the SRI was replaced with the FTSE/JSE Responsible Investment Index Series (the FTSE Russell) at end of 2014, this was just before the 2015 reports were published, and so the decision was taken to retain this sample.

The Top 100 includes 97 companies this year, as a result of three delistings, and 80 SRI companies. As many of the SRI companies are also in the Top 100, the number of reports analysed, totaled 107.

South Africa has long been acknowledged as a leader in corporate governance and corporate reporting, driven by the King Code of Governance and the JSE Listing Requirements, amongst others. It is therefore surprising that 22 of the Top 100 companies scored less than 50%, achieving a rating of E or F, in this review. Of these, eight didn't publish any form of integrated report – the reports were still called "Annual Reports" or "Annual Report and Accounts". A further eight companies included the word "Integrated" in the title of their report, but made no further reference to "integrated reporting", the IIRC or the Framework within the text of their reports.

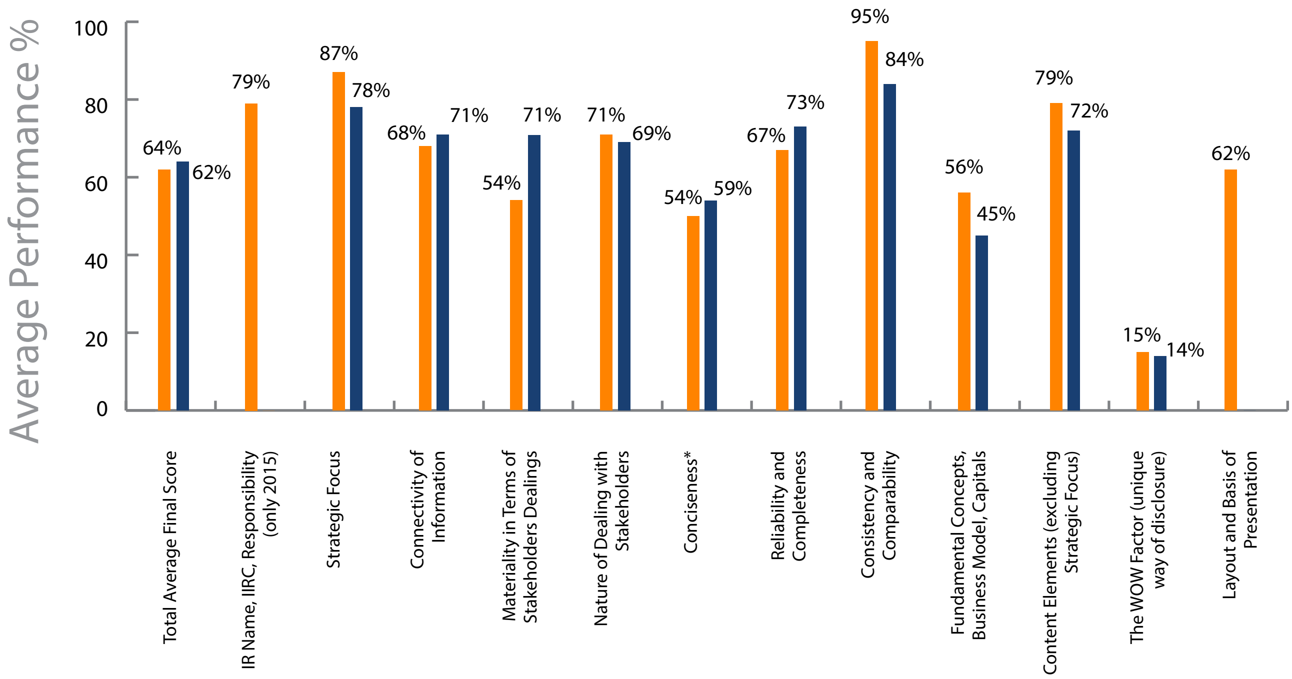
Perhaps more alarmingly, some of the 22 companies are listed on two or three stock exchanges, but do not mention King III or the IIRC, and in some instances, do not comply with or follow the <IR> Framework. This creates confusion given the use of the word "Integrated" in the title of their reports, since almost none of the fundamental concepts, guiding principles or content elements are present. That being said, some progress was made compared to 2014, when 27 companies scored less than 50%.

We made small adjustments to the scorecard used for reviewing and assessing the 2015 reports. These adjustments did not influence the comparability with the previous year much. This resulted in an average score of 64% a minor improvement compared to 2014 (62%).

Overall, the results indicate at a glance that the Top 100 and SRI companies achieved an average score of more than 50% for 11 of the 12 (2014: eight out of 10) expected components. This is reflected in the average performance scores for each category of all the Top 100 and SRI reports assessed as reflected in the graph on the following page.

The best performance remains in Consistency and Comparability **(95% vs 2014: 84%)**, meaning that almost all the 107 companies ensured consistency over time.

Graph 1 – Average Performance of the JSE Top 100 and SRI Companies (2015 and 2014)



2015 2014 * It must be noted that the rating for Conciseness changed slightly for 2015.

Average performance in the specific categories fluctuated. The best performance remains in Consistency and Comparability (95% vs 2014: 84%), meaning that almost all the 107 companies ensured consistency over time, enabling comparisons with other organisations (and with prior years of the same company) to the extent material to the organisation's ability to create value. The disclosure of the strategic focus of companies also received a high score, increasing from 78% in 2014 to 87% in 2015.

Other categories showing good improvement were the Content Elements, increasing from 72% in 2014 to 79% in 2015, and the Fundamental Concepts, Business Model and Value Creation Model, increasing from 45% in 2014 to 56% in 2015.

What is of some concern – as was the case with the State Owned Companies – is the length of the reports. While the lengthiest report was 422 pages long this year compared to 516 pages in 2014, this remains way too long given the aspiration for conciseness that is underscored by the Framework. Slightly better news is that the average length was 153 pages compared to 169 pages in 2014. Given the slight change in ratings this year, this may not seem evident in the graph above.

EXECUTIVE SUMMARY

Interestingly, the analysis of the SRI companies – many of which make up the Top 100 – clearly indicated that these companies scored at least 4% higher on total score than the Top 100 companies. They also scored higher in each of the categories, except for Conciseness, which perhaps illustrates the challenge companies have in balancing a good integrated report with brevity.

What is disappointing is that non-financial assurance or combined assurance remains a low priority for many companies.

The full results and analysis of each category are disclosed in Chapter 1, while the industry sector analysis is discussed in detail in Chapter 2. Chapter 3 deals with the top 5 companies' disclosure, and Chapter 4 discussed new trends in integrated reporting. Chapter 5 contains a handy guide to the tools Nkonki has made available to assist companies wishing to access or improve their integrated reporting journey.

The Winners

It is truly exceptional that for the first time in the history of these awards 19 companies in the Top 100 achieved an A rating, i.e. 80% or higher. This is an improvement compared to 16 last year. The full details and positions achieved in the past few years are disclosed in Annexure A, it should be noted that an additional eight companies received an A rating this year, over and above these ranked in the top 10.

The top three winners are:

The Winners

1st place

ArcelorMittal South Africa Limited
with an A rating (more than 90%)

2nd place

Barloworld Limited
with an A rating (more than 80%)

3rd place

Nampak Limited
with an A rating (more than 80%)

The full list of the 10 winners (consisting of 11 companies as two companies share 7th position) is as follows:

Ranking 2015	Company Name	Industry	SRI Index Constituents	Year-end	Ranking 2014
1	ArcelorMittal South Africa Limited	Basic Materials	Yes	31-Dec-15	4
2	Barloworld Limited	Industrials	Yes	30-Sep-15	12
3	Nampak Limited	Industrials	Yes	30-Sep-15	7
4	Royal Bafokeng Platinum Limited	Basic Materials	Yes	31-Dec-15	3
5	Nedbank Group Limited	Financials	Yes	31-Dec-15	5
6	Anglo American Platinum Limited	Basic Materials	Yes	31-Dec-15	13
7	Kumba Iron Ore Limited	Basic Materials	Yes	31-Dec-15	18
7	Tsogo Sun Holdings Limited	Consumer Services	No	31-Mar-15	1
8	Exxaro Resources Limited	Basic Materials	Yes	31-Dec-15	17
9	Sibanye Gold Limited	Basic Materials	Yes	31-Dec-15	31
10	Aveng Group Limited	Industrials	Yes	30-Jun-15	29

The winner, ArcelorMittal South Africa Limited, improved by three positions to claim first place this year. Other improvements that are noteworthy include the following:

- Sibanye Gold Limited improved by 21 places to claim 9th place
- Aveng Group Limited went from 29th place to 10th place – also a remarkable improvement
- Kumba Iron Ore Limited improved by 11 places, up from 18th to shared 7th position
- Barloworld Limited improved by 10 places, improving from 12th to 2nd position

On the flipside of this are the companies that were placed in the top 10 in the previous year and ceded these positions:

- Liberty Holdings Limited – 31 places down from 6th place
- Sanlam Limited – 28 places down from 10th place
- MTN Group Limited – 11 places down from 2nd place
- Redefine Properties Limited – 10 places down from 8th place

The winners in each industry sector this year are as follows:

Industry	Company Name
Basic Materials	ArcelorMittal South Africa Limited
Consumer Goods	Oceana Group Limited
Consumer Services	Tsogo Sun Holdings
Financials	Nedbank Group Limited
Health Care	Life Healthcare Group Holdings Limited
Industrials	Barloworld Limited
Telecommunications	MTN Group Limited

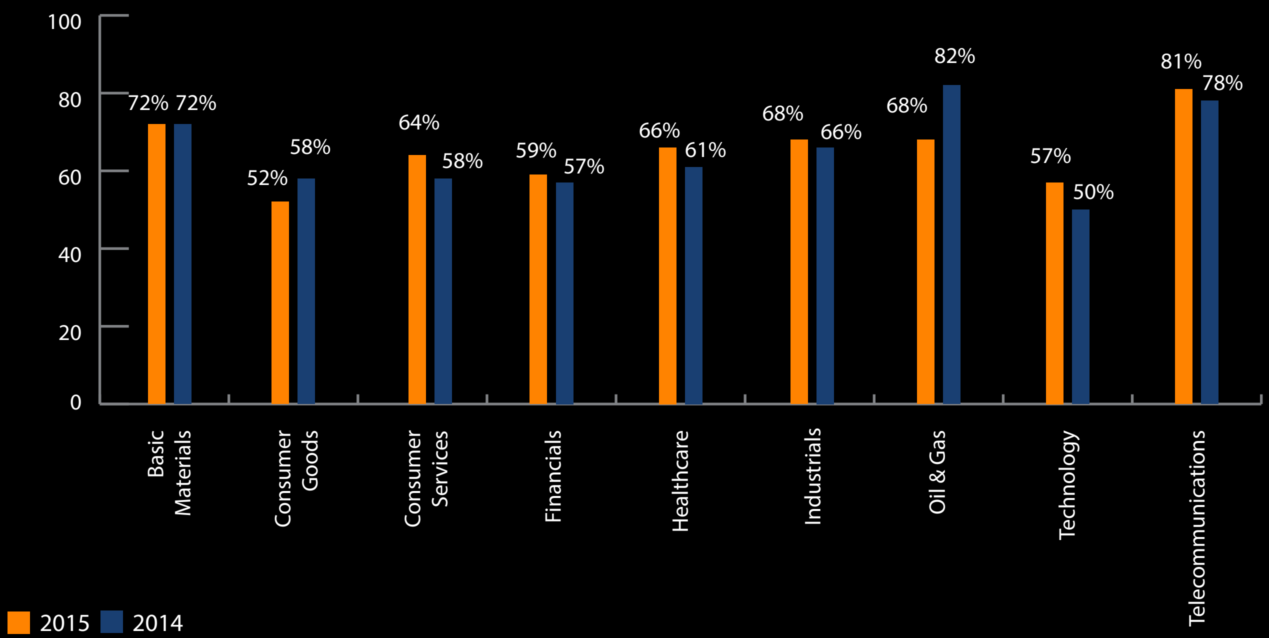
In the Oil & Gas sector, Sasol Limited achieved first position, and was the only company in this group. However, it did not receive a qualifying position, achieving a C rating. The same is true of the Technology sector where EOH Holdings Limited was placed first, but only achieved a D rating.

In 2014, the Technology industry was found lacking in terms of integrated reporting, but improved to a 57% average in 2015. In 2015, Consumer Goods received the weakest score (52% compared to 58% in 2014).

EXECUTIVE SUMMARY

The average integrated reporting total score per industry is shown in the following graph:

Graph 2 – Average Integrated Reporting Total Score Per Industry



Conclusion

We applaud the three winners this year and thank them for the great example they have set for other companies and corporations, globally. These companies are worthy of kudos and in many instances, are the leaders in the integrated reporting, financial reporting and sustainability reporting fields. The companies included on the Top 10 list also deserve to be congratulated for exceeding the expected minimum disclosure requirements, and leading the way forward for their counterparts on the JSE.

CHAPTER 1

RESEARCH FINDINGS AND RESULTS

1.1 The <IR> Framework Total Score Analysis

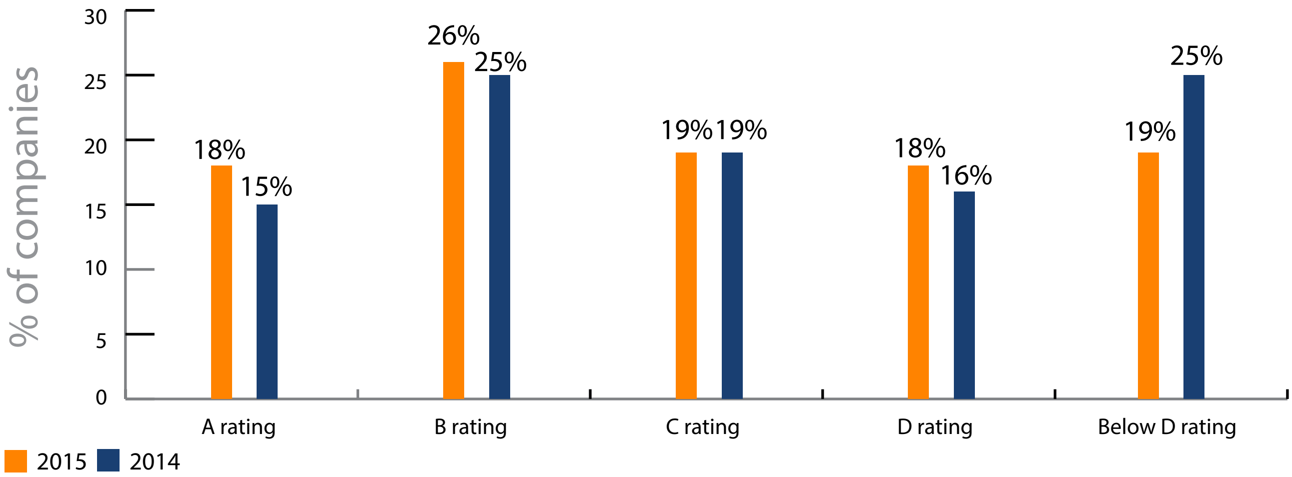
The components of the <IR> Framework were scored as follows:

	Marks
IR Name, IIRC, Responsibility [Name of the report is "Integrated Report"; applied the International <IR> Framework; accepted responsibility for the report; gave an opinion if the Framework was applied (not scored in previous year)]	15
Strategic Focus	5
Connectivity of Information	15
Materiality in Terms of Stakeholder Dealings	10
Nature of Dealings with Stakeholders	10
Conciseness	15
Reliability and Completeness	15
Consistency and Comparability	5
Fundamental Concepts, Business Model, Capitals	30
Content Elements	35
The "Wow" Factor	15
Layout and Basis of Presentation	30
TOTAL	**200**

There is also a generally-accepted framework for disclosing sustainability, KPIs and non-financial assurance, the GRI G4 guidelines. Our findings on the Top 100/SRI application of the GRI G4 guidelines are outlined briefly in the Executive Summary as these are not deemed to be material to this research.

Eighty five of the 107 companies (80%; 2014: 75%) scored higher than 50% of the <IR> Framework recommendations and the average score was 64% (2014: 62%). This means that there is respect for and proper application of the Framework. Graph 4 provides further detail.

Graph 3 – <IR> Framework: Total Ratings Distribution



A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

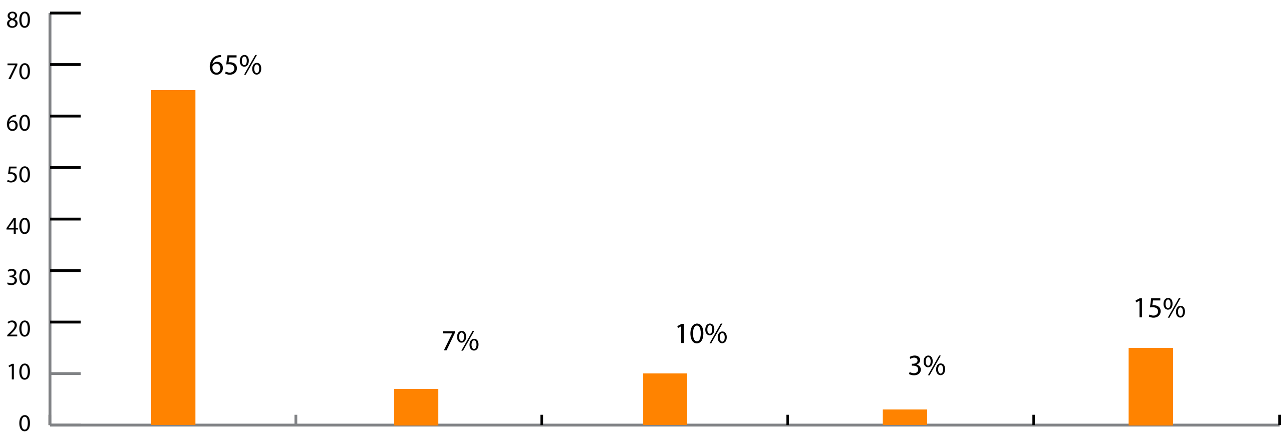
Below is the trend analysis of the average scores over the years albeit with different mark plans:

2011	2012	2013	2014	2015
59%	66%	69%	62%	64%
			(new mark plan introduced based on the 2013 International <IR> Framework of the IIRC)	(the same mark plan as 2014 – very few adjustments made)

1.1.1 Name of Report, IIRC Reference and Responsibility

This component was not assessed in the previous year. Please see the full discussion in 1.2 and 1.3.

Graph 4 – Name of Report, IIRC Reference and Responsibility

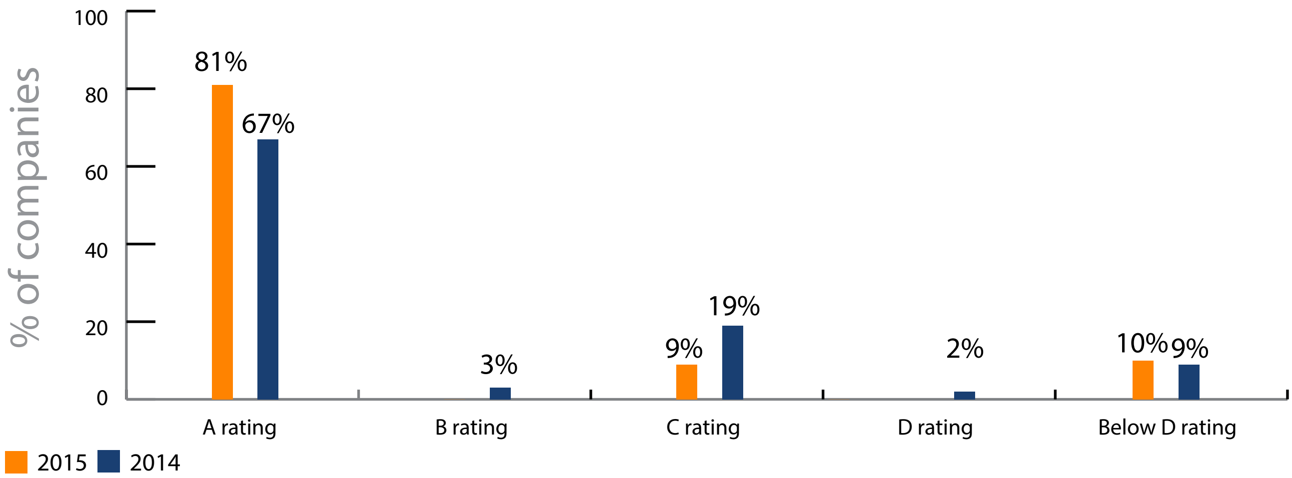


A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Ninety-one (91) of the companies scored higher than a D rating and the average score was 79%. Please note that scores have been rounded for the purpose of presentation.

1.1.2 Strategic Focus

Graph 5 – Strategic Focus

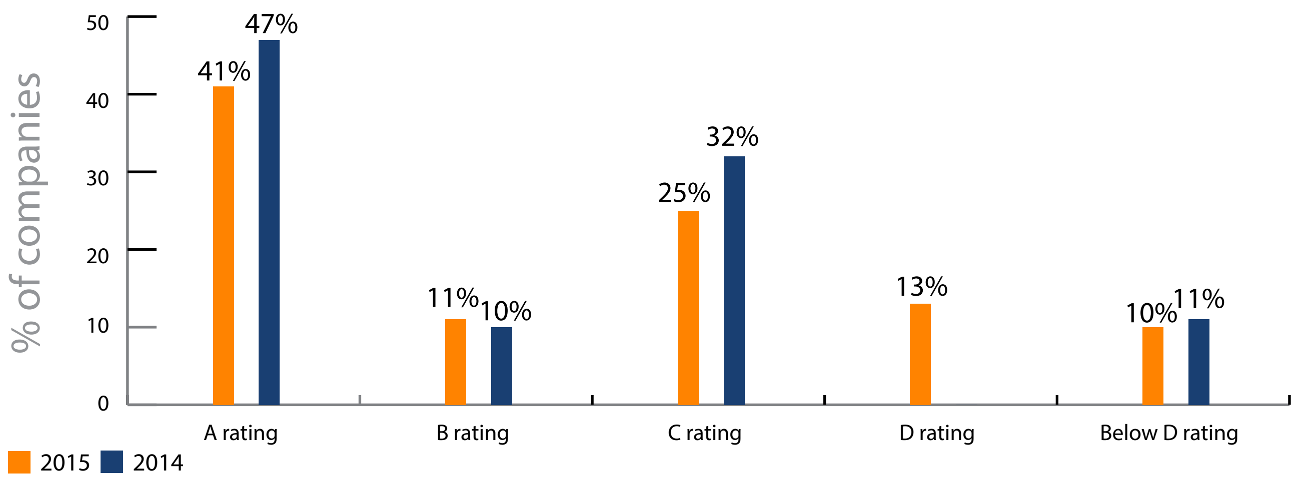


A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Ninety-seven (2014: 91) of the companies scored higher than a D rating and the average score was 87% (2014: 78%). This category showed a strong performance as in the past, and the best reports had a good link between the strategic objectives, the business model, stakeholder engagement and risk management reporting, as well as the value creation model.

1.1.3 CONNECTIVITY OF INFORMATION

Graph 6 – Connectivity of Information

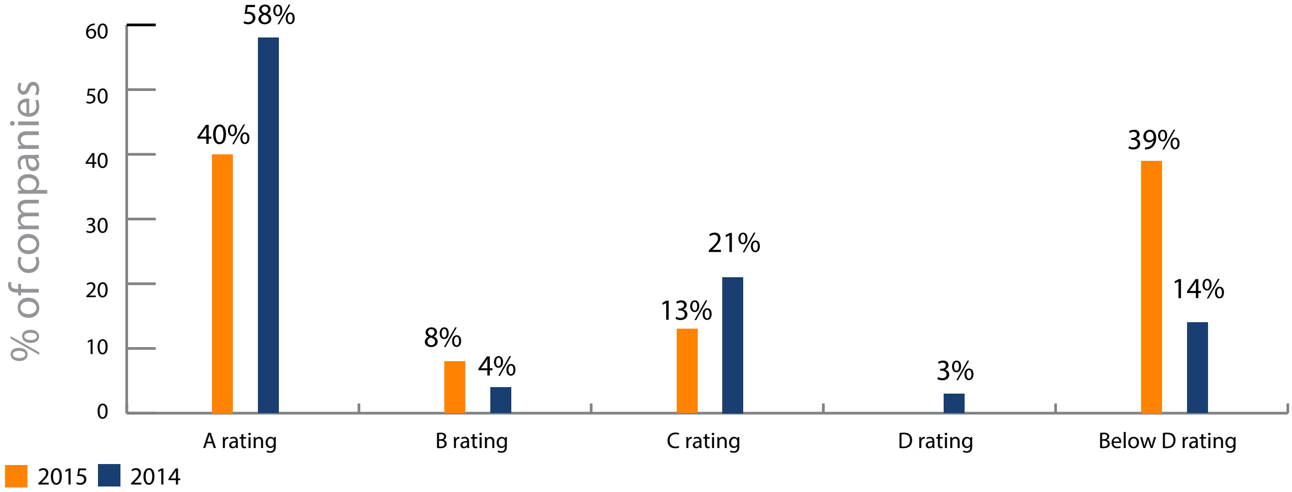


A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Eighty-two of the companies scored higher than a D rating and the average score was 68% (2014: 71%).

1.1.4 MATERIALITY IN TERMS OF STAKEHOLDER DEALINGS

Graph 7 – Materiality of Stakeholder Dealings

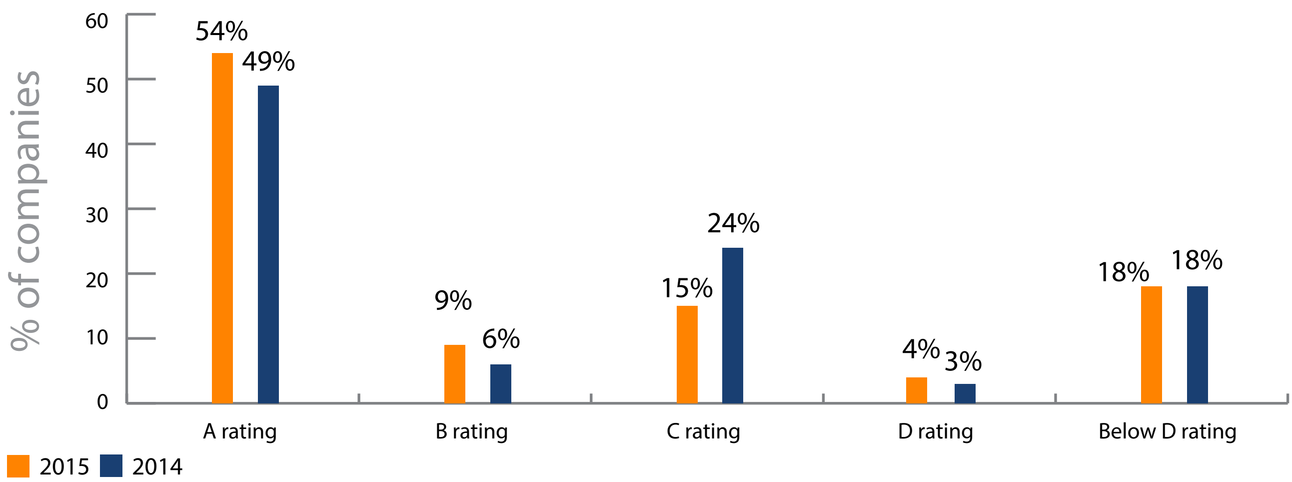


A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Sixty-six (2014: 90) of the companies scored higher than a D rating and the average score was 54% (2014: 71.0%). Materiality was explained in more depth in most of the reports this year than in the past. It must be noted that the panel was also stricter this year, requiring materiality to be described in more detail, and directly linked to stakeholders, and not explained in vague terms such as "materiality issues". However, the way in which materiality is determined by companies is still not always properly disclosed.

1.1.5 NATURE OF DEALINGS WITH STAKEHOLDERS

Graph 8 – Nature of Dealings with Stakeholders



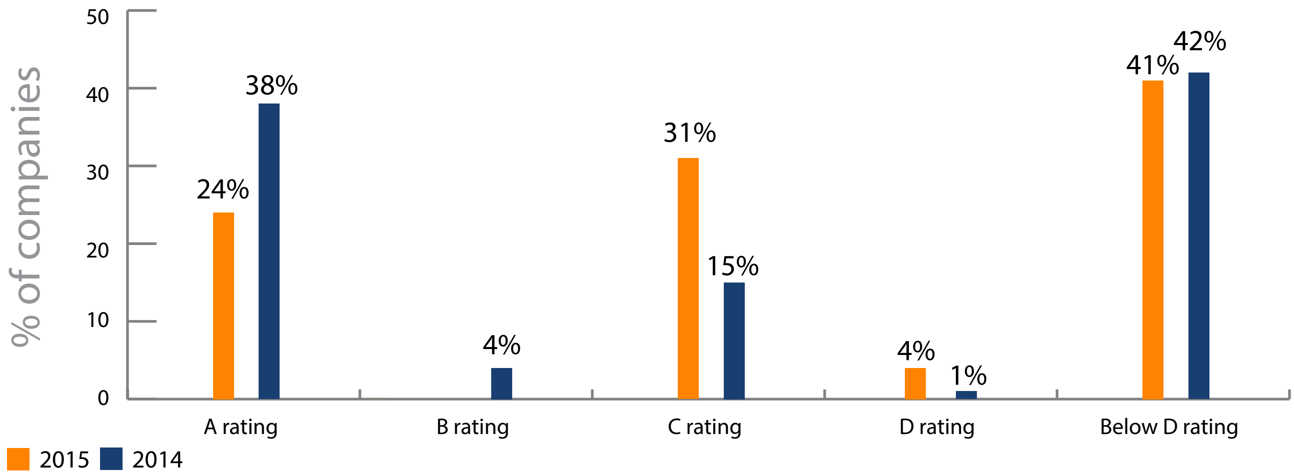
A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Eighty-eight (2014: 82) of the companies scored higher than a D rating and the average score was 71% (2014: 69%).

The disclosure improves year on year. Many companies now share their stakeholder dealings in greater detail, even if these are only the material ones. Those companies making a good effort in this category also link their dealings to meetings, engagement forums and risks, and some even go as far as divulging the results of this engagement. Others remain vague, disclosing their dealings with stakeholders in a few short sentences in the integrated report, and then perhaps in a little more detail in a separate report such as a sustainability report. Some disclose nothing more. This was included as "Stakeholder Relationships" in the 2014 review.

1.1.6 CONCISENESS

Graph 9 – Conciseness

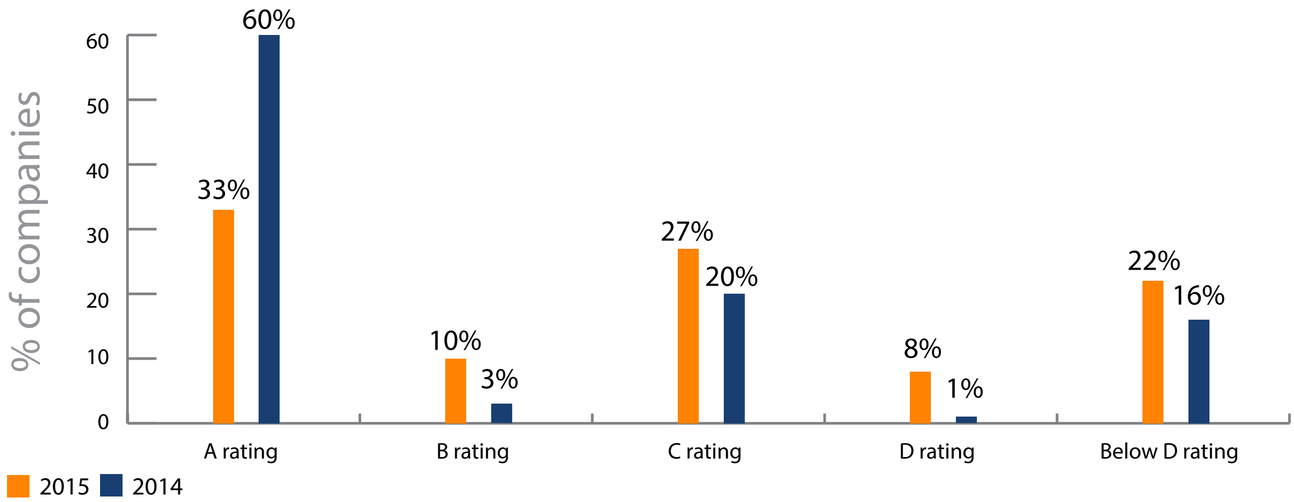


A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Sixty-three (2014: 62) of the companies scored higher than a D rating and the average score was 50% (2014: 54%). Please also see 1.7 for a more detailed discussion.

1.1.7 RELIABILITY AND COMPLETENESS

Graph 10 – Reliability and Completeness



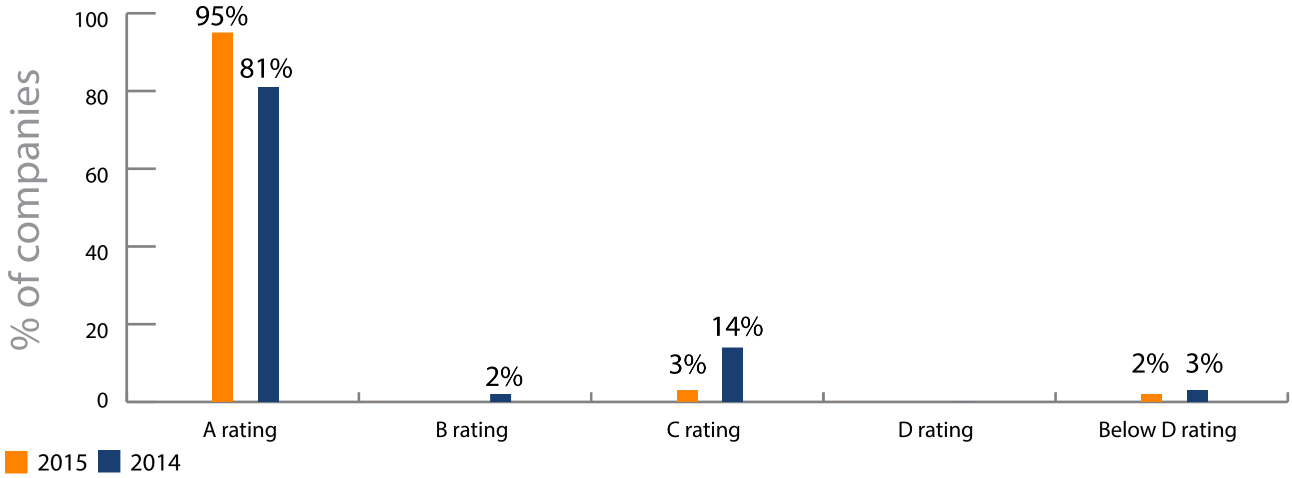
A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Eighty-three (2014: 89) of the companies scored higher than a D rating and the average score was 67% (2014: 73%).

The specific target areas in this year's assessment were applied more strictly here than in the past, as the panel expected improvement to be shown. The focus was on having the external audit of the AFS disclosed in the integrated report itself for whichever form of AFS (full, abridged or summary AFS) was actually included in the report. The same disclosure of non-financial assurance was expected, as well as a focus on the Combined Assurance Model. This is a critical area in integrated reporting. For more on this, also see 1.4 and 1.5.

1.1.8 CONSISTENCY AND COMPARABILITY

Graph 11 – Consistency and Comparability



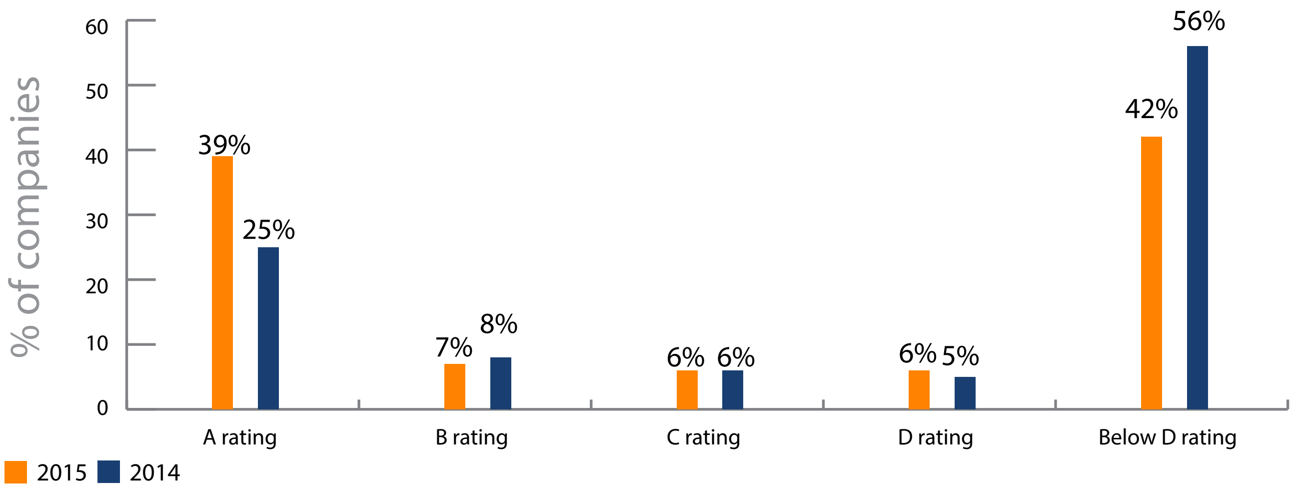
A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

105 (2014: 97) of the companies scored higher than a D rating and the average score was 95% (2014: 84%).

This component was adhered to for most part – this may be due to the stringent IFRS requirement for the AFS, which ensures consistency and comparability. More companies are trying to comply with the <IR> Framework too, thereby making the remainder of the integrated report more comparable.

1.1.9 FUNDAMENTAL CONCEPTS, BUSINESS MODEL, CAPITALS

Graph 12 – Fundamental Concepts



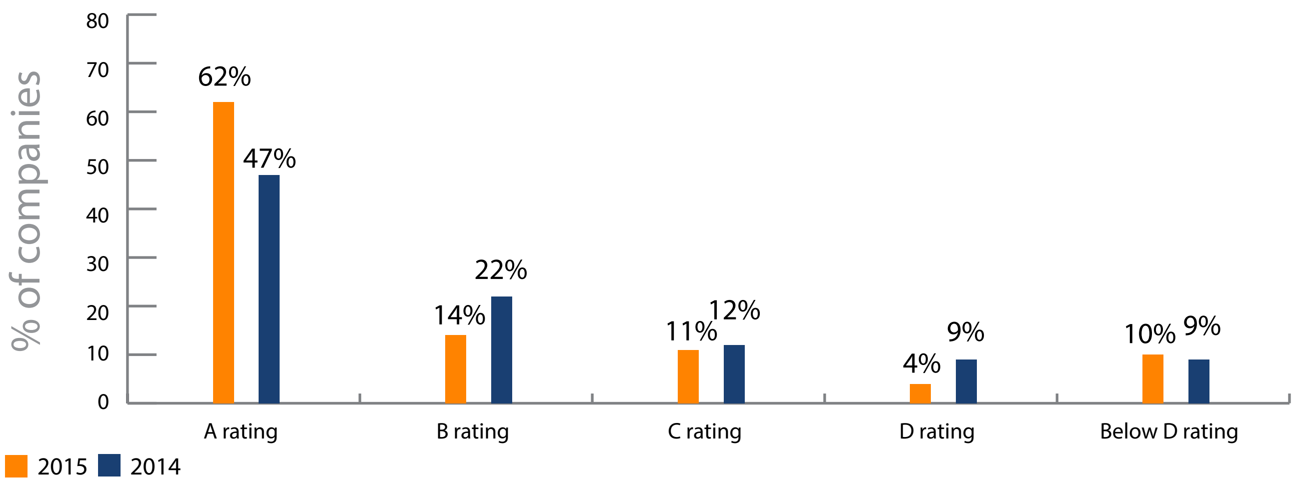
A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Sixty-one (2014:43) of the companies scored higher than a D rating and the average score was 56% (2014: 45%).

This component was much better amongst the high-scoring companies. Some truly applied their minds and came up with an excellent value creation model. Many more are also now using the Six Capitals to explain their businesses and value creation model.

1.1.10 CONTENT ELEMENTS

Graph 13 – Content Elements



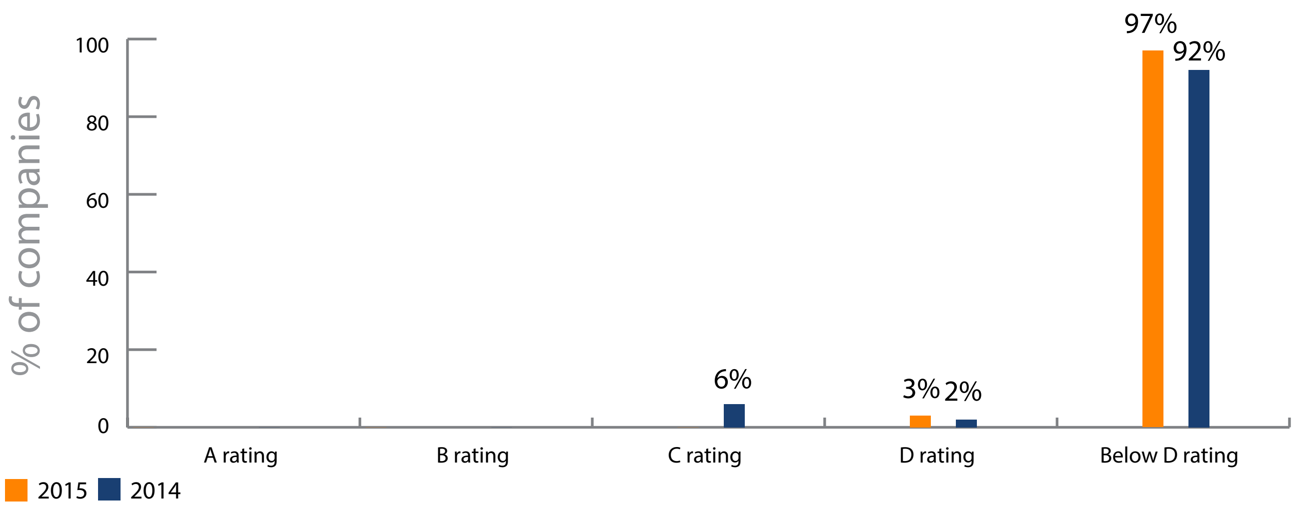
A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Ninety-six (2014: 91) of the companies scored higher than a D rating and the average score was 79% (2014: 72%).

There was a slight improvement in term of companies disclosing these components, and in greater detail. Very few companies disclose a mission any longer, which seems to have been replaced with the values of the organisation. Risk management and mitigation, and strategy and performance, are well disclosed.

1.1.11 THE "WOW" FACTOR

Graph 14 – The "Wow" Factor



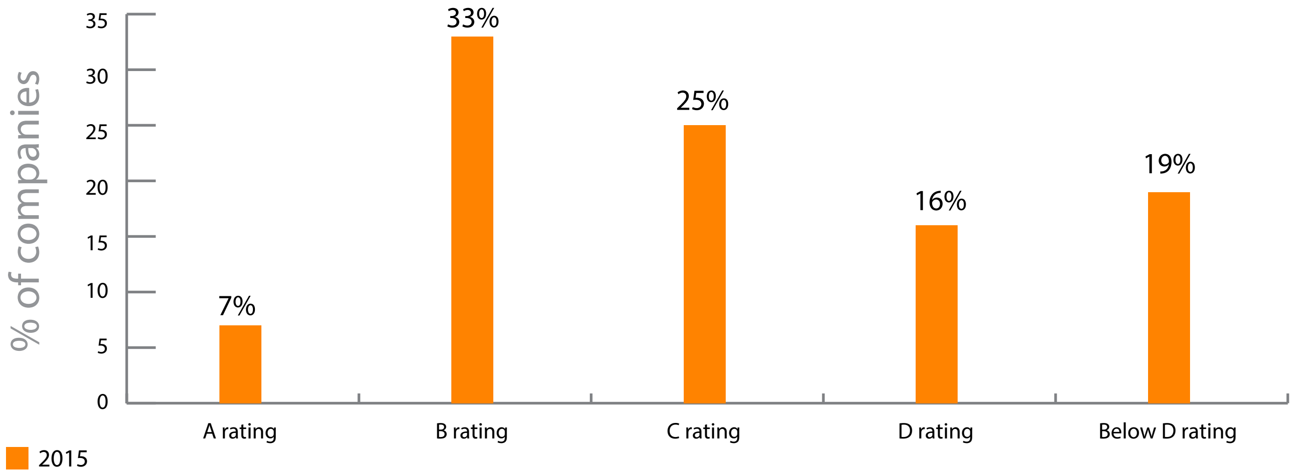
A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

104 (2014: 92) of the companies scored lower than a D rating and the average score was 15% (2014: 14%).

1.1.12 LAYOUT AND BASIS OF PRESENTATION

Graph 15 – Layout and Basis of Presentation

This component was not assessed in the previous year.



A Rating	B Rating	C Rating	D Rating	Below D Rating
80% – 100%	70% – 79%	60% – 69%	50% – 59%	0 – 49%

Eighty-seven of the companies (81%) scored higher than a D rating and the average score was 62%.

Many companies still fall behind in striking a balance between the number of reports they produce and the way in which these interact with one another. One company issued a thick "Annual Report", and an "Integrated Report" with another report bound into that. Another has 18 different reports on its website.

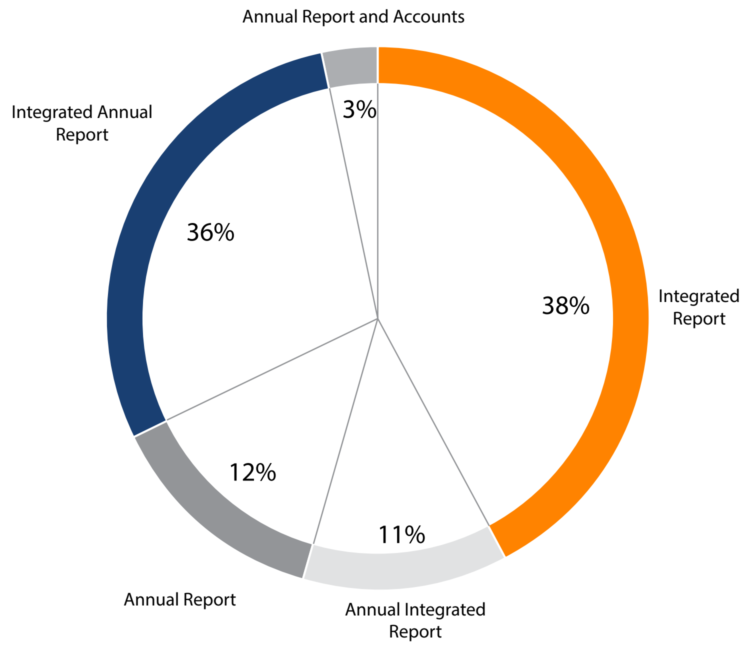
1.2 Adoption of the <IR> Framework

Unfortunately, the adoption of the <IR> Framework is not as widespread as expected. Only 75 of the 107 companies referred to it, whilst 81 included the word "Integrated" in the title of their reports. The group referring to the Framework scored an average of 69% – those that ignored it scored a telling 50%.

1.3 Titles of Reports

As in the previous year, the most common issue was that some companies simply did not follow the guidelines of the Framework. Most companies that adopted it (or said that they had) did reasonably well in the scoring. Those that didn't lost marks as the Content Elements and Fundamental Concepts were only partially disclosed, or in some cases, were either not included at all or not part of the integrated story that had to be told. In such cases, there was usually a lack of one or more of the framework requirements: the business model (if this was absent, then the Fundamental Concepts and the capitals were usually also not included) and in particular, the value creation process, strategy, stakeholders, risks and opportunities and outlook.

Graph 16 – Titles of Reports



The variety of titles used remains much the same as last year. The use of "Integrated Report" increased marginally, becoming the most popular compared to "Integrated Annual Report" last year. This title is the most mature, indicating that there is only one report, which is produced annually and which integrates all the relevant information into one document.

The title "Integrated Annual Report" still creates the perception that there are other annual reports over and above the integrated report (which is the truth in many instances). However, its use decreased quite substantially from 46.0% in 2013 and 40.0% in 2014 to 36.0% in 2015.

The "Annual Integrated Report" alludes to the fact that there are or might be other integrated reports, for example, half-yearly integrated reports. Oddly, this title usage increased from 9.0% in 2014 to 11.0% in 2015.

Even more concerning, is that there was some movement back to "Annual Report" (9.0% in 2014 compared to 12.0% in 2015), which one would hope would have decreased as companies adopt the Framework. The term "Annual Report and Accounts" was used by all the UK or Swiss registered companies (three in total).

1.4 Reliability of Information

"The reliability of information is affected by its balance and freedom from error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance."

As mentioned in the Executive Summary, this is the only reference in the Framework to assurance. The process has subsequently been enhanced with the release of a relevant discussion paper issued by the IAASB. The latest edition of the handbook also includes new and revised Auditor Reporting Standards designed to enhance auditor's reports for investors and other users of financial statements, as well as changes to some of the International Standards on Auditing™ to address the auditor's responsibilities in relation to going concern, financial statement disclosures, and other information (i.e., annual reports). These substantive changes will be effective for audits of financial statements ending on or after December 15, 2016.

It is good that progress is being made in non-financial assurance and the guidance from the IAASB will certainly play a big role in assuring non-financial information.

Currently 75 of the 107 top 100 and SRI companies (70.0%) state that their reports follow the Framework, which is a good sign. The GRI is also busy developing integrated reporting standards and 72 or 67% of the 107 companies stated that they support these standards (G3 or G4) as well.

King III is still the framework receiving the most support, with 94 of the companies (88.0%) referring to the Code. With the recent launch of King IV, one can expect that this will play a major role in ensuring better governance in South Africa in future. There are two fairly substantial sections dedicated to integrated reporting, its contents and assurance on such reports, which also allude to the Framework. Hopefully more companies will now start following the IIRC's Framework, together with King IV.

As mentioned, this review still includes the SRI Index as a basis for deciding the population of companies to be assessed. The SRI was replaced with the FTSE/JSE Responsible Investment Index Series (the FTSE Russell) at the end of 2014, but since this was shortly before the 2015 annual reports were published, the SRI Index was still used as a basis for inclusion. It might therefore explain why of the 107 SRI companies included, only 32 (30.0% of the 107; 40.0% of the 80 SRI companies) referred to their status as SRI companies. What is peculiar is that six of these companies are not SRI companies.

1.5 Assurance on Integrated Reports

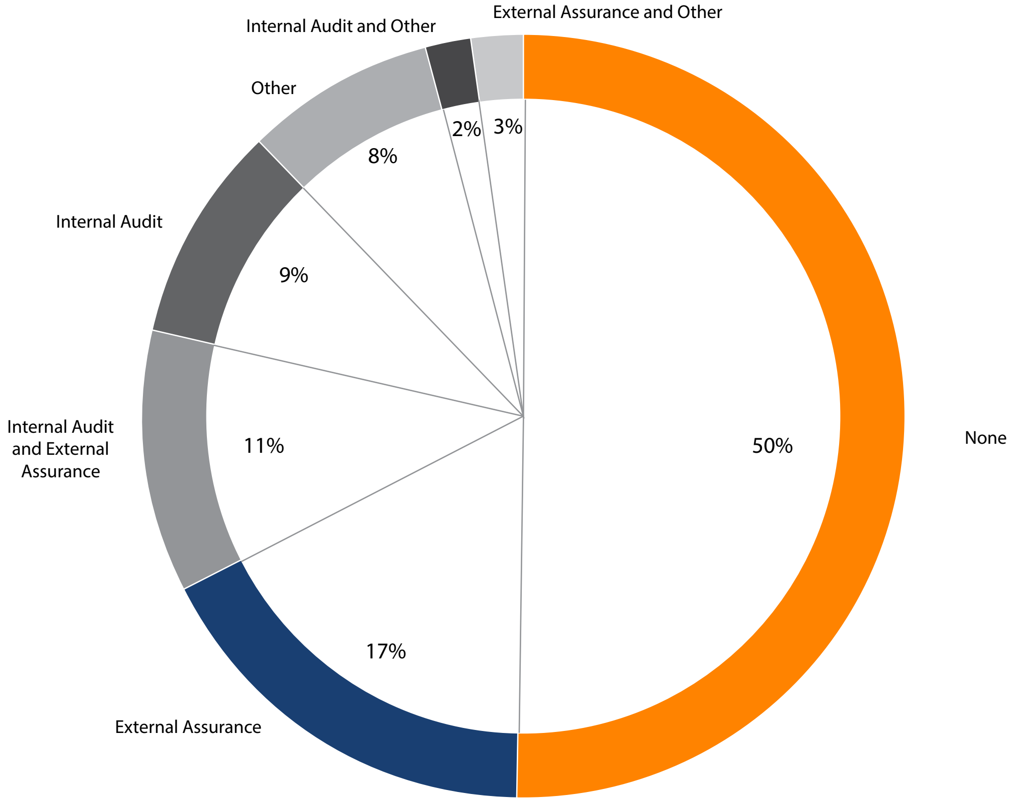
Reliability of reporting is closely related to credibility of reporting and thus assurance plays a meaningful role. This is usually associated with an audit, and particularly an external or statutory audit, historically only concerned with just the AFS. However, non-financial information also needs to be credible, as explained in the previous section. For this reason, one should consider the quality, reliability and credibility of the non-financial information. The relevant companies dealt with this in their own ways, and many discussed how this assurance was gained. Some disclosed their entire Combined Assurance Model and brought that into the explanation. Many relied on Internal Audit alone (often, however, without including a report), others relied on a variety of external assurance providers, e.g. their external auditors or another audit or assurance firm.

Essentially, there are three types of non-financial (or non-financial) assurance providers used by companies particular in sustainable information assurance:

- External assurance firms (whether they audited the AFS as well, or not);
- Internal Audit (whether outsourced or in-house); and
- Other assurance providers (assurance companies outside the financial accounting and auditing firms).

No company applied integrated assurance, the assurance provided was performed by the following types of providers:

Graph 17 – Types of Non-Financial Assurance Providers

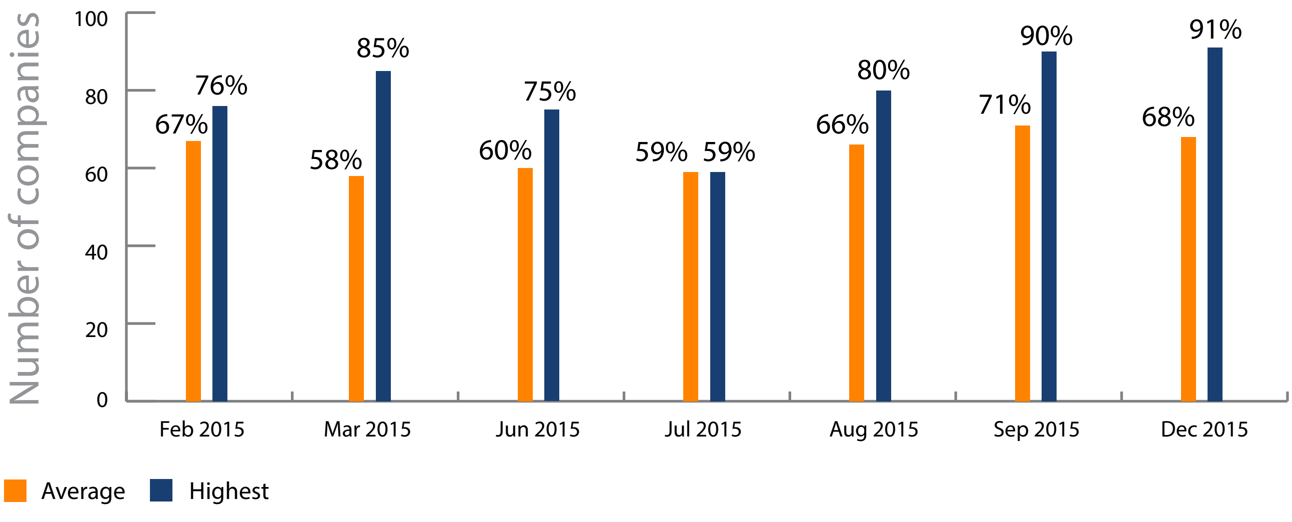


It is of concern that 50% of the leading companies in South Africa do not obtain any assurance on non-financial information or disclose any reasons for deciding not to do so. This matter should be addressed as these companies should be expected to provide leadership and innovation in this regard.

1.6 Timing of Reports Versus Scores Achieved

The question here is that in a normal calendar year, does a company with a later financial year-end, e.g. in December, have a better chance of producing a better integrated report? In analysing this, the following picture emerges:

Graph 18 – Timeline: Average and Highest Score Per Year-End



September and December year-ends had a higher average score than those with different (and earlier) year-ends. This was also the case in 2014.

It is difficult to describe this as a trend, since in 2014 two companies had December and March year-ends. The March year-end was perhaps an exception, as the company was Tsogo Sun Holdings, which was the overall winner last year. Part of the reason for the 2014 year-ends could have been the late 2013 (December) launch of the final <IR> Framework. Could the November 2016 launch of King IV perhaps be a predictor of the same for the 2017 financial year-ends? Only time will tell.

1.7 Length of Reports

The average length of the integrated reports was 153 pages, a marginal improvement on the 169 pages of 2014. The longest report was 422 pages compared to 516 pages in 2014. The shortest report was 32 pages versus 63 in 2014 – no names will be mentioned as these companies did not score that well. Conciseness remains an issue for many companies. Perhaps it is a lack of focus on material items, perhaps it is the fact that 40 companies (53 in 2014 – thus a slight improvement) still included their full financial statements in the integrated report, easily adding an additional 100 pages or so. On the other hand, six companies did not include financial statements in their integrated report at all.

The remainder, of course, included something in between – a summary AFS with an extract of the AFS, or an abridged AFS.

For some companies, short integrated reports were simply too much of a challenge, and they added a suite of other reports to the integrated report. In these instances, the length varied significantly.

Sixty-three companies produced separate full AFS compared 47 in 2014, which is the appropriate trend – to take the full AFS out of the integrated report and only include an abridged AFS.

1.8 Conclusion

With reference to both, quantifiable and quantitative data, some aspects improved and some deteriorated. The more in-depth analysis is detailed in the following two chapters. What is clear from this chapter, is that the bar has been raised. The question is if it was raised high enough? Unfortunately, the answer is not yet "yes" as too many companies and industries fell short of expectations yet again.

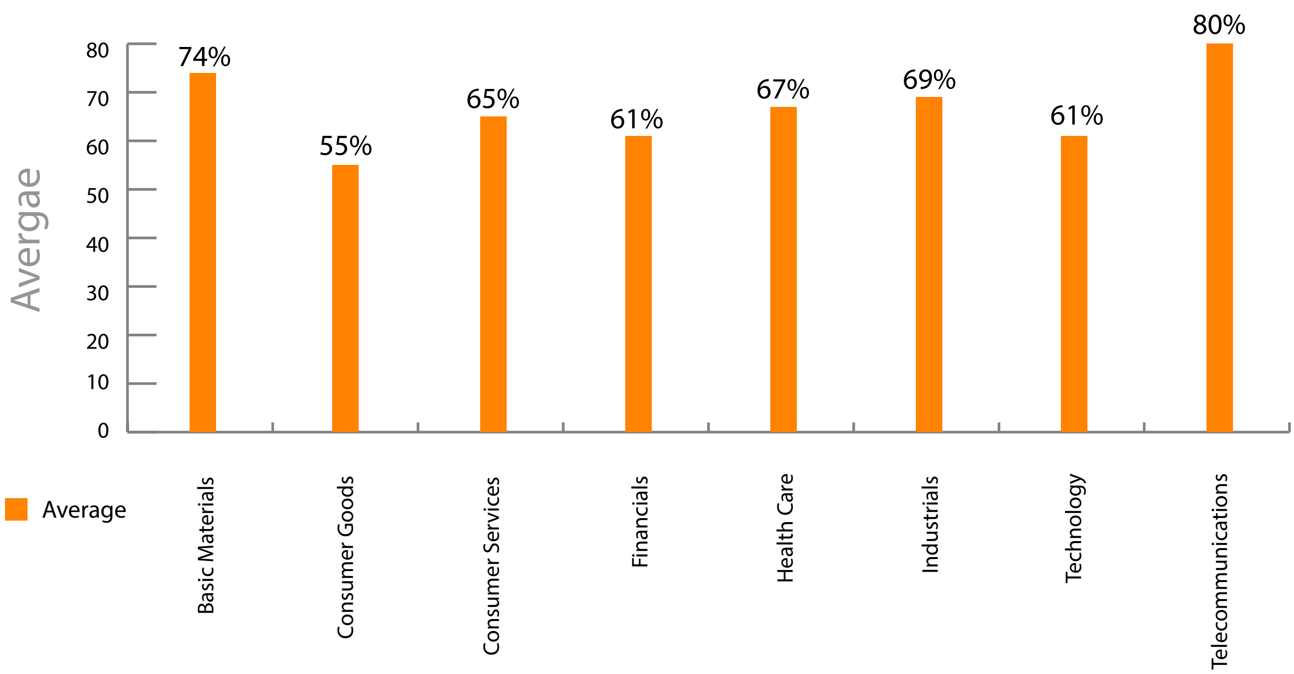
INDUSTRY ANALYSIS

2.1 Overall Ratings

The industry analysis shows that the leading sectors are once again Telecommunications, Basic Materials and Industrials. Oil & Gas was not included as only one company is included in that sector for the purposes of this section.

The Consumer Goods industry lagged with an average score of 55% (last year it was the Technology sector that lagged with an average score of 50%).

Graph 19 – Overall Ratings



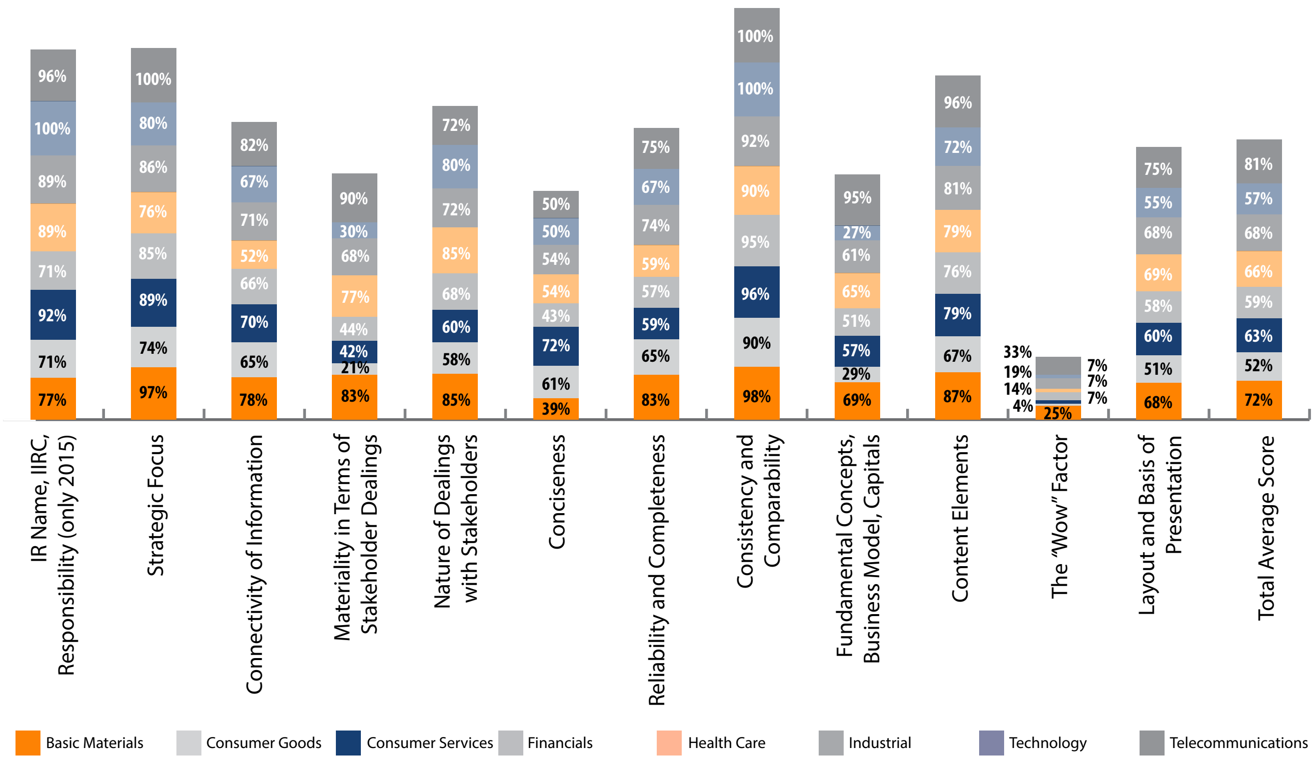
The award winners in each of the sectors are the following:

Company Name
Basic Materials
ArcelorMittal South Africa Limited
Royal Bafokeng Platinum Limited
Anglo American Platinum Limited
Kumba Iron Ore Limited
Exxaro Resources Limited
Sibanye Gold Limited
Consumer Services
Tsogo Sun Holdings Limited

Company Name
Financials
Nedbank Group Limited
Redefine Properties Limited
Health Care
Life Healthcare Group Holdings Limited
Industrials
Barloworld Limited
Nampak Limited
Aveng Group Limited
Mpact Limited
PPC Limited
Wilson Bayly Holmes-Ovcon Limited
Telecommunications
MTN Group Limited
Vodacom Group Limited
Telkom SA SOC Limited

It is useful to analyse the disclosure recommendations of the <IR> Framework in terms of which sectors are leading or lagging in each component. The graph above and the table on the next page exclude the Oil & Gas sector, which was represented by only one company, and the sector is also excluded from the analysis in the remainder of this chapter.

Graph 20 – Industry Evaluation



CHAPTER 2

Framework Component	Leading Industry	Lagging Industry
IR Name, IIRC, Responsibility (only 2015)	Technology	Consumer Goods, Financials
Strategic Focus	Telecommunications	Consumer Goods
Connectivity of Information	Telecommunications	Health Care
Materiality in Terms of Stakeholder Dealings	Telecommunications	Consumer Goods
Nature of Dealings with Stakeholders	Basic Materials, Health Care	Consumer Services
Conciseness	Consumer Services	Basic Materials
Reliability and Completeness	Basic Materials	Financials
Consistency and Comparability	Technology, Telecommunications	Consumer Goods, Health Care
Fundamental Concepts, Business Model, Capitals	Telecommunications	Technology
Content Elements	Telecommunications	Consumer Goods
The "Wow" Factor	Telecommunications	Consumer Goods
Layout and Basis of Preparation	Telecommunications	Consumer Goods
Winner	**Telecommunications**	**Consumer Goods**

Telecommunications is the strongest industry in terms of integrated reporting, while Consumer Goods lags in almost every respect (last year it was Technology). In the category analysis that follows, only the top three positions in each category are listed. A full list of all the company ratings per industry is given in Annexure B.

2.2 Basic Materials

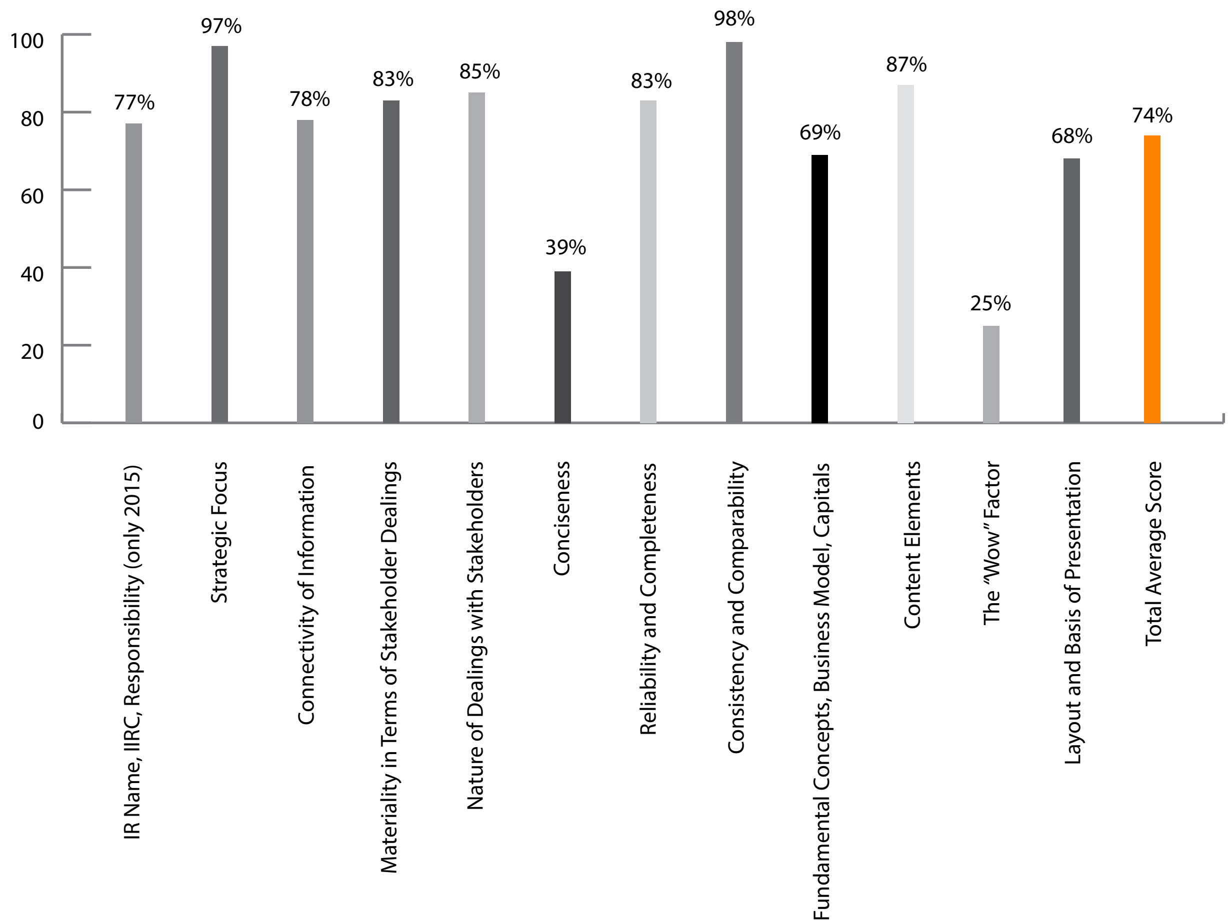
Top-rated performances in the Basic Materials sector are:

Company Name	Rating
ArcelorMittal South Africa Limited	1
Royal Bafokeng Platinum Limited	2
Anglo American Platinum Limited	3

The winner, ArcelorMittal South Africa Limited, was second last year, with the winner being Royal Bafokeng Platinum Limited. Anglo American Platinum is once again in third place.

The Basic Materials Sector scored very well on Strategic Focus and Consistency and Comparability. More work can be done on Conciseness and on being innovative and creative (the "Wow" Factor). Overall the industry scored an average of 74% (2014: 72%) The reports of all three winners in this sector can be regarded as good examples for those wishing to follow their lead. They are among the top six overall.

Graph 21 – Basic Materials



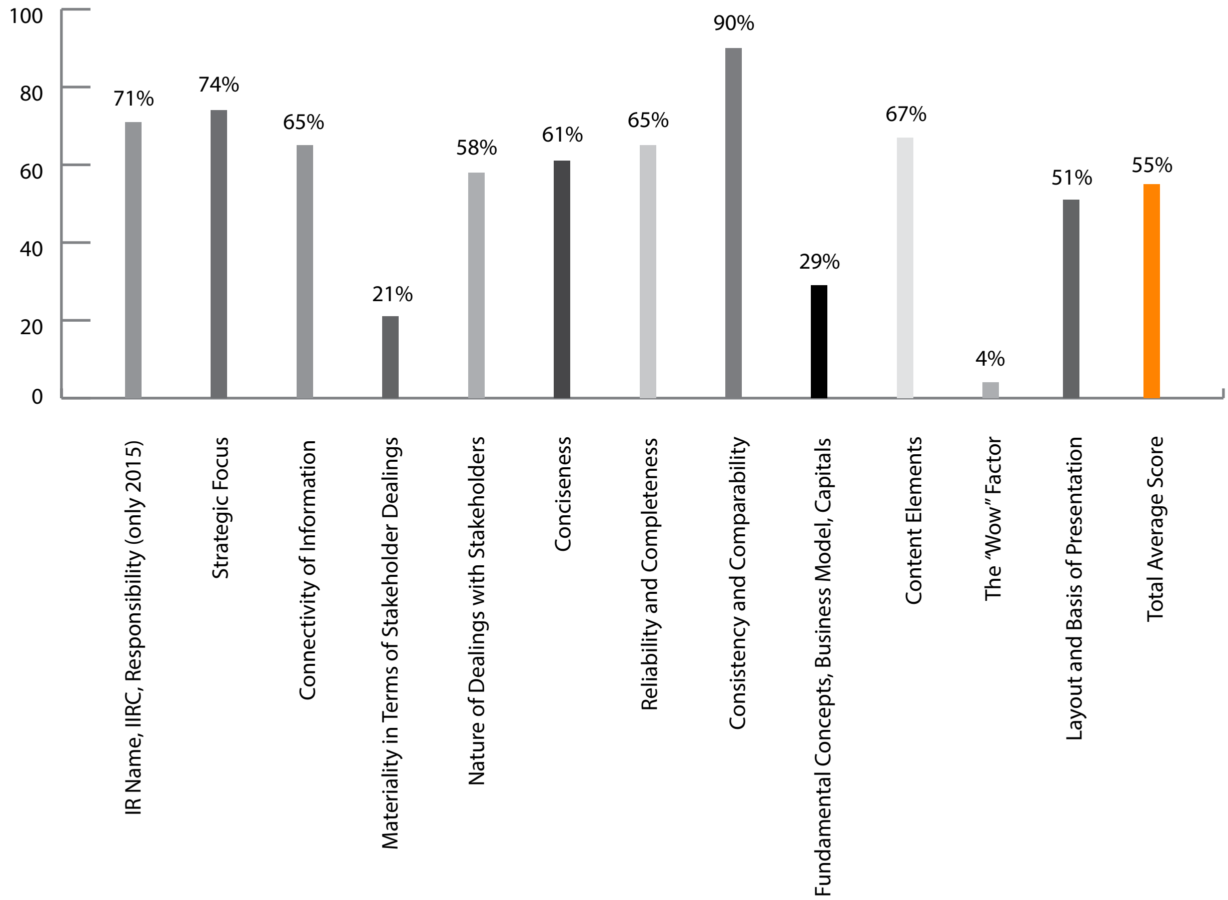
2.3 Consumer Goods

Top-rated performances in the Consumer Goods sector are as follows:

Company Name	Rating
Oceana Group Limited	1
Tiger Brands	2
Illovo Sugar Limited	3

The winner, Oceana Group Limited, was second last year. Tiger Brands is new on this list, as is Illovo Sugar Limited. The Consumer Goods Sector scored very well on Strategic Focus and Consistency and Comparability once again. More work can be done on Materiality, on being innovative and creative (the "Wow" Factor), and the Fundamental Concepts (particularly the business model). Overall, the industry scored an average of 55% (2014: 58%).

Graph 22 – Consumer Goods



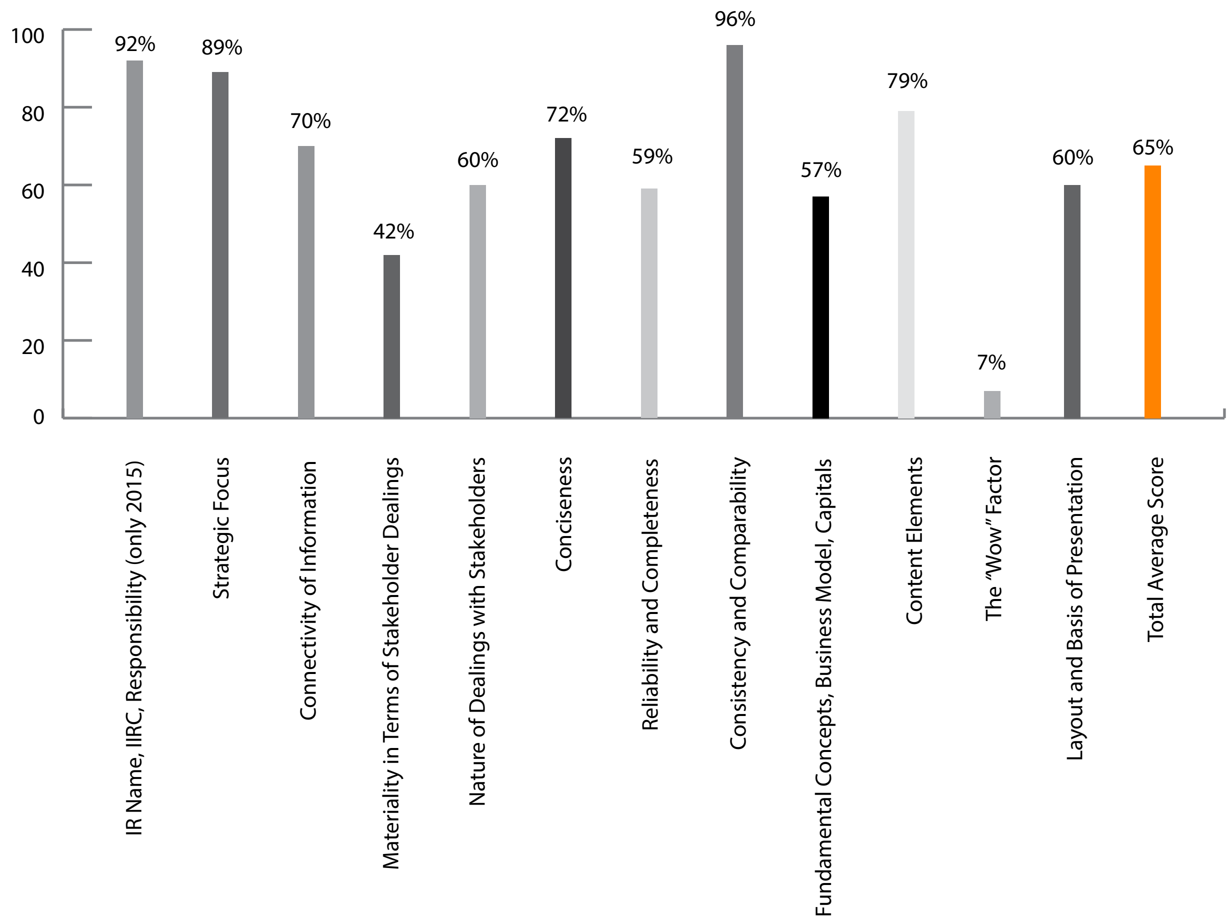
2.4 Consumer Services

Top-rated performances in the Consumer Services sector are:

Company Name	Rating
Tsogo Sun Holdings Limited	1
Woolworths Holdings Limited	2
Truworths International Limited	3

The winners remained the same as last year, except that The Foschini Group Limited no longer shares third place.

Graph 23 – Consumer Services



The Consumer Services sector scored very well on Strategic Focus and Consistency and Comparability again, as well as on the Integrated Report Name, IIRC Reference and taking responsibility for the integrated report. Like last year, more work can be done on Materiality and on being innovative and creative (the "Wow" Factor). Overall, the industry scored an average of 65% (2014: 58%). Tsogo Sun Holdings Limited remains of the leading companies in integrated reporting (7th place overall).

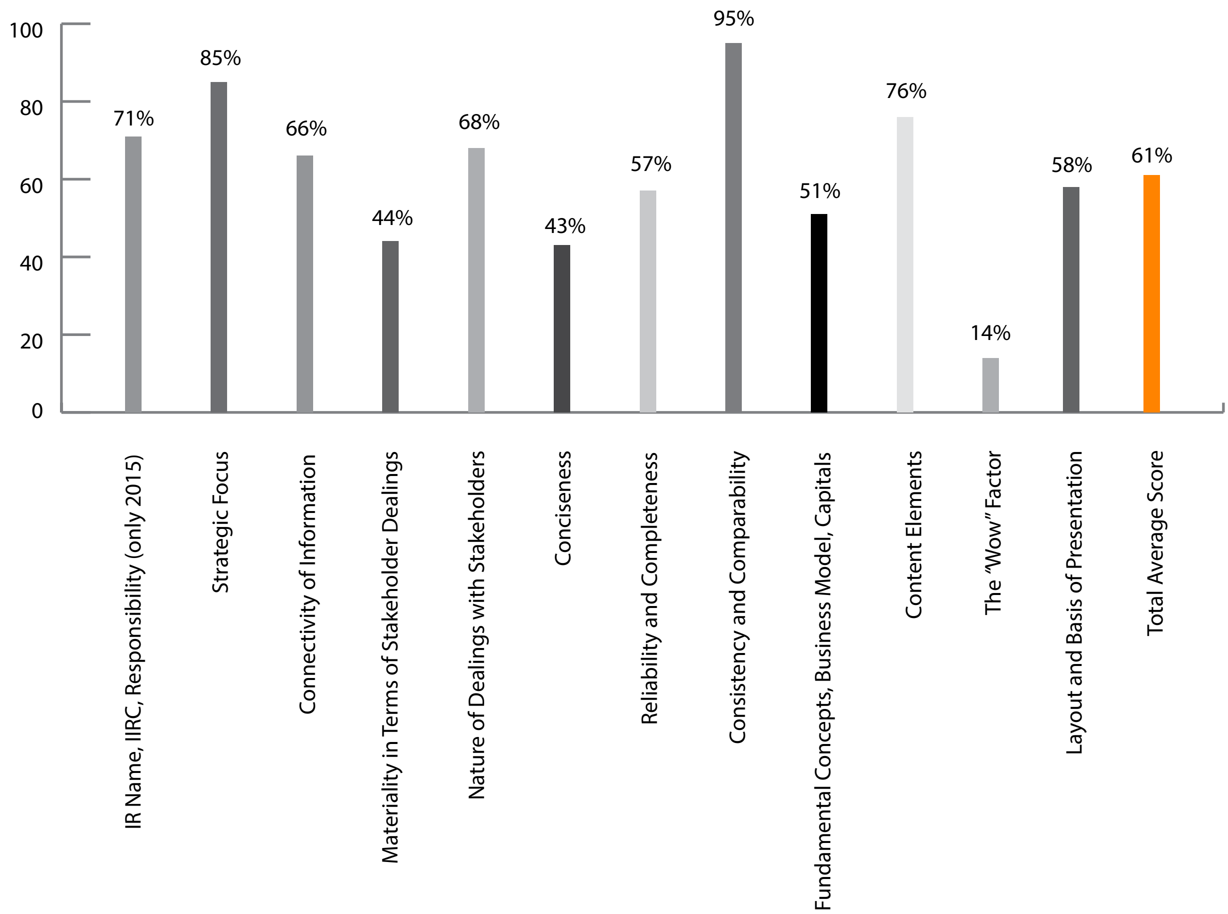
2.5 Financials

Top-rated performances in the Financials sector are:

Company Name	Rating
Nedbank Group Limited	1
Redefine Properties Limited	2
Hyprop Investments Limited	3

The winner was one again Nedbank Group Limited. While Liberty Holdings Limited was second last year, it has now been replaced by Redefine Properties Limited. Hyprop Investments Limited replaced Sanlam Limited in third place. The Financials sector scored very well on Strategic Focus and Consistency and Comparability once again. More work can be done on Materiality, Conciseness and on being innovative and creative (the "Wow" Factor). Overall the industry scored an average of 61% (2014: 61%).

Graph 24 – Financials



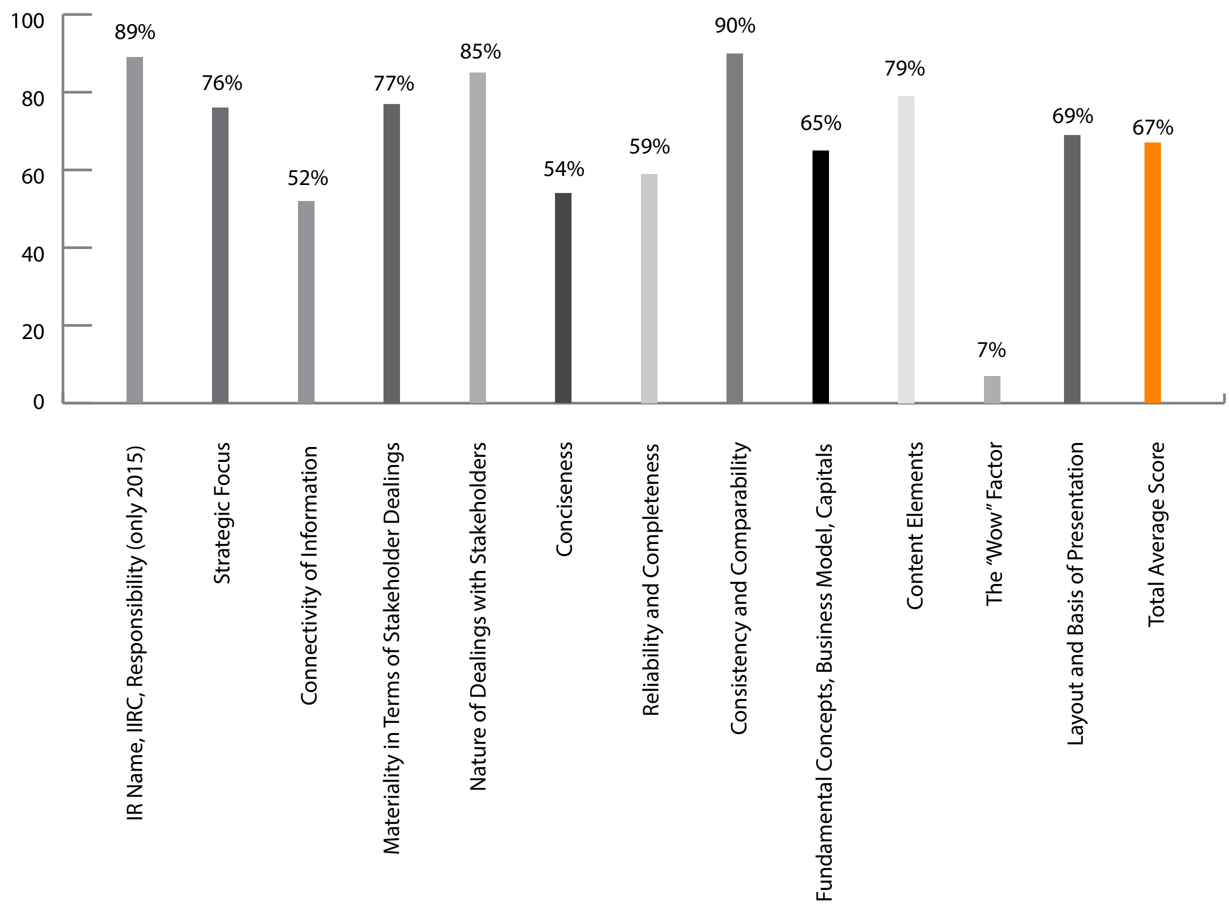
2.6 Health Care

Top-rated performances in the Health Care sector are:

Company Name	Rating
Life Healthcare Group Holdings Limited	1
Netcare Limited	2
Aspen Pharmacare Holdings Limited	3

The winner remained Life Healthcare Group Holdings Limited, while Aspen Pharmacare Holdings Limited moved from second position to third. Mediclinic International Limited had to make place for Nedcare Limited in second place.

Graph 25 – Health Care



The sector scored very well on Nature of Dealings with Stakeholders and Consistency and Comparability again, as well as on the Integrated Report Name, IIRC Reference and taking responsibility for the integrated report.

More work can be done on being innovative and creative (the "Wow" Factor). Overall the industry scored an average of 67% (2014: 61%).

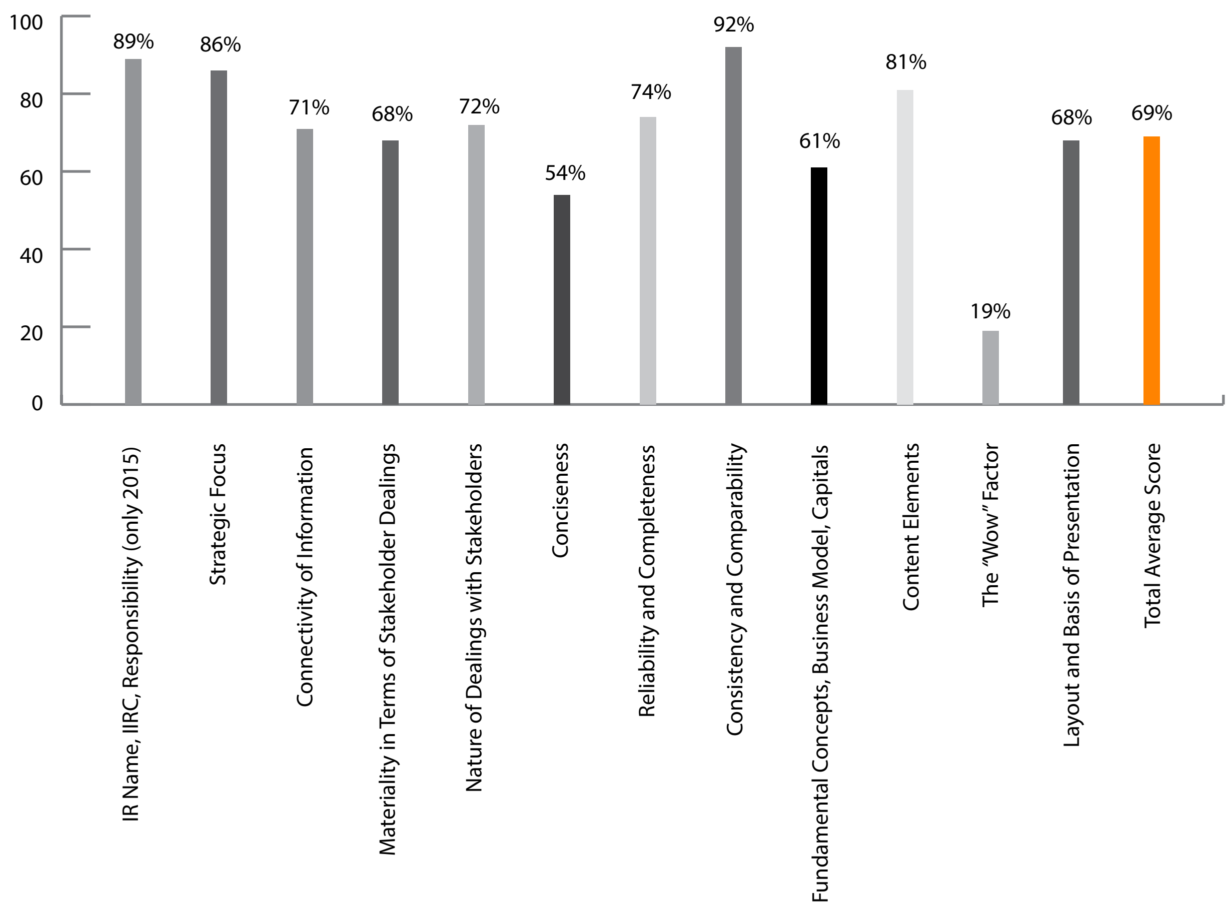
2.7 Industrials

Top-rated performances in the Industrials sector are:

Company Name	Rating
Barloworld Limited	1
Nampak Limited	2
Aveng Group Limited	3

Barloworld Limited moved up from third to first position, while Nampak Limited dropped slightly from first to second position, replacing Pretoria Portland Cement Limited. New to the line-up is Aveng Group Limited.

Graph 26 – Industrials



The Industrials sector scored very well on Strategic Focus, Content Elements and Consistency and Comparability, as well as on the Integrated Report Name, IIRC Reference and taking responsibility for the integrated report. More work needs be done on being innovative and creative (the "Wow" Factor) too. Overall the industry scored an average of 69% (2014: 65%).

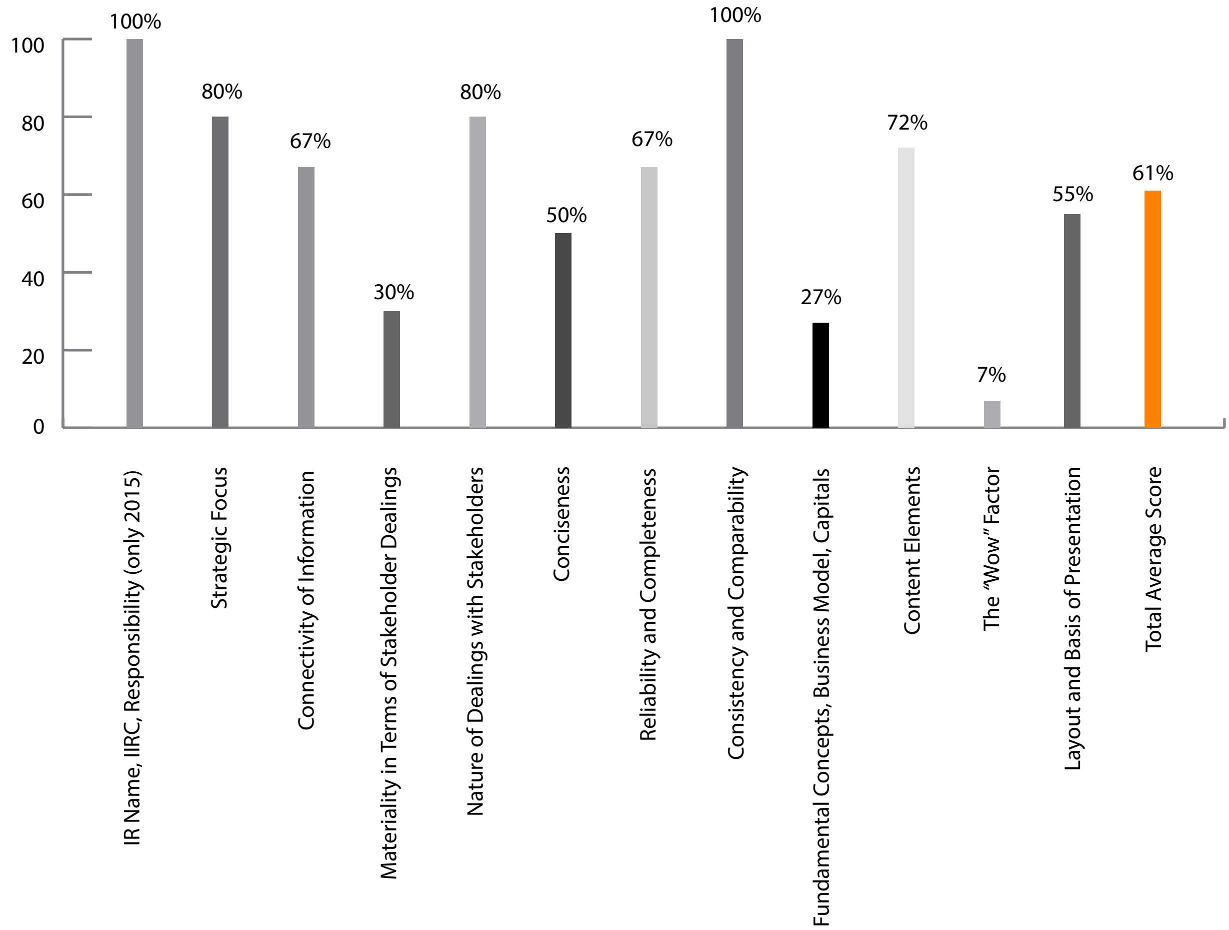
2.8 Technology

Top-rated performances in the Technology sector are:

Company Name	Rating
EOH Holdings Limited	1
Datatec Limited	2

Datatec Limited and EOH Holdings Limited are the only two companies in this industry after Business Connextion Group ceased to exist on its own.

Graph 27 – Technology



The Technology sector scored very well on Strategic Focus, and the Nature of Dealings with Stakeholders, and exceptionally well with respect to Consistency and Comparability and the Integrated Report Name, IIRC Reference and taking responsibility for the integrated report. More work can be done on being innovative and creative (the "Wow" Factor). Overall the industry scored an average of 61% (2014: 50%).

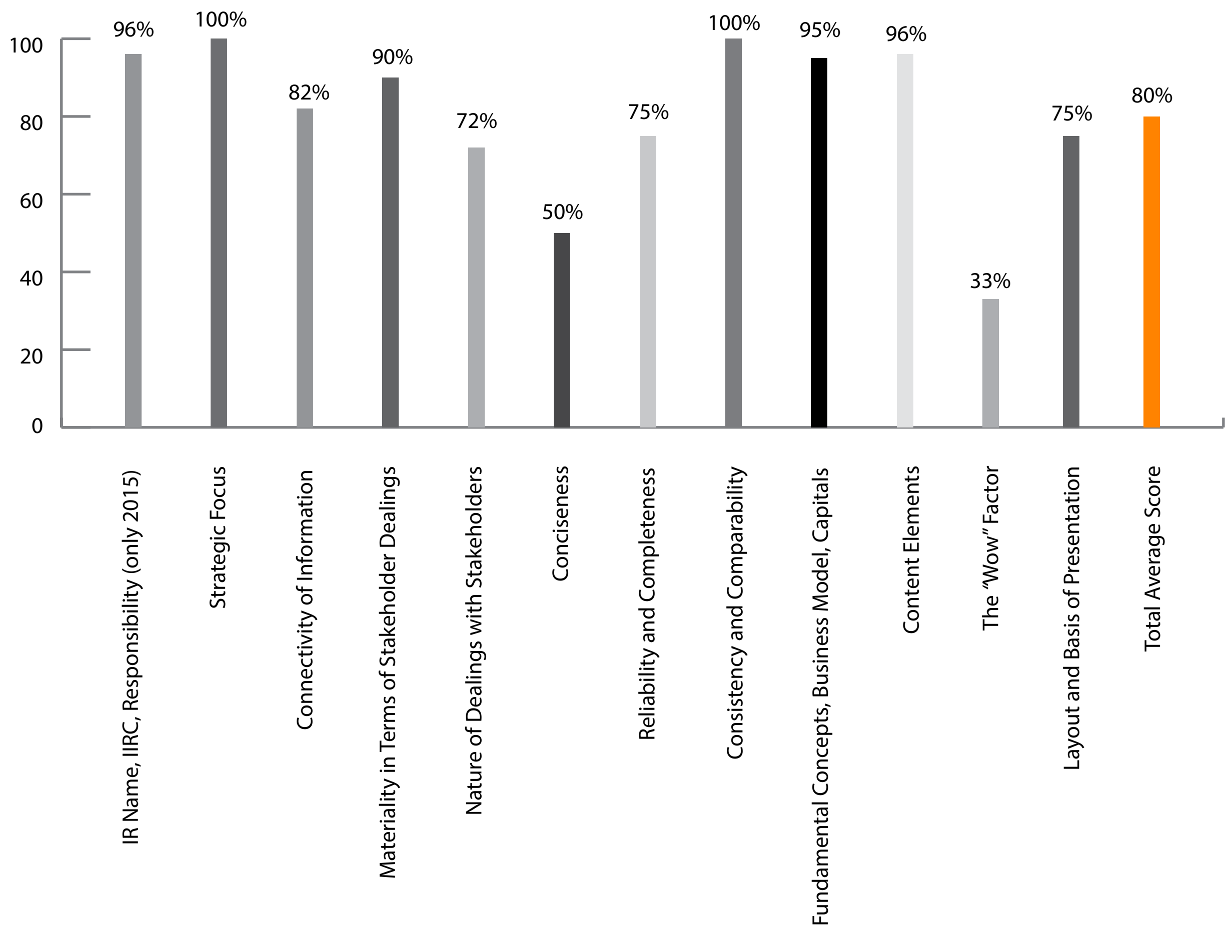
2.9 Telecommunications

Top-rated performances in the Telecommunications sector are:

Company Name	Rating
MTN Group Limited	1
Vodacom Group Limited	2
Telkom SA SOC Limited	3

Although Vodacom Group and Telkom SA Group are still in the top three, they have been surpassed by MTN Group Limited in first position.

Graph 28 – Telecommunications



The Telecommunications sector scored very well on seven of the criteria:

- Total Average Score
- IR Name, IIRC Reference, Responsibility (only 2015)
- Strategic Focus
- Connectivity of Information
- Consistency and Comparability
- Fundamental Concepts, Business Model, and Capitals
- Content Elements

Overall the industry scored an average of 81% (2014:78%), also the highest average sector score.

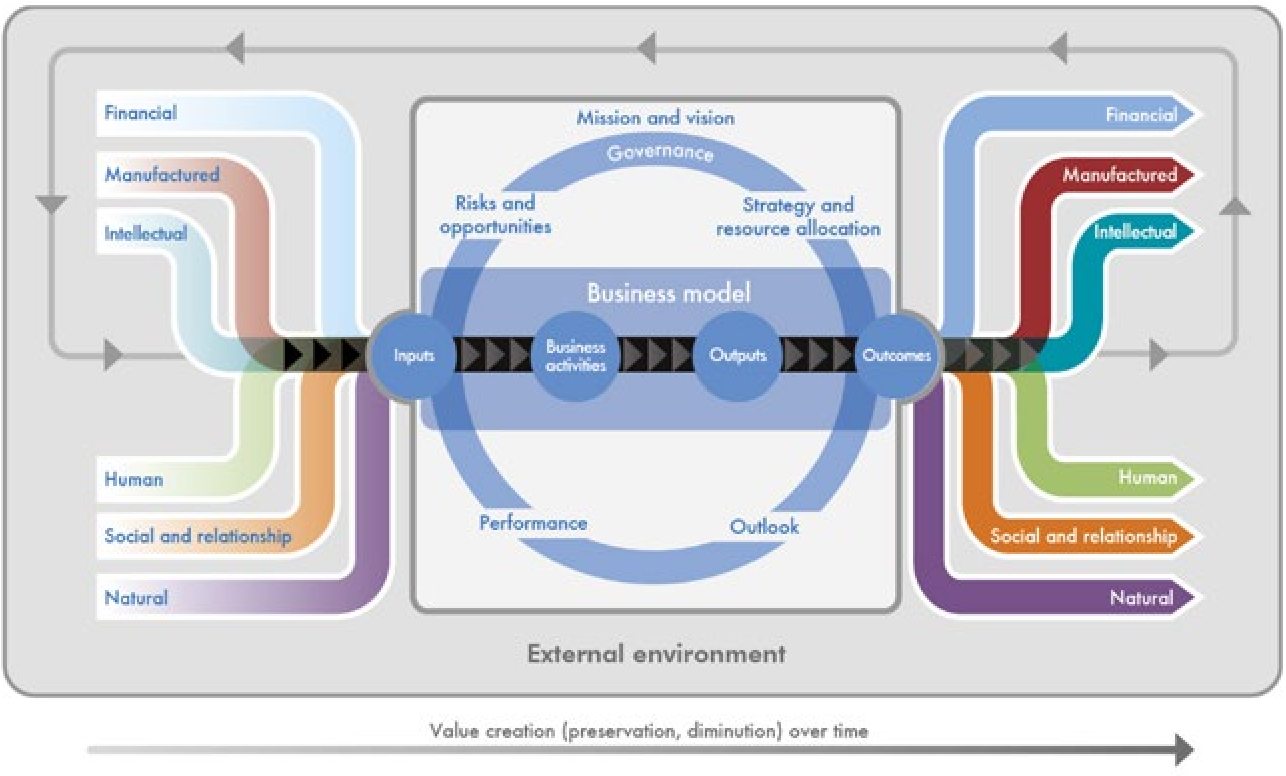
QUALITATIVE INSIGHTS

3.1 The <IR> Framework Total Score Analysis

According to the International <IR> Framework, there are three fundamental concepts underpinning integrated reporting:

1. **The capitals.** These are the resources and the relationships used and affected by the organisation, which are identified in the Framework as Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural Capital. However, an integrated report does not have to cover all six capitals – the focus is on capitals that are relevant to the entity.
2. **The value creation process.** At the core of the value creation process is an entity's business model, which draws on various capitals and inputs, which, through the entity's business activities, creates outputs (products, services, by-products, waste, etc.) and outcomes (internal and external consequences for the capitals).

All the elements are linked together in a graphic presentation of the value creation process, where the business model takes centre stage. The Six Capitals are the starting point for this process (forming inputs into the business model) as well as the end-point, i.e. the outcomes as represented below.



Graphic 1: The Value Creation Process, the Business Mode and the Six Capitals as per the <IR> Framework

This kind of mapping or modelling of value creation is an important foundation for strategic planning and for performance measurement and evaluation (Adams, 2015). For this reason, it is important to understand if and how a business analyses and interprets its own value creation process in an integrated manner within its integrated report. That is the first sign that the silos of reporting are being broken down and that integrated thinking is taking place.

A summary of how the companies have disclosed the Fundamental Concepts and value creation process is provided in Chapter 1. In this chapter, more details of these components are provided. Please note that only those companies demonstrating the best efforts with respect to a valid and relevant a value creation model, with capitals and content elements, are analysed here. This chapter thus focuses only on the five companies that tried to apply these aspects of the International <IR> Framework in the best possible manner.

3.2 The Value Creation Process, the Business Model and the Six Capitals

3.2.1 Starting the Journey Towards Integrated Thinking

We urge companies that are serious about integrated reporting to also embrace "integrated thinking", and that they should perhaps start including a narrative about their journey towards this objective in their reports. This is, after all, the most important aim of the Integrated Reported Framework, and is ultimately about ensuring the long-term sustainability of organisations through the sustained creation of value for stakeholders.

The Framework defines integrated thinking as *"The active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term."*

It further emphasises that effective integrated reporting depends an organisation's ability to successfully implement integrated thinking. However, given that the Framework provides very little further information on integrated thinking, it is to be expected that companies are still navigating their way. With this in mind, the South African Institute of Chartered Accountants (SAICA) has produced a paper: "Integrated Thinking – An exploratory survey to assist South African companies start to get to grips with what is expected of them". The survey sought input from 69 JSE-listed companies, as well as 34 non-executive directors who serve on the boards of various listed companies and state-owned entities. We do therefore recommend this paper as a practical guide to assist companies in their journey.

3.2.2 Disclosure of the Value Creation Process, the Business Model and the Six Capitals

ArcelorMittal

Company:
ArcelorMittal South Africa Limited

Indusrty:
Basic Materials

The value creation model can be found on pages 6 and 7 of the 2015 Integrated Annual Report. The business model shows three capitals as inputs: Natural Capital, Human and Intellectual Capital (combined as one), and Financial Capital. What we like particularly about this model is that it is very easy to follow, especially the business model, which has essentially remained the same since 1928, and which, literally, represents the physical process of steel production. The outputs and outcomes are classified according to the six capitals, and what makes this report interesting is the frank description of the trade-offs, which is introduced as follows: "In 2015, to stay in business, our utmost priority was to minimise losses – and to preserve cash. The imperative to preserve financial capital meant significant trade-offs; most were financial capital positive but negative for other capitals." One of the examples given is "The restructuring of our long steel products division saved R73 million".

Sanlam

Company:
Sanlam Limited

Indusrty:
Financials

While Sanlam wasn't included in the top 10 companies, scoring an overall B rating, it is one of the top five companies when it comes to disclosing the value creation process and business model, including all the content elements. The business model, on page 34 of the report, is depicted as a circular process with the six capitals at the heart of it. This is an extremely comprehensive and visual way of showing the interaction between elements of the model, for example between the business' activities and the key risks, etc. The value creation process is also exceptionally detailed, flowing from the six capitals as inputs to the financial solutions, to the activities and competences, and then to the outputs where value has been created. Again, it is clear from the way in which this report is structured and the depth of the information provided that Sanlam is thinking about the value creation process in great detail – and forethought.

Company:
Nampak Limited

Indusrty:
Industrials

This was one of only a handful of the companies which still included its vision, mission and values – in fact, an entire page was dedicated to this. The business model itself, on page 10 of the report, was preceded by a definition of the six capitals as defined by the company, which are used as inputs into the business model. The model itself consisted of three major components: People, Processes and Products. The outputs and outcomes which flow from this are, once again, described in terms of the six capitals. However, what was most notable in this report was the detailed discussion (nine pages long) on "How we allocate resources and create value", where each resource (capital) is put into context, all the key inputs listed, all the relevant activities for each listed, and where all the outcomes and outputs are provided in KPI format. Again, this should serve as an example to companies wishing to emulate good practice.

Company:
Telkom SA SOC Limited

Indusrty:
Telecommunications

The business model – on page 8 of the 2015 integrated report – is linked to Telkom's strategy and is represented as a process flow where the organisation's purpose, i.e. to "Seamlessly connect South Africans to a better life" lies at the centre of a circular graphic, followed by layers depicting ERM, governance and stakeholders. Linked to the graphic are assets, values, governance, stakeholders, and ERM, each briefly described.

This graphic flows onto the next page, where the strategic objectives are listed. These include being a "leading provider of converged ICT solutions", putting the "customer first", and "building a sustainable business". The process flow relates to each of the six capitals. The only deviation from the <IR> Framework is that the term "productive" is used in relation to Manufactured Capital. The value created or the outcome of each capital is then listed. The next few pages of the report focus on the key features of the financial year, including a table outlining wealth creation, followed by graphs showing both wealth creation and wealth distribution. There is also a table in the report dedicated to integrated performance indicators. The section concludes with an analysis of the share price performance and main shareholders.

Company:
Nedbank Group Limited

Indusrty:
Financials

Nedbank's "value-creating business model" can be found on pages 11 and 12 of its 2015 report, and is shown in linear fashion with arrows flowing from left to right across the two pages. The six capitals are the inputs enabling its value-adding activities, which then deliver financial performance (described as the outputs). The final outcomes (set out in monetary terms) disclose how these activities add value to stakeholders, including staff, clients, shareholders, regulators and communities. What is great about this is the disclosure of risk as intrinsic to the model.

This double-age spread is followed by an entire section devoted to dealing with how value is created sustainably, including reflections from the Chief Executive, the drivers guiding the strategy (the vision, the "Deep Green" aspirations, 2020 targets, long-term goals, values and material matters), determining the material matters, strategic focus areas and delivering the strategy through the business clusters.

It's clear from just looking at the contents page of this section, that Nedbank has applied its mind to how to tell its value creation story through its report, and it sets an excellent example for others to follow in this respect.

3.3 Social and Relationship Capital and Human Capital

The <IR> Framework defines the capitals as stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation. They are categorised in the Framework as financial, manufactured, intellectual, natural, social and relationship, and human capital, although organisations preparing an integrated report are not required to adopt this categorisation or to structure their report along the lines of the capitals.

We have selected the latter two for scrutiny in this year's review, and how these were dealt with by the Top 100. We felt that these two capitals were perhaps more difficult for companies to report on since in many respects, the measurement of the effect of both on the value creation process is either intangible or hard to quantify.

We therefore felt that these two capitals would represent and ideal "dip stick" test to see how JSE Listed Companies are both applying and reporting on capitals outside of financial capital. In our 2017 survey we will follow up with scrutiny of the other capitals, focusing particularly on non-financial capitals.

3.3.1 Human Capital

Human capital is now seen as a key driver of organisational success, with increasing importance being placed on understanding its role. It is often the most significant asset an organisation has as business models become centred on people, intellectual capital and technology. - Creating Value: The value of human capital reporting, IIRC

In South Africa, there has been reporting on human capital, with many of the companies we reviewed including detailed information in their integrated report, their sustainability report, and sometimes in the remuneration report.

Most companies surveyed therefore did report in some detail on the following aspects related to human capital:

- the capabilities, talent or expertise of their people
- their workplace diversity and inclusion
- B-BBEE and transformation, and
- learning and development initiatives.

Also reported on were succession planning, incentive structures, health and well-being, human rights, labour practices and labour relations and productivity.

What is perhaps proving more challenging for companies, however, is providing a direct link between human capital inputs and outcomes and therefore value created. Talent, skills, personal attributes and creativity of people can ultimately affect performance, and human capital is fundamental for innovation within an organisation. The culture created by the way that people think or act, can often be a key differentiator. Employee morale, corporate reputation and customer satisfaction are also directly linked to human capital, and therefore to overall organisational performance.

Human capital and how it is managed can have a massive impact on a company's ability to create value and sustain future growth, and the benefits include a better understanding of how the leadership is creating value, with investors more likely to support investments in future capability, and less likely to push for short-term initiatives that undermine the long-term performance of the company. Other stakeholders whose views impact the reputation of the organisation could also get better insight into the issues that matter to them. Finally, providing better evidence of value creation can lead to improved practices and investment in human capital, and in HR-related technology, information and analytics.

Given this context, we urge listed companies to apply more thought to the human capital and how they report on it, including providing metrics for reporting performance that are linked to creating value over the short, medium and long term.

3.3.2 Social and Relationship Capital

Social and relationship capital is defined in the <IR> Framework as the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:

- shared norms, and common values and behaviours,
- key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders,
- intangibles associated with the brand and reputation that an organisation has developed, and
- an organisation's social licence to operate.

Social and relationship capital has been interpreted in the main to mean stakeholder relationships and engagement. While many companies disclosed a wide variety of stakeholders in their reports, listing anything between five and 16 stakeholders, as well the methods they used to engage their stakeholders, which are just as many and varied, the detail of stakeholder engagement was not disclosed, nor were specific cases of engagement with stakeholders that had an effect or outcome on the company.

The research also assessed if any of the companies measured stakeholder engagement. In this regard, a variety of KPIs, contract details, specific GRI indicators, capital strategic objectives, targets and performance were disclosed. The final aspect which was considered, was what was disclosed under Social Capital, or if this was mentioned at all.

Those companies that did include information relating to social capital – or social and relationship capital – reported on widely varied issues, either specific to social capital or related to staff and other stakeholders. Again, what was absent was the linkage between social and relationship capital and the outcomes, and the impact on the value creation process, and, in turn, performance.

We encourage companies to improve the articulation and disclosure of social and relationship capital and are encouraged that King IV places emphasis on stakeholder engagement and inclusivity, with this being one of the four underpinning principles of the new Code, and enshrined in Principle 5, and within the spirit of the Code.

Understanding stakeholder expectations will greatly assist the executive to develop better strategy. Stakeholder relationships should be a recurring item on the governing body's agenda so the board can be kept apprised of the current state of the relationship between the organisation and its stakeholders.

King IV Code of Governance, 2016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CHAPTER 4

King IV and Integrated Reporting and Assurance on Reports

Last year's Nkonki report "Insights into the Top 100 JSE Listed Companies | Integrated Reporting Trends" stated that there were several aspects that would work to shape the integrated reports of South African companies in the next few years, citing the King IV Code of Governance as one of these.

With the launch of King IV on 1 November this year, we are pleased to say that the new Code includes a far better detail of integrated thinking and integrated reporting to drive holistic, long-term performance and value creation by an organisation.

A critical consideration for boards will now be about how to harness the power of integrated thinking and integrated reporting in implementing the new Code.

The IIRC welcomes the publication of South Africa's new corporate governance code, King IV, which is the first outcomes-based governance code in the world and modelled on the International <IR> Framework. The code … recognises Integrated Reporting as a key principle of corporate governance.

- IIRC

King IV has been written through the lens of the six capitals and the value creation process. It also recognises the "three shifts" in terms of global economic governance as defined by the IIRC and as mentioned elsewhere in this report. In fact, the three shifts now form the foundation stones of the Code, most notably, for the purpose of this review, the one from "Silo Reporting to Integrated Reporting".

In addition, the Code notes that commitment to integrated thinking starts with adoption at the top and then "through the integration of strategy, risk and opportunity, sustainable development, performance and outcomes".

As such, integrated thinking sits at the very heart of King IV as one of its underpinning philosophies, along with "the organisation as an integral part of society", "corporate citizenship", and "stakeholder inclusivity", which provided the link between sustainable development and integrated reporting.

To support the ability for the governing body to have an integrated view, the Code requires that they have sight of the value creation process, as well as of the organisation's inputs, business processes, outputs and outcomes so that they can appropriately govern and report on the organisation's performance and value creation.

King IV also acknowledges that integrated reporting is an outcome of integrated thinking, and integrated reporting is dealt with in Part 5.2 of the Code, where it is positioned as the result of a series of leadership responsibilities that need to be executed by the governing body.

The Code reinforces where disclosure relating to it should be made, mentioning the integrated report, the sustainability report, the social and ethics report, but leaves it to the discretion of the governing body as to where an organisation does this, and whether these reports are online or printed.

Finally, as mentioned, Part 5.2 of the Code contains a detailed section on reporting and more specifically, what is required of the governing body in relation to reporting. It is also enshrines reporting in Principle 5, which states: *"The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium-, and long-term prospects".*

In conclusion, Nkonki welcomes this new Code, which is well-alligned to integrated reporting as a new way of communicating, and which we have actively supported since 2011.

King IV closes the circle of integrated reporting that was started with the release of King III in September 2009. King III called on organisations to prepare an integrated report each year which would reflect the appreciation that strategy, risk, performance and sustainability are inseparable. This resulted in the founding of the IRC of SA to develop a framework for an integrated report. This framework later fed into the development of the International <IR> Framework released by the International Integrated Reporting Council in 2013. The release of King IV now closes the circle as it references the International <IR> Framework underpinned by the same thinking and terminology.

The IRC of SA expects that the practice of integrated reporting in South Africa will be widened following the release of King IV. This is because King IV's five sector supplements recommend the preparation of an integrated report to organisations that may not have been preparing them in the past. The supplements cover: small- and medium-sized enterprises, non-profit organisations, retirement funds, state-owned enterprises and municipalities. At present integrated reports are common practice among South Africa's listed companies and larger state-owned organisations, with some smaller state-owned organisations, municipalities and non-profit organisations also preparing integrated reports.

Integrated Reporting Council of South Africa

The Tricky Issue of Assurance

As mentioned, combined assurance and assurance on non-financial information seems to remain a challenge for South African organisations for the number of reasons including those listed last year:

- Organisations use a range of mechanisms to enhance credibility and trust, of which assurance is only one.
- Internal systems needed for integrated reporting are far less mature than systems for financial information; they may often be ad hoc and in some cases, do not exist at all.
- Integrated reporting is relatively new and is still evolving; assurance on integrated reporting will need to evolve alongside the practice itself.
- Ongoing consultation will help ensure that assurance maintains the focus on being market-led and delivering value for money.
- Innovation and experimentation is necessary, although existing assurance principles and methodologies should not be prematurely rejected.
- The total costs and benefits of assurance are difficult to assess; however, it is likely that assurance will become more cost effective as time goes by.
- Assurance practitioners will need to develop a comprehensive understanding of how value is created (for the organisation and for others) across the full range of capitals. This will require an
- Appreciation of "systems thinking".
- A range of technical challenges will need to be considered by assurance standard-setters.

However, the International Auditing and Assurance Standards Board's (IAASB) Integrated Reporting Working Group (IRWG) has recently released a discussion paper on assurance: Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements. The paper was released in August, with comments due by 15 December. This follows the release of an earlier paper, Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting in July 2015.

CHAPTER 4

The IAASB paper poses a central question, i.e. "What expectations do stakeholders have of professional services in supporting the credibility of emerging forms of external reporting by entities" – it also examines the IAASB's role in supporting such services so that shareholders' expectations are met.

Perhaps most relevant to this review are the key trends in external reporting which have been identified by the IRWG, included in the summary below:

"… Increasingly, entities are reporting more holistically and cohesively about:
- *their goals;*
- *their business model, strategy and governance processes;*
- *the risks and opportunities they face and how they manage and respond to them; and*
- *their performance, position and prospects.*

When entities give such an account of their goals, and how they are striving to meet them, they are responding to calls from investors and other stakeholders to tell their "story" in a manner that:
- *communicates the value the entity creates in the short, medium, and long term; and*
- *links the elements of that story together to create a cohesive whole."*

As society's expectations of entities evolve, entities are also increasingly responding to calls from investors and other stakeholders for more information about the wider impact they have on society and on the non-financial resources they employ or impact ("non-financial information"). As a result, external reporting by entities is increasingly providing non-financial information that goes beyond the traditional focus on their financial position, financial performance and impact on their financial resources.

There is a debate about whether and to what extent these broader information needs of stakeholders should be met through a single channel – the annual report –or whether different channels should be used for different purposes. However, it is evident that investors also expect more non-financial information to be disclosed, at least insofar as it is relevant to the prospects and financial performance of the entity.

This trend in reporting broader non-financial information has developed alongside the sustainability/environmental, social and governance (ESG) reporting movement over the last three decades, and is now led and supported by a number of global organisations and affiliations of interested parties.

In addition, the digital revolution is transforming stakeholder access to information about entities – broadening and deepening external sources of information about them and the context in which they operate. It is also reducing the cost and increasing the speed with which information can be accessed and assimilated by markets. With access to more, and timelier, sources of information, stakeholders' expectations of the depth and quality of the story that entities tell are increasing and stakeholders are better able to assess and challenge such information.

These trends are seen not only at a global level but also at national and regional levels in a wide variety of initiatives to enhance management commentary and annual reports, including, for example:

- The requirements on the disclosure of non-financial information by large companies included in a European Directive, which affects around 6,000 companies in the European Union.
- The requirement in the JSE Listing Requirements for listed entities to apply, or explain their non-compliance with, the principles of the King Code of Governance Principles, which recommends the issuance of an integrated report.
- Standards for reporting sustainability indicators that the Sustainability Accounting Standards Board in the United States is in the process of developing.
- The requirement for some public sector entities and charities in New Zealand to provide a Statement of Service Performance, with related guidance provided by the New Zealand Auditing Standards Board.
- The UK Corporate Governance Code, amended in 2016 to require a" viability statement" and public disclosure of how the directors of an entity have assessed its prospects and over what period. This information is included in the strategic report as part of a fair, balanced and understandable annual report and improves transparency about the entity's ability to sustain itself in the future (i.e., whether it is viable in the longer term).
- The Dutch Accounting Standards Board's Guideline 400 on annual reporting, which includes economic, social and environmental information. Listed companies, private companies and public organisations are encouraged to report on a voluntary basis and reporting is monitored by the Ministry of Economic Affairs, which publishes benchmark results on an annual basis.

There is also emerging awareness that the prospects of an entity are impacted by a wider range of factors than those that are presented in the financial statements, as well as awareness of the close linkage between wider value creation and the ability of an entity to sustain its operations in the future."

The paper then goes onto discuss the role of emerging forms of external reporting (EER) frameworks in delivering assurance, along with who would be responsible for providing such assurance. For this review, sufficed to say that what the IAASB discussion paper – and its predecessor – does signify an increasing focus on the need for external assurance, particularly of non-financial information. However, it is interesting to note that IRWG listed the following as the top 10 challenges for providers of assurance on non-financial information. The wait for international guidance on assurance may be some time in the making.

• Scoping EER assurance engagements • Suitability of criteria • Materiality • Building assertions in planning and performing the engagement • Maturity of governance and internal control processes	• Narrative information • Future-oriented information • Professional scepticism and professional judgment • Competence of practitioners performing the engagement • The form of the assurance report


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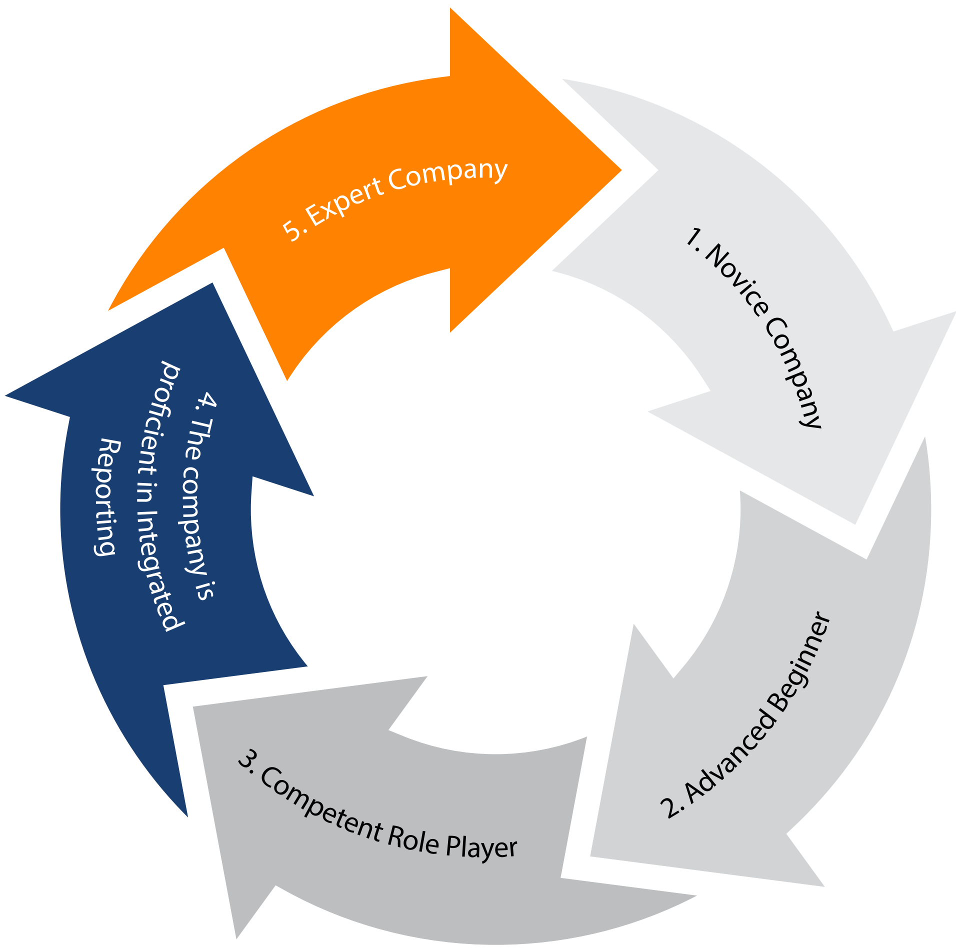
CHAPTER 5

APPLYING
THE NKONKI MATURITY CHART

An integrated reporting maturity chart was developed by Nkonki to assist Audit Committees, those tasked with integrated reporting as a function, those preparing integrated reports, and other relevant stakeholders in navigating the journey towards integrated reporting.

Essentially, one has to determine how many aspects have been completed within each level. Once a level is "completed" (i.e. there is an ability to tick off all or most of the aspects in that level), the next level can then be attempted.

Figure 2 – Maturity Levels

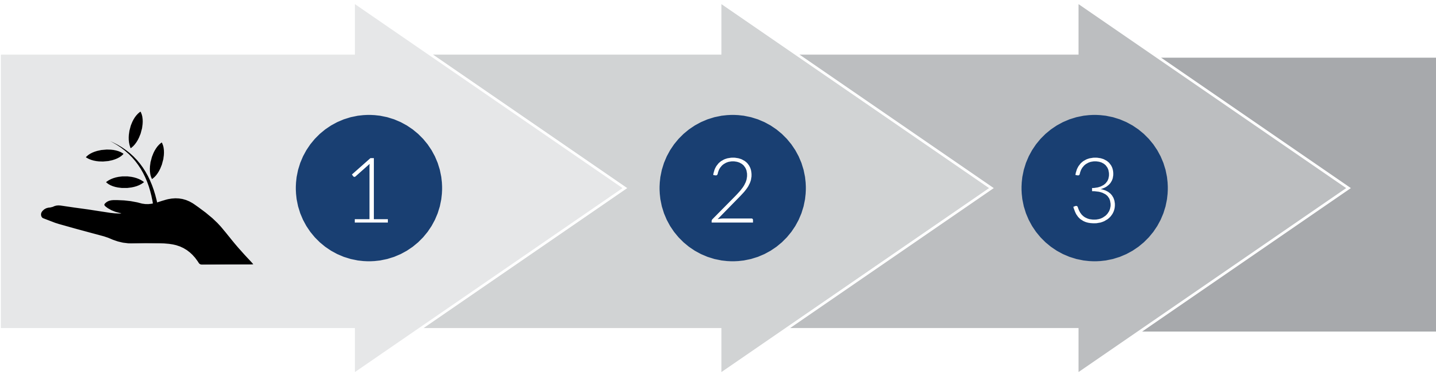


CHAPTER 5

Integrated Reporting

MATURITY CHART LEVELS

AFS = Annual Financial Statements | **KPI** = Key Performance Indicator



Novice Company

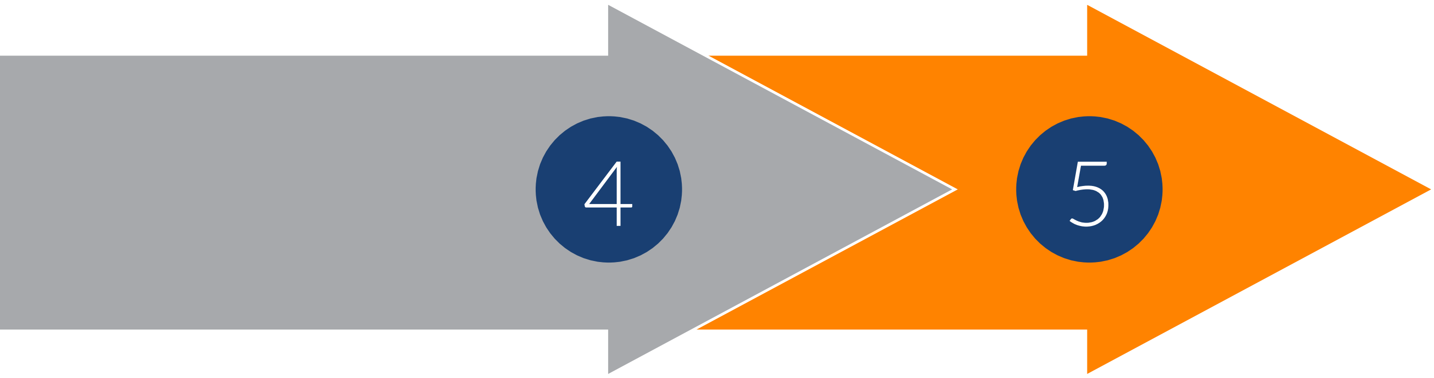
- There is a legal requirement to produce an integrated report, or a decision to produce an integrated report is made by the Board
- The Board or Audit Committee members (and other relevant committee members) have received basic governance and Integrated Reporting training
- A governance report is already being published
- Gap analysis has been done to determine the Integrated Reporting maturity level
- The Audit Committee has recommended the planning of an integrated report
- There is a strategy, vision and mission
- There is a risk management system
- There is a system of stakeholder engagement

Advanced Beginner

- A champion has been appointed
- The company has decided on available resources
- It has decided on a strong team and internal/ external members and writers
- Specific training on Integrated Reporting for internal team members has been conducted
- Gap analysis has been done to determine information to be gathered
- Gap analysis has been done in terms of the expertise available for Integrated Reporting
- Gap analysis has been done in terms of compliance to legislation and other guidelines
- There are terms of reference for the Integrated Reporting team (approved by the Audit Committee and the Board)
- A team has been appointed
- There is full buy-in by the Board or Audit Committee and management
- A plan of the process (or project) management is drafted and approved

Competent Role Player

- A workshop or brainstorming session has been held by the Board or Audit Committee and management, with the team or champion facilitating; each role player becomes competent in his/her contribution
- Planned actions are derived from goals
- Strategy and risks, boundary, stakeholder relationships, material matters, outlook and KPIs to be part of the integrated report have been determined as part of the workshop
- The assurance required has been decided upon
- The team decides on the information/ content to be gathered
- The name of the report is "Integrated Report"
- Consideration is given to management renumeration and bonuses and related core KPIs
- All information and content are gathered
- There is a business model as per the <IR> Framework – with capitals and value creation
- The final layout is determined by the team
- "Integrated thinking" is in the process of being adopted in the entity
- A gap analysis has been done of draft against best practices and benchmarks
- The Integrated Reporting process can now be executed
- A draft is ready for next phase



The Company is Proficient in Integrated Reporting

- Resources are available for internal audit resources – at a minimum (internal assurance)
- "Integrated thinking" is embedded in the entity
- The integrated report includes the full AFS with audit report, if not too lengthy; otherwise the abridged AFS with relevant audit report
- A mature business model is included and proper wealth creation descriptions are applied
- The Audit Committee recommends a draft integrated report to the Board
- The Board or Audit Committee has approved the final integrated report
- The final integrated report is produced and published – print and web
- A post-implementation review is performed

Integrated Reporting Expert Company

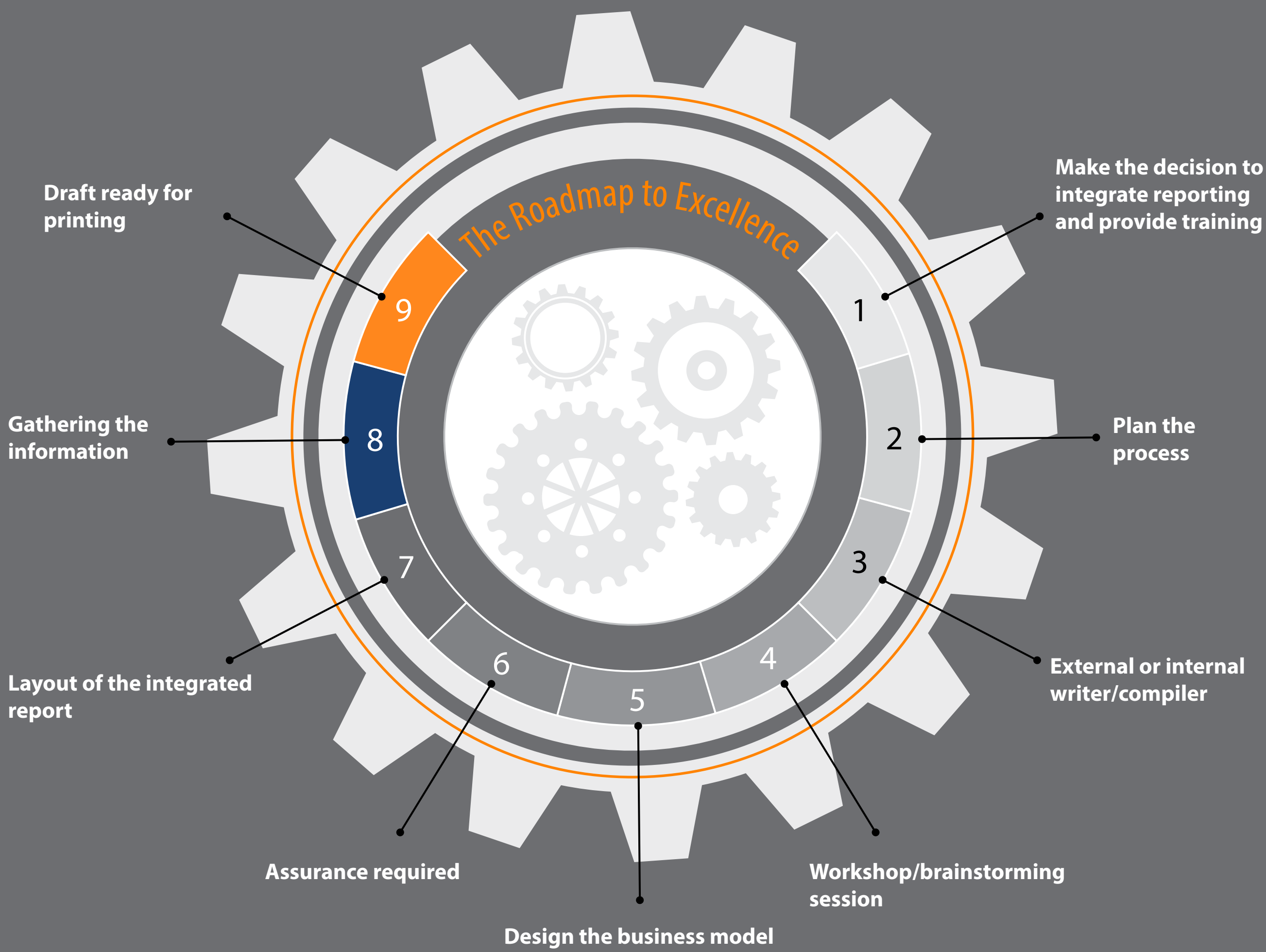
- Resources are available for external assurance
- An unqualified report on the AFS is desirable
- There is a fully implemented Integrated Assurance Model
- The abridged AFS and relevant audit report are available
- An external assurer expresses an opinion on the integrated report as a whole
- "Integrated thinking" is embedded in the entity
- A post-implementation review is performed

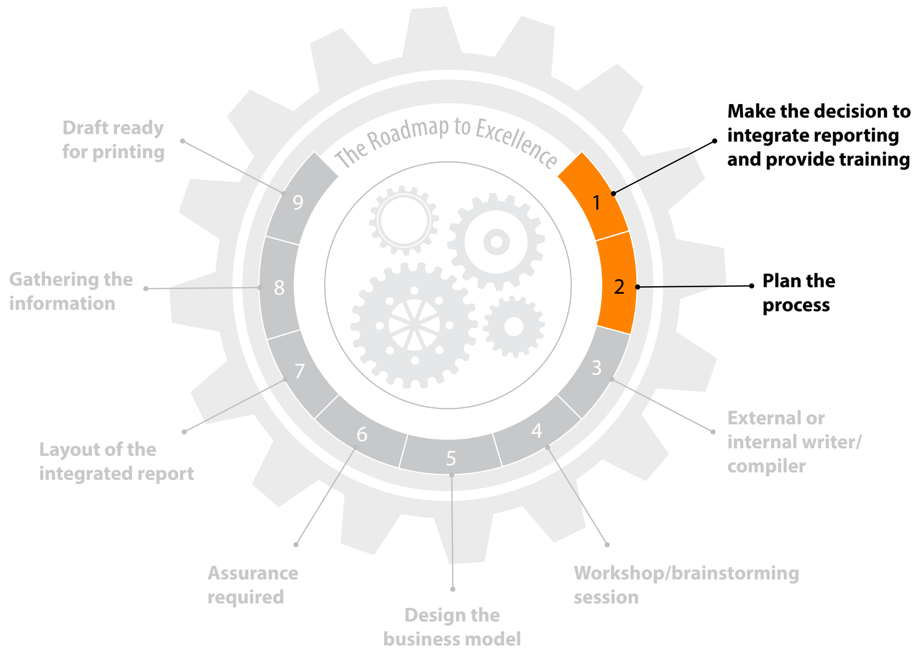
CHAPTER 5

A PRACTICAL GUIDE – THE ROADMAP TO EXCELLENT INTEGRATED REPORTING

The roadmap towards integrated reporting comprises the ability to embrace the true spirit of integrated reporting (as contained in the <IR> Framework).

Figure 3 – Roadmap to Excellence





5.1 Embracing the True Spirit of Integrated Reporting

According to the IIRC, *"Integrated Reporting is an approach to corporate reporting that demonstrates the linkages between an organisation's strategy, governance and financial performance and the social, environmental and economic context within which it operates"* (2013a).

The sustainability reporting process defined by the GRI Sustainability Reporting Framework can help companies wanting to produce integrated reports, in three main ways:

- **Identifying material issues** – topics that express the core link between business goals and sustainability impacts
- **Stakeholder engagement** – dialogue to help determine material impacts and manage risks and opportunities
- **Performance indicators** – measuring, managing and reporting material issues using an internationally-accepted framework

In integrated reporting, there are a number of concepts that not all Audit Committee members, directors, managers or even fund managers are familiar with as yet. These concepts are not easily implemented in a business entity as they are fairly radical. This is the first mind-shift that Audit Committee members, directors and managers should make. The business world is changing dramatically and integrated reporting is certainly playing a big role in this change. Things will never be the same again. It will take personal time and effort from each individual to come to terms with this change.

The biggest questions remain: How do we tackle integrated reporting, and how do we get it embedded in the fibre of our business? The main objective for now would be to become familiar with the IIRC document, "International <IR> Framework" and to think about how to apply that in the business entity. This chapter provides a suggested roadmap of how to move towards proper integrated thinking, followed by proper integrated reporting.

1. Make the decision to integrate and provide training

The Board or Audit Committee as a unit should make the decision on when and how a business entity will be implementing integrated reporting. This might be voluntary or it might be compulsory (for example, in the case of listed companies in South Africa, the integrated report is a listing requirement). This should be followed by careful planning to have the first integrated report ready by a particular date.

The Board, Audit Committee members, and executive management may have to undergo relevant training on governance and integrated reporting before making an important decision like this. A vital tool in assisting a Board in deciding whether the business should start the integrated reporting process is the Nkonki Maturity Chart (see Chapter 4).

2. Plan the process

It could take more than a year to prepare for an integrated report, as the planning process must keep in mind the dates set for Board meetings and for Audit Committee meetings (where approvals need to be done). Bear in mind that some information that will form part of the integrated report will have to be gathered and recorded as the year progresses.

It is very difficult in the middle of a financial year to decide that certain performance indicators should be compiled and even audited, for example, when the subject matter (the underlying data) has never been recorded or validated up to that point. The integrated report should cover the same financial year as the AFS.

CHAPTER 5

Make sure a champion is appointed to drive this process from beginning to end. It could be an internal person like the Chief Financial Officer (CFO) or the Chief Executive Officer (CEO), the company secretary, public relations (PR) or stakeholder engagement department, the compliance department, or the legal department. It could also be an external person from an advisory service such as an auditing consulting firm, a PR firm, or a graphic design firm, advertising agency or an investor relation consultancy.

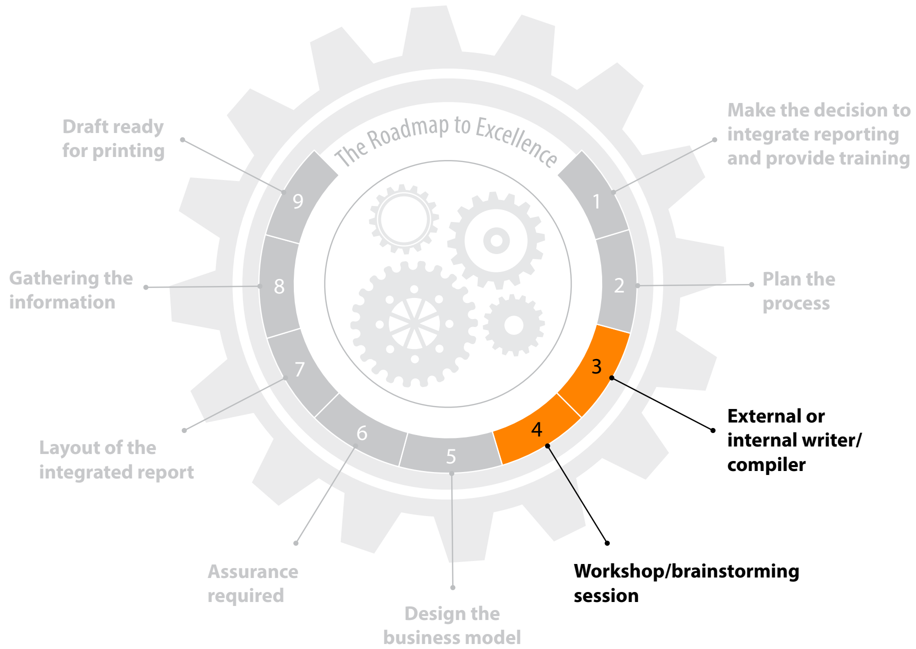
The plan should be drafted in coordination with the CFO and other internal role players. The role of the CFO is very important as he/she is responsible for the AFS or the abridged AFS and traditionally he/she was responsible for publishing the annual report (where other teams only became involved by publishing a sustainability report later on– first separately and later included in the annual report). The Board, Audit Committee and executive management should be part and parcel of the process and should first buy into the process to adhere to all requests from the appointed champion.

The champion should present the detailed plan to the Board (often first to the Audit Committee) for authorisation. This should include each step to be taken in order to have an integrated report ready at the end of a particular financial year-end. For companies and corporations with a low maturity in integrated reporting, the Board may decide to phase it in or stagger the implementation over two or three years (especially if a voluntary application to the <IR> Framework is sought).

Planning should incorporate the following steps:

- Decide in principle to do integrated reporting
- Appoint a champion
- Training – general background training for all Board members, committee directors and senior executives
- Training – specific training on integrated reporting for other internal team members
- Use the maturity chart to determine how ready the company is – do a gap analysis
- Decide on the external or internal writer/compiler and teams to use
- Appoint the teams
- Facilitate a workshop/brainstorming session by the Board and senior executives (may have an external facilitator) to determine the following:
  - Strategy and risk
  - Report boundary
  - Stakeholder relationships
  - Material matters
  - Business model (concept or draft)
  - Outlook
  - KPIs
  - Information/content required – full list to be compiled
  - Determine the assurance required
  - Decide on the resources to be allocated for Integrated Reporting
- Design the business model as a result of the workshop/ brainstorming session
- Determine the assurance required and reliability of the information
- Decide on the layout of the integrated report
- Gather the information/content
- Get the draft ready for printing
- Secure the approval/recommendations by the chairman, CEO, Audit Committee, Social and Ethics Committee and finally the Board of Directors
- Print, publish and distribute the integrated report (including website)

These steps should be built into a matrix where timelines and responsibilities can be allocated for each step. The champion



should control this worksheet and report to the Audit Committee and Board as to the progress whenever these meetings take place. The whole process should be run as a project, using the best principles and practice of project management.

Some steps are explored in more detail below.

3. External or internal writer/compiler

Decide on an external engagement if the integrated report is to be written and compiled outside of the company. If not, ensure the best possible internal resources are available for this task.

Decide on the resources (funds and manpower) to be allocated to the project. The writing and publishing of an integrated report may be very costly. One should note, however, that there is nothing stopping a company from starting with integrated thinking!

At this stage, it should be possible for the Board to appoint a team of people to do the Integrated Reporting – including internal and external people, if necessary.

4. Workshop/brainstorming session

Strategy, risk, stakeholder relationships, input and output, values, mission, etc., should be brainstormed by the Board, the Audit Committee (if necessary) and executive management. While many organisations have done this in the past, it is necessary to do this again in the light of designing a new business model that will reflect true integrated thinking and reporting.

Ensure that a process of "Integrated Thinking" is followed, not only for the workshop or brainstorming session, but for all future Board decisions and actions. All considerations and decisions should take into account the business as a whole, as well as all the internal and external stakeholders involved.

For a workshop or brainstorming session to have maximum value, the existing business model should be fully understood by the Board, the Audit Committee and executive management. It's also imperative they understand the importance of this process, and that they need to be part of developing the new business model. The recommended practice would be that the champion would engage an external facilitator to run the workshop or session – it provides credibility and buy-in.

The following issues must be dealt with comprehensively. This can be done in an innovative and creative way, as long as the process takes into account all aspects of the <IR> Framework:

1. Determine the strategy, taking into account the type of business, its stakeholders, risks, opportunities, controls and other aspects. Consider the full range of issues that influence the sustainability of the business and the social, economic and physical environments in which it operates and which, in turn, have a direct impact on its future viability.

2. Revisit risk management and the risk register and prioritise the risks.

3. Set the report boundary.

4. Define stakeholder relationships and how they link with risks and opportunities.

5. Material issues:

a) A matter is considered material when it will affect Board, Audit Committee and executive management meeting agendas, for example, strategy, governance, performance, prospects, or the business's important capitals as defined in the <IR> Framework.
b) The process involves the identification and evaluation of

relevant matters based on their ability to affect value creation. These must then be prioritised based on their relative importance and a decision must be made on which issues will be disclosed and how. It should include both positive and negative issues.

6. Business model (concept or draft):

a) It is a massive challenge to design an organisation's unique business model in concept or draft format. It should be a logical process, following the guidelines in the <IR> Framework. To do this properly, the team should understand the issues at hand as well as reading up on the subject. It should also make use of sources such as those provided in the bibliography of this report.

7. Outlook:

a) Future outlook is usually covered in either the chairman's report or the CEO's report, or in both. Some companies also require the operational divisions/departments/sections to report separately on future outlook.

8. KPIs:

a) For companies not yet following an accepted framework for reporting, such as the GRI G4 guidelines, this might be new ground. Such a company now has to decide which KPIs it must use in order to help measure performance in the future. These KPIs should be both financial and non-financial (financial could, for example, be the gross profit margin of the company, while non-financial could be the CO_2 emissions or the carbon footprint).

9. Consideration should also be given to executive and management remuneration, bonuses and the performance indicators related thereto.

10. Information/content required – a full list needs to be compiled. This should enable the Integrated Reporting team to do an information gap analysis.

11. Assurance required:

a) When deciding on non-financial assurance, one should first consider if the information has been subjected to controls and would be auditable. If so, the cost/benefit ratio should be considered.

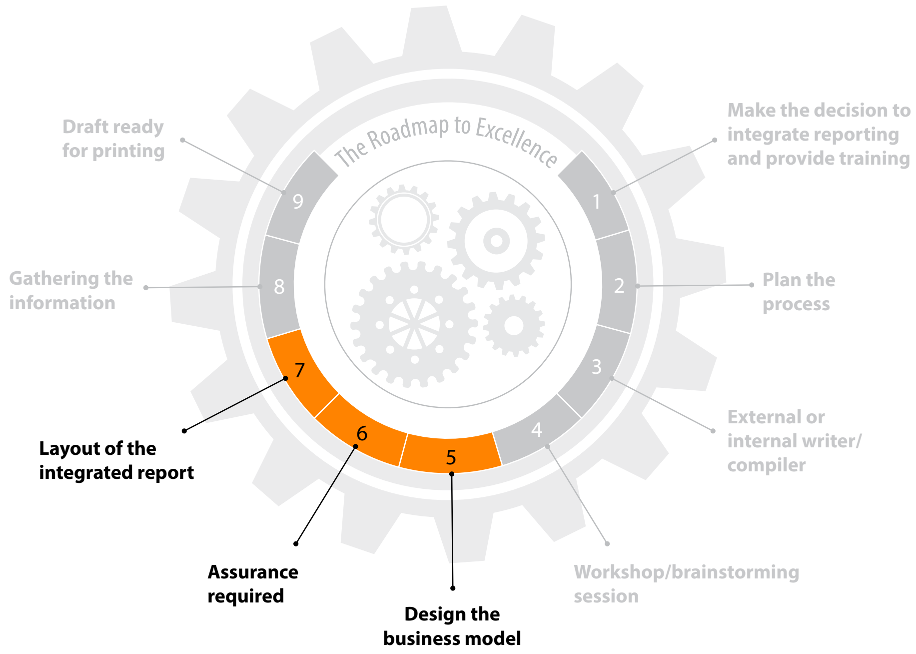
b) The next move will be towards a single integrated report, covering both the AFS and some of the non-financial information. Standards still have to be developed in this regard.

12. Resources to be allocated for integrated reporting:

a) Although costs have been mentioned a few times, now would be the time to really determine if the company is mature enough for an integrated report, and, if so, what will be available to spend on the drafting, design, printing and publishing of the report. For listed companies, it is usually compulsory to have a printed annual report, so only the additional costs need be considered.

b) As mentioned, the workshop might not be the ideal place to make a final decision about costs. The integrated reporting team should investigate, and obtain quotes where required, and make recommendations to the relevant committee or to the Board.

A company would be fortunate to have some activists amongst



its shareholders, as they usually ask critical questions during the annual general meetings – questions which the Board should consider in the workshop/brainstorming session to see if these have any relevance to the process.

Remember that a company can have the best possible reports, the best possible application of governance and sustainability recommendations, and still fail to produce the correct image of itself in its integrated report. This happens when the truth is not told. If the Board, for example, thinks they are above governance rules and controls, then "sugar coating" in the integrated report would be considered dishonest and could signal impending danger for the sustainability of the entity. This scenario was evident in many of the business failures of the past 15 years, e.g. Enron.

5. Design the business model

The Board, Audit Committee and executive management should design the business model according to the results of the workshop. Make sure a logical business model is captured in a type of flow diagram, as suggested by the <IR> Framework. Note that the <IR> Framework is a high-level document. When actually designing a business model or a graphic representation thereof, the various aspects and components should be analysed in depth.

At this stage, the end result of the integrated reporting process should be a business model, the strategy, the risks and opportunities, an integrated management approach, performance indicators and future outlook.

6. Assurance required

Most typically the AFS are assured by external auditors. The issue here would be if and how some of the non-financial information will be assured, e.g. by way of non-financial assurance. The level of assurance is also important, e.g. reasonable assurance versus limited assurance. The scope will be important, i.e. which non-financial performance figures or indicators will be externally assured.

Currently almost all businesses seem to regard external assurance only in terms of the non-financial information and the KPIs. In an integrated report, however, the financial and non-financial information should be integrated and as such a common or single integrated audit report should be issued. This is still in its infancy, but standards and processes will have to be developed in this regard. As the integrated report is the primary report of a business entity, it should be independently assured.

According to the IIRC, assurance is the key mechanism to ensure that integrated reports and the Integrated Reporting process are deemed to be credible and trustworthy. If not, the aims of integrated reporting are not likely to be achieved.

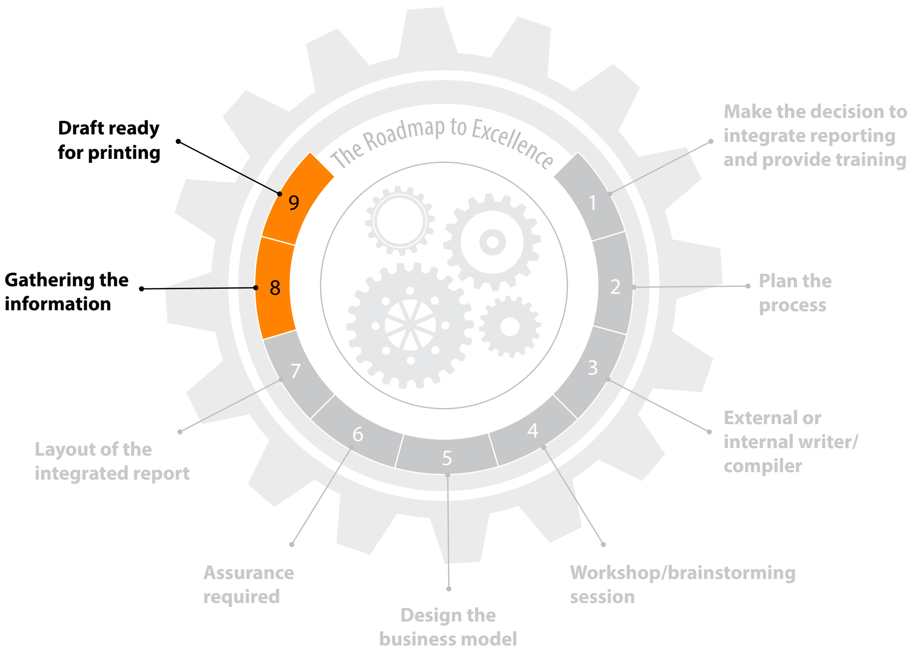
Reliable and trustworthy integrated reports are, however, also given credibility by sound leadership, robust internal systems (controls), Internal Audit involvement and stakeholder involvement.

7. Layout of the integrated report

Together with the step involving materiality, it would be appropriate to decide on the layout of the integrated report, including considering which chapters or sections will be available on the company website in more detail. These may include, for example:

- Introduction and reports of the chairman and CEO (and CFO)
- Corporate governance (including the Board and governance structures)
- Sustainability

CHAPTER 5



• The financial information (the AFS or summaries thereof)

The layout could even be structured around the business model, or even according to the six capitals (the inputs in the business model).

Whatever the decision is in this regard, all the components of an integrated report as per the <IR> Framework should be included. There should be no separation between financial and non-financial performance (except for the audited AFS, which have to follow the accounting standards and are usually published as a separate series of pages/section). All functions and divisions of the business entity should share the same strategy.

8. Gathering the information

The next step should be to gather all the information as decided upon in point 10 of step 4 (the brainstorming session). This is a step-by-step collection of information by the champion and his/her team, with the relevant ticking off of items from the list. The AFS should be obtained in final format from the CFO or relevant person, the non-financial information from the relevant department(s), and so too the governance information, as well as the results (refined and approved) of the workshop or brainstorming session, especially material issues, the business model and capitals, strategy, risk, stakeholder engagement, etc. It is not simply a matter of gathering and putting this information together – it's crucial to make sure that the same language and tone is used throughout, and that the story is being told in sequence and with logical flow. The chairman's report, the CEO's report and the CFO's report should also now be considered and their reports should form an integral part of the story.

9. Draft ready for printing

The draft must now be distributed and read by all the contributors: the CEO, the CFO, the chairman, the sustainability department, the company secretariat and governance department, the operational and/or divisional managers and all other relevant contributors. Once each person has signed it off, it can be called a final draft that must go to the Audit Committee members for recommendation to the Board for final approval. An organisation can also involve the finance committee and the Social and Ethics Committee if appropriate.

The final draft will now be designed with graphics and proper layout and made ready for printing and for publishing on the website. This should all be done taking into account the final deadline for distribution of the integrated report to all the shareholders, in time for the annual general meeting.

“Buy-in by the Board and Audit Committee, as well as of executive management, is critical to ensure a proper Integrated Reporting process.”

CHAPTER 6

PURPOSE AND RESEARCH METHODOLOGY

It is important for an award like the Nkonki Integrated Reporting Award for the Top 100 and SRI companies on the JSE to have a robust and reliable process of evaluating and assessing the integrated reports.

Integrated reporting is still a relatively new approach to corporate reporting that demonstrates the integration of an organisation's strategy, governance and financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, integrated reporting can help a business to take more sustainable decisions and enable investors and other stakeholders to understand how an organisation is truly performing.

The IIRC was formed in July 2010 and is currently chaired by Professor Mervyn King. The mission of the IIRC was to create a globally-accepted <IR> Framework, which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format. The aim is to help with the development of more comprehensive and comprehensible information about organisations, prospective as well as retrospective, to meet the needs of a more sustainable global economy.

An important aspect of good corporate governance is to follow best practice and this report aims to support the continued effort and improvement of integrated reporting by listed companies on the JSE. It also seeks to gain insights to provide guidance to others. Furthermore, it acknowledges those companies that do apply the true spirit of the <IR> Framework in corporate governance, financial disclosure, sustainability and integrated reporting categories.

This is now the second year in which the Framework could be applied as it was issued at the end of 2013. This report has the same purpose of encouraging improved integrated reporting by all relevant companies over a period of time. The companies that have not yet acted, should start immediately or will simply be left behind, which would be an enormous set-back in the progress shown to date, and no doubt will have serious consequences in terms of disclosure to shareholders and other stakeholders.

The weighting of the components of the International <IR> Framework is provided in Chapter 1.

6.1 The Process

The annual or integrated reports of the 107 companies listed in Annexure C were used in the review, with the most recent reports obtained from their websites. The panel of experts prepared a grading sheet with weighting assigned to the respective guidelines of the <IR> Framework.

The companies that were rated in the top group the previous year, were then evaluated independently by two of the experts (the group falling into the lower rankings were evaluated by one expert only), while the third expert acted as an independent adjudicator, who also graded a representative sample of the annual or integrated reports, including those of the best-rated companies.

It must be stated that none of the companies surveyed entered a competition or submitted data to the panel and none had any knowledge of this evaluation process. In the spirit of true transparency, the idea is to evaluate/survey/judge the information available to any citizen in the world (either via Internet access or via access to printed annual reports from registrars).

Therefore, in the data collection process, the panel used all annual reports, integrated reports and sustainability reports openly available on the Internet.

The detailed grade sheets are not reproduced here, but they contain the full recommendations regarding integrated disclosure from the <IR> Framework.
Where Integrated Reporting by itself achieved a score of 47% of the total score in 2013, it made up just 35% in the years before that. Since last year, it is now a 100% weighting and we believe that this change in scoring and awarded good disclosure came at the perfect time.

Two experts awarded a score out of 200 for each company and converted the scores into percentages for ease of comparison. The adjudicator also awarded scores for a selection of the companies, as well as for the top scorers and potential winners. The scores were then further analysed and re-marked where necessary. Finally, the results were used to determine the ratings for the companies, not only in the overall pool, but also rankings for the different industries in which the companies are operating.

6.2 The Panel

1. **Prof Anton du Toit**, CA(SA), BA, B Compt, Hons B Compt, CTA, M Com, M.Inst.D., RA, is a corporate governance expert and director of companies. He was the Director of Accountancy Studies at MSA (Monash South Africa), accredited with SAICA as a service provider for CTA, from 2006 to 2014. He is a visiting professor at the University of Zululand. He held the position of Professor in Accounting at both the University of Johannesburg and North-West University for a total of 19 years, during which time he served on the senates of both universities. He is an accomplished computer auditor with research interests in business ethics, corporate governance and sustainability. He presented various seminars and conferences, both internationally and locally, on auditing concepts. He has refereed numerous articles in accredited journals. Anton is a founding presenter of the highly regarded Postgraduate Diploma in Management specialising in Corporate Governance at MSA.

   Anton is on early retirement due to health reasons, but still consults privately and lectures part-time lectures at MSA. He also serves on the audit committees of ICASA, Spectramed Medical Aid, The Tswane University of Technology (TUT), Tlokwe City Council, Capricorn District Municipality and Aganang Municipality. Anton is a council member of the Vaal University of Technology (VUT) and chairman of the Audit and Risk Committee. He is a non-executive director of NG Welfare (NG Welsyn) and chairman of the audit committee. He serves on the boards of three companies. He serves on various committees and interest groups in the profession. He is a past alternate board member of the Independent Regulatory Board of Auditors; past President of the Southern African Accounting Association; past Vice-President of the International Association for Accounting Education and Research; and past editor of *Meditari*, an accredited professional journal of accountancy. He was part of the working groups of the IoD (Institute of Directors) for the King IV report (draft) in 2016.

   Anton has been involved in audit and advisory services for many clients and in association with a variety of big audit firms. The biggest current clients include Workforce, Basil Read, Atlas Finance, IOM, SEW, International SOS and Rand Mutual Assurance. Previous clients included Afrox, Honda SA, BP, the JSE, Sappi, Mondi, South-West Coop, AGN of ABSA and Sanlam.

2. **Adrian Pilley**, BCompt, BCompt (Honours) MCom, CA(SA) RA. Adrian has been lecturing taxation for eight years at Monash at third-year level and financial accounting for the last four years. Prior to lecturing, he enjoyed a successful career in commerce and industry for over 15 years. His research interests are in the field of integrated reporting.

3. **Professor Humphrey Gowar** , CA(SA), FInstD., is a subject specialist and lecturer in Postgraduate Management programmes for MSA, including Corporate Governance, Leadership, Ethics, Strategy and Risk, and Integrated Reporting.

   Humphrey is a Chartered Accountant, and has both academic and practical experience in all facets of auditing, including internal and forensic auditing, as well as corporate law, ethics, corporate governance and management. He is also an author of *Graded Questions on Auditing*, published by LexisNexis (editions by year).

   He is a member of a variety of influential groups, including being a Fellow of the Institute of Directors (FInstD), a Fellow of the Corporate Governance and Sustainability International Group, a member of the International Corporate Governance Group, a member of the Institute of EthicsSA and a member of the International Business Roundtable Institute for Corporate Ethics.

4. **Gladman Moyana**, CA(SA), BCom Honors Accounting and CTA. Gladman is a subject matter expert in various aspects of business advisory, including technical accounting, turnaround strategy, audits and audit support, equity valuations, capital structure restructuring, forecasting and budgeting, strategy formulation and implementation, profitability analysis, financial modelling, capital productivity, forensic investigations and relationship management. He is a former member of panel on the Auditor General's panel of experts on audit and other related matters. He is a managing partner for Moyana and Associates

   Gladman also provides technical assistance to medium-sized audit and consulting firms where specialist subject matter expertise is required on the various business advisory assignments.

   He teaches Financial Management to senior undergraduate students and Honours students at MSA, and also marks and comments on the Financial Management paper for the ITC (South African Institute of Chartered Accountants) board exam. He is an active researcher in the areas of business failure, persistence of earnings and IFRS vs US GAAP interface.

The independent research panel has years of combined expertise in the fields of integrated reporting, corporate governance, accounting and auditing, and are considered experts in their fields.

ANNEXURES

Annexure A: Integrated Reporting Ratings, Rankings and Industries

Ranking 2015	Company Name	Industry	SRI Index Constituents 2015	Year-end	Ranking in Nkonki Top 100 JSE 2015 Awards	Ranking in Nkonki Top 100 JSE 2014 Awards	Ranking in Nkonki Top 100 JSE 2013 Awards	Ratings 2015
1	ArcelorMittal South Africa Limited	Basic Materials	Yes	31-Dec-15	4	9	93	A
2	Barloworld Limited	Industrials	Yes	30-Sep-15	12	7	9	A
3	Nampak Limited	Industrials	Yes	30-Sep-15	7	44	15	A
4	Royal Bafokeng Platinum Limited	Basic Materials	Yes	31-Dec-15	3	12	28	A
5	Nedbank Group Limited	Financials	Yes	31-Dec-15	5	4	4	A
6	Anglo American Platinum Limited	Basic Materials	Yes	31-Dec-15	13	6	41	A
7	Kumba Iron Ore Limited	Basic Materials	Yes	31-Dec-15	18	16	5	A
8	Tsogo Sun Holdings Limited	Consumer Services		31-Mar-15	1	-	-	A
9	Exxaro Resources Limited	Basic Materials	Yes	31-Dec-15	17	1	3	A
10	Sibanye Gold Limited	Basic Materials	Yes	31-Dec-15	31	-	-	A
11	Aveng Group Limited	Industrials	Yes	30-Jun-15	29	30	21	A
12	Mpact Limited	Industrials	Yes	31-Dec-15	25	-	-	A
13	MTN Group Limited	Telecommunications	Yes	31-Dec-15	2	17	22	A
14	PPC Limited	Industrials	Yes	30-Sep-15	9	5	1	A
15	Wilson Bayly Holmes-Ovcon Limited	Industrials		30-Jun-15	15	105	84	A
16	Life Healthcare Group Holdings Limited	Health Care	Yes	30-Sep-15	14	41	54	A
17	Vodacom Group Limited	Telecommunications	Yes	31-Mar-15	32	33	14	A
18	Redefine Properties Limited	Financials	Yes	31-Aug-15	8	43	62	A
19	Telkom SA SOC Limited	Telecommunications	Yes	31-Mar-15	42	-	45	A
20	Grindrod Limited	Industrials	Yes	31-Dec-15	24	18	7	B
21	Sappi Limited	Basic Materials	Yes	30-Sep-15	27	31	40	B
22	Hyprop Investments Limited	Financials	Yes	31-Dec-15	36	92	85	B
23	Impala Platinum Holdings Limited	Basic Materials	Yes	30-Jun-15	63	24	26	B
24	Allied Electronics Corporation Ltd (Altron)	Industrials	Yes	28-Feb-15	58	26	18	B
25	Barclays Africa Group Limited	Financials	Yes	31-Dec-15	39	15	44	B
26	Oceana Group Limited	Consumer Goods	Yes	30-Sep-15	26	67	74	B

Ranking 2015	Company Name	Industry	SRI Index Constituents 2015	Year-end	Ranking in Nkonki Top 100 JSE 2015 Awards	Ranking in Nkonki Top 100 JSE 2014 Awards	Ranking in Nkonki Top 100 JSE 2013 Awards	Ratings 2015
27	Woolworths Holdings Limited	Consumer Services	Yes	28-Jun-15	22	14	6	B
28	African Oxygen Limited	Basic Materials	Yes	31-Dec-15	35	62	86	B
29	Anglogold Ashanti Limited	Basic Materials	Yes	31-Dec-15	30	8	27	B
30	Truworths International Limited	Consumer Services	Yes	28-Jun-15	34	28	13	B
31	Northam Platinum Limited	Basic Materials	Yes	30-Jun-15	20	59	31	B
32	Pick n Pay Stores Limited	Consumer Services	Yes	01-Mar-15	88	83	52	B
33	AECI Limited	Basic Materials	Yes	31-Dec-15	28	23	34	B
34	African Rainbow Minerals Limited	Basic Materials	Yes	30-Jun-15	57	49	43	B
35	Murray & Roberts Holdings Limited	Industrials	Yes	30-Jun-15	41	19	39	B
36	PSG Konsult Limited	Financials		28-Feb-15	104	-	103	B
37	Liberty Holdings Limited	Financials	Yes	31-Dec-15	6	34	36	B
38	Sanlam Limited	Financials	Yes	31-Dec-15	10	13	16	B
39	Netcare Limited	Health Care	Yes	30-Sep-15	83	79	71	B
40	Aspen Pharmacare Holdings Limited	Health Care	Yes	30-Jun-15	43	27	11	B
41	Gold Fields Limited	Basic Materials	Yes	31-Dec-15	16	21	25	B
42	Reunert Limited	Industrials	Yes	30-Sep-15	62	69	77	B
43	Santam Limited	Financials	Yes	31-Dec-15	21	46	55	B
44	Clicks Group Limited	Consumer Services	Yes	31-Aug-15	75	48	42	B
45	Imperial Holdings Limited	Industrials	Yes	30-Jun-15	49	45	38	B
46	The Foschini Group Limited	Consumer Services	Yes	31-Mar-15	33	47	33	B
47	Tiger Brands	Consumer Goods	Yes	30-Sep-15	79	80	72	B
48	Bidvest Group Limited	Industrials	Yes	30-Jun-15	53	77	49	C
49	RMB Holdings Limited	Financials	Yes	30-Jun-15	78	91	91	C
50	Rand Merchant Insurance Holdings Ltd	Financials		30-Jun-15	97	84	96	C
51	Resilient Property Income Fund Limited	Financials		30-Jun-15	92	99	97	C
52	Sasol Limited	Oil & Gas	Yes	30-Jun-15	11	3	8	C

Annexure A: Integrated Reporting Ratings, Rankings and Industries (continued)

Ranking 2015	Company Name	Industry	SRI Index Constituents 2015	Year-end	Ranking in Nkonki Top 100 JSE 2015 Awards	Ranking in Nkonki Top 100 JSE 2014 Awards	Ranking in Nkonki Top 100 JSE 2013 Awards	Ratings 2015
53	Alexander Forbes Group Holdings Limited	Financials		31-Mar-15	-	-	-	C
54	Illovo Sugar Limited	Consumer Goods	Yes	31-Mar-15	47	22	59	C
55	Attacq Limited	Financials		30-Jun-15	99	-	-	C
56	Harmony Gold Mining Company Limited	Basic Materials	Yes	30-Jun-15	46	10	19	C
57	Standard Bank Group Limited	Financials	Yes	31-Dec-15	38	2	2	C
58	The Spar Group	Consumer Services	Yes	30-Sep-15	85	54	75	C
59	Mediclinic International Limited	Health Care	Yes	31-Mar-15	44	11	47	C
60	RCL Foods Limited	Consumer Goods	Yes	30-Jun-15	84	68	51	C
61	Anglo American p.l.c.	Basic Materials	Yes	31-Dec-15	23	71	73	C
62	Growthpoint Prop Limited	Financials	Yes	30-Jun-15	81	76	64	C
63	Mr Price Group Limited	Consumer Services	Yes	28-Mar-15	55	57	70	C
64	Mondi Limited and p.l.c.	Basic Materials	Yes	31-Dec-15	37	39	37	C
65	Omnia Holdings Limited	Basic Materials		31-Mar-15	61	72	78	C
66	Sun International Limited	Consumer Services	Yes	30-Jun-15	40	20	24	C
67	Discovery Holdings Limited	Financials	Yes	30-Jun-15	80	51	29	C
68	Capitec Bank Holdings Limited	Financials		28-Feb-15	74	66	90	D
69	Coronation Fund Managers Limited	Financials		30-Sep-15	64	64	60	D
70	EOH Holdings Limited	Technology		31-Jul-15	86	-	-	D
71	Lewis Group Limited	Consumer Services	Yes	31-Mar-15	96	70	50	D
72	Naspers Limited	Consumer Services		31-Mar-15	82	52	23	D
73	Tongaat Hulett	Consumer Goods	Yes	31-Mar-15	19	25	17	D
74	Fortress Income Fund Limited	Financials		30-Jun-15	-	-	-	D
75	Howden Africa Holdings Limited	Industrials	Yes	31-Dec-15	-	-	-	D
76	Capital & Counties Properties p.l.c.	Financials		31-Dec-15	87	97	94	D
77	British American Tobacco p.l.c.	Consumer Goods	Yes	31-Dec-15	73	75	46	D
78	Datatec Limited	Technology		28-Feb-15	94	60	53	D
79	Super Group Limited	Industrials	Yes	30-Jun-15	-	-	-	D
80	Lonmin p.l.c.	Basic Materials	Yes	30-Sep-15	52	61	61	D

Ranking 2015	Company Name	Industry	SRI Index Constituents 2015	Year-end	Ranking in Nkonki Top 100 JSE 2015 Awards	Ranking in Nkonki Top 100 JSE 2014 Awards	Ranking in Nkonki Top 100 JSE 2013 Awards	Ratings 2015
81	Remgro Limited	Industrials	Yes	30-Jun-15	95	58	65	D
82	Investec Limited & p.l.c.	Financials	Yes	31-Mar-15	60	29	30	D
83	SABMiller p.l.c.	Consumer Goods	Yes	31-Mar-15	66	74	63	D
84	AdvTech Limited	Consumer Services	Yes	31-Dec-15	72	96	98	D
85	AVI Limited	Consumer Goods		30-Jun-15	93	93	79	D
86	Firstrand Limited	Financials	Yes	30-Jun-15	70	35	35	E
87	Group Five Limited	Industrials	Yes	30-Jun-15	-	42	12	E
88	BHP Billiton Limited and p.l.c.	Basic Materials	Yes	30-Jun-15	48	37	58	E
89	Old Mutual p.l.c.	Financials	Yes	31-Dec-15	51	87	80	E
90	Redefine International p.l.c.	Financials		31-Aug-15	89	-	-	E
91	Assore Limited	Basic Materials		30-Jun-15	90	85	67	E
92	JSE Limited	Financials	Yes	31-Dec-15	71	56	83	E
93	Massmart Holdings Limited	Consumer Services	Yes	28-Dec-15	77	36	92	E
94	MMI Holdings Limited	Financials	Yes	30-Jun-15	67	53	95	E
95	Intu Properties p.l.c.	Financials	Yes	31-Dec-15	65	95	87	E
96	Adcock Ingram Holdings Limited	Health Care		30-Jun-15	100	65	88	E
97	Shoprite Holdings Limited	Consumer Services		30-Jun-15	106	63	76	E
98	Pioneer Food Group Limited	Consumer Goods		30-Sep-15	56	73	56	E
99	Steinhoff International Holdings Limited	Consumer Goods	Yes	30-Jun-15	45	50	32	F (30-39%)
100	KAP Industrial Holdings Limited	Industrials	Yes	30-Jun-15	76	89	-	F
101	Trencor Limited	Industrials		31-Dec-15	98	100	104	F
102	Brait Societas Europaea	Financials		31-Mar-15	68	104	102	F
103	Reinet Investments SCA	Financials		31-Mar-15	103	107	107	F
104	New Europe Property Investments p.l.c.	Financials		31-Dec-15	102	103	-	F
105	Hosken Consolidated Investments Limited	Financials		31-Mar-15	101	86	99	F
106	Capevin Holdings Limited	Consumer Goods	Yes	30-Jun-15	-		-	F
107	Compagnie Financiere Richemont AG	Consumer Goods		31-Mar-15	105	106	106	F

Annexure A: Integrated Reporting Ratings, Rankings and Industries (continued)

Performance Per Industry

Ranking 2015	Company Name	Sector in Industry	Year-end	Ratings 2015
Basic Materials				
1	ArcelorMittal South Africa Limited	Industrial Metals and Mining	31-Dec-15	A
2	Royal Bafokeng Platinum Limited	Mining	31-Dec-15	A
3	Anglo American Platinum Limited	Mining	31-Dec-15	A
4	Kumba Iron Ore Limited	Industrial Metals and Mining	31-Dec-15	A
5	Exxaro Resources Limited	Oil & Gas Producers	31-Dec-15	A
6	Sibanye Gold Limited	Mining	31-Dec-15	A
7	Sappi Limited	Forestry & Paper	30-Sep-15	B
8	Impala Platinum Holdings Limited	Mining	30-Jun-15	B
9	African Oxygen Limited	Chemicals	31-Dec-15	B
10	Anglogold Ashanti Limited	Mining	31-Dec-15	B
11	Northam Platinum Limited	Mining	30-Jun-15	B
12	AECI Limited	Chemicals	31-Dec-15	B
13	African Rainbow Minerals Limited	Industrial Metals and Mining	30-Jun-15	B
14	Gold Fields Limited	Mining	31-Dec-15	B
15	Harmony Gold Mining Company Limited	Mining	30-Jun-15	C
16	Anglo American Plc	Mining	31-Dec-15	C
17	Mondi Limited and Plc	General Industrials	31-Dec-15	C
18	Omnia Holdings Limited	Chemicals	31-Mar-15	C
19	Lonmin Plc	Industrial Metals and Mining	30-Sep-15	D
20	BHP Billiton Limited and Plc	Industrial Metals and Mining	30-Jun-15	E
21	Assore Ltd	Industrial Metals and Mining	30-Jun-15	E
Consumer Goods				
1	Oceana Group Limited	Food Producers	30-Sep-15	B
2	Tiger Brands	Food Producers	30-Sep-15	B
3	Illovo Sugar Limited	Food Producers	31-Mar-15	C
4	RCL Foods Limited	Food Producers	30-Jun-15	C

Ranking 2015	Company Name	Sector in Industry	Year-end	Ratings 2015
Consumer Goods (continued)				
5	Tongaat Hulett	Food Producers	31-Mar-15	D
6	British American Tobacco Plc	Tobacco	31-Dec-15	D
7	SABMiller Plc	Beverages	31-Mar-15	D
8	AVI Limited	Food Producers	30-Jun-15	D
9	Pioneer Food Group Limited	Food Producers	30-Sep-15	E
10	Steinhoff International Holdings Limited	Personal Goods	30-Jun-15	F
11	Capevin Holdings Limited	Beverages	30-Jun-15	F
12	Compagnie Financiere Richemont AG	Personal Goods	31-Mar-15	F
Consumer Services				
1	Tsogo Sun Holdings Limited	Travel & Leisure	31-Mar-15	A
2	Woolworths Holdings Limited	General Retailers	28-Jun-15	B
3	Truworths International Limited	General Retailers	28-Jun-15	B
4	Pick n Pay Stores Limited	Food & Drug Retailers	01-Mar-15	B
5	Clicks Group Limited	Food & Drug Retailers	31-Aug-15	B
6	The Foschini Group Limited	General Retailers	31-Mar-15	B
7	The Spar Group	Food & Drug Retailers	30-Sep-15	C
8	Mr Price Group Limited	General Retailers	28-Mar-15	C
9	Sun International Limited	Travel & Leisure	30-Jun-15	C
10	Lewis Group Limited	General Retailers	31-Mar-15	D
11	Naspers Limited	Media	31-Mar-15	D
12	AdvTech Limited	General Retailers	31-Dec-15	D
13	Massmart Holdings Limited	General Retailers	28-Dec-15	E
14	Shoprite Holdings Limited	General Retailers	30-Jun-15	E
Financials				
1	Nedbank Group Limited	Banks	31-Dec-15	A
2	Redefine Properties Limited	Real Estate Investment Trusts	31-Aug-15	A
3	Hyprop Investments Limited	Real Estate Investment Trusts	31-Dec-15	B

Annexure A: Integrated Reporting Ratings, Rankings and Industries (continued)

Performance Per Industry

Ranking 2015	Company Name	Sector in Industry	Year-end	Ratings 2015
Financials (continued)				
4	Barclays Africa Group Limited	Banks	31-Dec-15	B
5	PSG Konsult Limited	Financial Services	28-Feb-15	B
6	Liberty Holdings Limited	Life Insurance	31-Dec-15	B
7	Sanlam Limited	Life Insurance	31-Dec-15	B
8	Santam Limited	Nonlife Insurance	31-Dec-15	B
9	RMB Holdings Limited	Financial Services	30-Jun-15	C
10	Rand Merchant Insurance Holdings Ltd	Life Insurance	30-Jun-15	C
11	Resilient Property Income Fund Limited	Real Estate Investment Trusts	30-Jun-15	C
12	Alexander Forbes Group Holdings Limited	Financial Services	31-Mar-15	C
13	Attacq Limited	Real Estate Investments & Services	30-Jun-15	C
14	Standard Bank Group Limited	Banks	31-Dec-15	C
15	Growthpoint Prop Limited	Real Estate Investment Trusts	30-Jun-15	C
16	Discovery Holdings Limited	Life Insurance	30-Jun-15	C
17	Capitec Bank Holdings Limited	Banks	28-Feb-15	D
18	Coronation Fund Managers Limited	Financial Services	30-Sep-15	D
19	Fortress Income Fund Limited	Real Estate Investment Trusts	30-Jun-15	D
20	Capital & Counties Properties Plc	Real Estate Investment & Services	31-Dec-15	D
21	Investec Limited and Plc	Financial Services	31-Mar-15	D
22	Firstrand Limited	Financial Services	30-Jun-15	E
23	Old Mutual Plc	Life Insurance	31-Dec-15	E
24	Redefine International Plc	Real Estate	31-Aug-15	E
25	JSE Limited	Financial Services	31-Dec-15	E
26	MMI Holdings Limited	Life Insurance	30-Jun-15	E
27	Intu Properties Plc	Real Estate	31-Dec-15	E
28	Brait Societas Europaea	Financial Services	31-Mar-15	F
29	Reinet Investments SCA	Financial Services	31-Mar-15	F

Ranking 2015	Company Name	Sector in Industry	Year-end	Ratings 2015
Financials (continued)				
30	New Europe Property Investments Plc	Real Estate Investment & Services	31-Dec-15	F
31	Hosken Consolidated Investments Limited	General Industrials	31-Mar-15	F
Health Care				
1	Life Healthcare Group Holdings Limited	Health Care Equipment & Services	30-Sep-15	A
2	Netcare Limited	Health Care Equipment & Services	30-Sep-15	B
3	Aspen Pharmacare Holdings Limited	Pharmaceuticals and Biotechnology	30-Jun-15	B
4	Mediclinic International Limited	Health Care Equipment & Services	31-Mar-15	C
5	Adcock Ingram Holdings Limited	Pharmaceuticals and Biotechnology	30-Jun-15	E
Industrials				
1	Barloworld Limited	Support Services	30-Sep-15	A
2	Nampak Limited	General Industrials	30-Sep-15	A
3	Aveng Group Limited	Construction & Materials	30-Jun-15	A
4	Mpact Limited	General Industrials	31-Dec-15	A
5	PPC Limited	Construction & Materials	30-Sep-15	A
6	Wilson Bayly Holmes-Ovcon Limited	Construction & Materials	30-Jun-15	A
7	Grindrod Limited	Industrial Transportation	31-Dec-15	B
8	Allied Electronics Corporation Ltd (Altron)	Software and Computer Services	28-Feb-15	B
9	Murray & Roberts Holdings Limited	Construction & Materials	30-Jun-15	B
10	Reunert Limited	General Industrials	30-Sep-15	B
11	Imperial Holdings Limited	General Retailers	30-Jun-15	B
12	Bidvest Group Limited	Banks	30-Jun-15	C
13	Howden Africa Holdings Limited	Industrial Engineering	31-Dec-15	D
14	Super Group Limited	General Retailers	30-Jun-15	D

Annexure A: Integrated Reporting Ratings, Rankings and Industries (continued)

Performance Per Industry

Ranking 2015	Company Name	Sector in Industry	Year-end	Ratings 2015
Industrials (continued)				
15	Remgro Limited	Financial Services	30-Jun-15	D
16	Group Five Limited	Construction & Materials	30-Jun-15	E
17	KAP Industrial Holdings Ltd	General Industrials	30-Jun-15	F
18	Trencor Limited	Industrial Transportation	31-Dec-15	F
Oil & Gas				
1	Sasol Limited	Oil & Gas Producers	30-Jun-15	C
Technology				
1	EOH Holdings Limited	Software and Computer Services	31-Jul-15	D
2	Datatec Limited	Technology Hardware and Equipment	28-Feb-15	D
	Telecommunications			
1	MTN Group Limited	Mobile Telecommunications	31-Dec-15	A
2	Vodacom Group Limited	Mobile Telecommunications	31-Mar-15	A
3	Telkom SA SOC Limited	Fixed Line Telecommunications	31-Mar-15	A

Annexure B: Integrated Reporting Maturity of the Evaluated Companies

Ranking 2015	Company Name	Rating 2015	Maturity Level
1	ArcelorMittal South Africa Limited	A	4 - Proficient
2	Barloworld Limited	A	4 - Proficient
3	Nampak Limited	A	4 - Proficient
4	Royal Bafokeng Platinum Limited	A	4 - Proficient
5	Nedbank Group Limited	A	4 - Proficient
6	Anglo American Platinum Limited	A	4 - Proficient
7	Kumba Iron Ore Limited	A	4 - Proficient
8	Tsogo Sun Holdings Limited	A	3 - Competent Roleplayer
9	Exxaro Resources Limited	A	4 - Proficient
10	Sibanye Gold Limited	A	4 - Proficient
11	Aveng Group Limited	A	4 - Proficient
12	Mpact Limited	A	4 - Proficient
13	MTN Group Limited	A	4 - Proficient
14	PPC Limited	A	4 - Proficient
15	Wilson Bayly Holmes-Ovcon Limited	A	2 - Advanced Beginner
16	Life Healthcare Group Holdings Limited	A	4 - Proficient
17	Vodacom Group Limited	A	4 - Proficient
18	Redefine Properties Limited	A	3 - Competent roleplayer
19	Telkom SA SOC Limited	A	4 - Proficient
20	Grindrod Limited	B	3 - Competent Roleplayer
21	Sappi Limited	B	3 - Competent Roleplayer
22	Hyprop Investments Limited	B	2 - Advanced Beginner
23	Impala Platinum Holdings Limited	B	4 - Proficient
24	Allied Electronics Corporation Limited (Altron)	B	3 - Competent Roleplayer
25	Barclays Africa Group Limited	B	3 - Competent Roleplayer
26	Oceana Group Limited	B	3 - Competent Roleplayer
27	Woolworths Holdings Limited	B	3 - Competent Roleplayer
28	African Oxygen Limited	B	3 - Competent Roleplayer
29	Anglogold Ashanti Limited	B	3 - Competent Roleplayer
30	Truworths International Limited	B	2 - Advanced Beginner
31	Northam Platinum Limited	B	3 - Competent Roleplayer

Annexure B: Integrated Reporting Maturity of the Evaluated Companies (continued)

Ranking 2015	Company Name	Rating 2015	Maturity Level
32	Pick n Pay Stores Limited	B	3 - Competent Roleplayer
33	AECI Limited	B	4 - Proficient
34	African Rainbow Minerals Limited	B	3 - Competent Roleplayer
35	Murray & Roberts Holdings Limited	B	4 - Proficient
36	PSG Konsult Limited	B	3 - Competent Roleplayer
37	Liberty Holdings Limited	B	3 - Competent Roleplayer
38	Sanlam Limited	B	2 - Advanced Beginner
39	Netcare Limited	B	3 - Competent Roleplayer
40	Aspen Pharmacare Holdings Limited	B	3 - Competent Roleplayer
41	Gold Fields Limited	B	3 - Competent Roleplayer
42	Reunert Limited	B	2 - Advanced Beginner
43	Santam Limited	B	3 - Competent Roleplayer
44	Clicks Group Limited	B	2 - Advanced Beginner
45	Imperial Holdings Limited	B	3 - Competent Roleplayer
46	The Foschini Group Limited	B	2 - Advanced Beginner
47	Tiger Brands	B	3 - Competent Roleplayer
48	Bidvest Group Limited	C	3 - Competent Roleplayer
49	RMB Holdings Limited	C	3 - Competent Roleplayer
50	Rand Merchant Insurance Holdings Limited	C	2 - Advanced Beginner
51	Resilient Property Income Fund Limited	C	2 - Advanced Beginner
52	Sasol Limited	C	2 - Advanced Beginner
53	Alexander Forbes Group Holdings Limited	C	2 - Advanced Beginner
54	Illovo Sugar Limited	C	2 - Advanced Beginner
55	Attacq Limited	C	2 - Advanced Beginner
56	Harmony Gold Mining Company Limited	C	2 - Advanced Beginner
57	Standard Bank Group Limited	C	4 - Proficient
58	The Spar Group	C	2 - Advanced Beginner
59	Mediclinic International Limited	C	2 - Advanced Beginner
60	RCL Foods Limited	C	2 - Advanced Beginner
61	Anglo American Plc	C	2 - Advanced Beginner
62	Growthpoint Prop Limited	C	2 - Advanced Beginner

Ranking 2015	Company Name	Rating 2015	Maturity Level
63	Mr Price Group Limited	C	2 - Advanced Beginner
64	Mondi Limited and Plc	C	1 - Novice Company
65	Omnia Holdings Limited	C	3 - Competent Roleplayer
66	Sun International Limited	C	2 - Advanced Beginner
67	Discovery Holdings Limited	C	2 - Advanced Beginner
68	Capitec Bank Holdings Limited	D	2 - Advanced Beginner
69	Coronation Fund Managers Limited	D	3 - Competent Roleplayer
70	EOH Holdings Limited	D	2 - Advanced Beginner
71	Lewis Group Limited	D	1 - Novice Company
72	Naspers Limited	D	2 - Advanced Beginner
73	Tongaat Hulett	D	1 - Novice Company
74	Fortress Income Fund Limited	D	1 - Novice Company
75	Howden Africa Holdings Limited	D	1 - Novice Company
76	Capital & Counties Properties Plc	D	1 - Novice Company
77	British American Tobacco Plc	D	2 - Advanced Beginner
78	Datatec Limited	D	1 - Novice Company
79	Super Group Limited	D	1 - Novice Company
80	Lonmin Plc	D	2 - Advanced Beginner
81	Remgro Limited	D	1 - Novice Company
82	Investec Limited & Plc	D	1 - Novice Company
83	SABMiller Plc	D	1 - Novice Company
84	AdvTech Limited	D	1 - Novice Company
85	AVI Limited	D	1 - Novice Company
86	Firstrand Limited	E	1 - Novice Company
87	Group Five Limited	E	1 - Novice Company
88	BHP Billiton Limited and Plc	E	None
89	Old Mutual Plc	E	1 - Novice Company
90	Redefine International Plc	E	1 - Novice Company
91	Assore Limited	E	1 - Novice Company
92	JSE Limited	E	1 - Novice Company
93	Massmart Holdings Limited	E	1 - Novice Company

Annexure B: Integrated Reporting Maturity of the Evaluated Companies (continued)

Ranking 2015	Company Name	Rating 2015	Maturity Level
94	MMI Holdings Limited	E	1 - Novice Company
95	Intu Properties p.l.c.	E	1 - Novice Company
96	Adcock Ingram Holdings Limited	E	1 - Novice Company
97	Shoprite Holdings Limited	E	None
98	Pioneer Food Group Limited	E	1 - Novice Company
99	Steinhoff International Holdings Limited	F	1 - Novice Company
100	KAP Industrial Holdings Limited	F	1 - Novice Company
101	Trencor Limited	F	None
102	Brait Societas Europaea	F	1 - Novice Company
103	Reinet Investments SCA	F	None
104	New Europe Property Investments p.l.c.	F	None
105	Hosken Consolidated Investments Limited	F	None
106	Capevin Holdings Limited	F	None
107	Compagnie Financiere Richemont AG	F	None

Annexure C: List of Companies Evaluated

1 Adcock Ingram Holdings Limited
2 AdvTech Limited
3 AECI Limited
4 African Oxygen Limited
5 African Rainbow Minerals Limited
6 Alexander Forbes Group Holdings Limited
7 Allied Electronics Corporation Limited (Altron)
8 Anglo American p.l.c.
9 Anglo American Platinum Limited
10 Anglogold Ashanti Limited
11 ArcelorMittal South Africa Limited
12 Aspen Pharmacare Holdings Limited
13 Assore Ltd
14 Attacq Limited
15 Aveng Group Limited
16 AVI Limited
17 Barclays Africa Group Limited
18 Barloworld Limited
19 BHP Billiton Limited and Plc
20 Bidvest Group Limited
21 Brait Societas Europaea
22 British American Tobacco Plc
23 Capevin Holdings Limited
24 Capital & Counties Properties Plc
25 Capitec Bank Holdings Limited
26 Clicks Group Limited
27 Compagnie Financiere Richemont AG
28 Coronation Fund Managers Limited
29 Datatec Limited
30 Discovery Holdings Limited
31 EOH Holdings Limited
32 Exxaro Resources Limited
33 Firstrand Limited
34 Fortress Income Fund Limited
35 Gold Fields Limited
36 Grindrod Limited
37 Group Five Limited
38 Growthpoint Prop Limited
39 Harmony Gold Mining Company Limited
40 Hosken Consolidated Investments Limited
41 Howden Africa Holdings Limited
42 Hyprop Investments Limited
43 Illovo Sugar Limited
44 Impala Platinum Holdings Limited
45 Imperial Holdings Limited
46 Intu Properties Plc
47 Investec Limited and Plc
48 JSE Limited
49 KAP Industrial Holdings Ltd
50 Kumba Iron Ore Limited
51 Lewis Group Limited
52 Liberty Holdings Limited
53 Life Healthcare Group Holdings Limited
54 Lonmin Plc
55 Massmart Holdings Limited
56 Mediclinic International Limited
57 MMI Holdings Limited
58 Mondi Limited and Plc
59 Mpact Limited
60 Mr Price Group Limited
61 MTN Group Limited
62 Murray & Roberts Holdings Limited
63 Nampak Limited
64 Naspers Limited
65 Nedbank Group Limited
66 Netcare Limited
67 New Europe Property Investments Plc
68 Northam Platinum Limited
69 Oceana Group Limited
70 Old Mutual Plc
71 Omnia Holdings Limited
72 Pick n Pay Stores Limited
73 Pioneer Food Group Limited
74 PPC Limited
75 PSG Konsult Limited
76 Rand Merchant Insurance Holdings Limited
77 RCL Foods Limited
78 Redefine International Plc
79 Redefine Properties Limited
80 Reinet Investments SCA
81 Remgro Limited
82 Resilient Property Income Fund Limited
83 Reunert Limited
84 RMB Holdings Limited
85 Royal Bafokeng Platinum Limited
86 SABMiller Plc
87 Sanlam Limited
88 Santam Limited
89 Sappi Limited
90 Sasol Limited
91 Shoprite Holdings Limited
92 Sibanye Gold Limited
93 Standard Bank Group Limited
94 Steinhoff International Holdings Limited
95 Sun International Limited
96 Super Group Limited
97 Telkom SA SOC Limited
98 The Foschini Group Limited
99 The Spar Group
100 Tiger Brands
101 Tongaat Hulett
102 Trencor Limited
103 Truworths International Limited
104 Tsogo Sun Holdings Limited
105 Vodacom Group Limited
106 Wilson Bayly Holmes-Ovcon Limited
107 Woolworths Holdings Limited

Annexure D: Glossary of Terms

AFS:	Annual Financial Statements
Assurance:	The diligent application of mind to evidence that results in a statement or declaration concerning an identified subject matter or subject matter information that is made for the purpose of enhancing confidence in that subject matter or subject information. Assurance includes, but is not limited to, assurance engagements performed by independent, external assurance service providers (such as the external auditor) in accordance with the IAASB's Standards Board's International Engagement Standards. Such assurance "means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria". Assurance furthermore includes, but is not limited to, assurance provided in terms of the International Standards for the Professional Practice of Internal Auditing, namely, "an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation". Assurance services and functions may include the following: • The organisation's line functions that own and manage risks. • The organisation's specialist functions that facilitate and oversee risk management and compliance. • Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors and statutory actuaries. • Independent external assurance service providers such as external auditors. • Other external assurance providers such as sustainability and environmental auditors or external actuaries, and external forensic fraud examiners and auditors (King IV of IoD 2016).
Business Model:	An organisation's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short, medium and long term. (IIRC, 2013).
Capitals:	Stocks of value on which all organisations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organisation's business activities and outputs. The capitals are categorised in the Framework as financial, manufactured, intellectual, human, social and relationship, and natural. (IIRC, 2013)
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
Content Elements:	The categories of information required to be included in an integrated report. The Content Elements, which are fundamentally linked to each other and are not mutually exclusive, are stated in the form of questions to be answered in a way that makes the relationships between them apparent. An integrated report includes the following eight Content Elements: • Organisational overview and external environment • Governance • Business model • Risks and opportunities • Strategy and resource allocation • Performance • Outlook • Basis of preparation and presentation and in doing so, taking account of general reporting guidance. (IIRC, 2013)

ESG	Environment, Social and Governance
Framework:	The purpose of this Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them. The Framework identifies information to be included in an integrated report for use in assessing the organisation's ability to create value; and it is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organisations. (IIRC, 2013)
Fundamental Concepts:	These concepts underpin and reinforce the requirements and guidance in the International <IR> Framework, and are basically the following: • Value creation for the organisation and for others • The capitals (see above) • The value creation process as embedded in the business model
GDP:	Gross Domestic Product. The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis.
GRI:	The Global Reporting Initiative (GRI) is a network-based organization that pioneered the world's most widely used sustainability reporting framework. GRI is committed to the Framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.
G4:	The GRI G4 Guidelines make provision for compliance at a Core or Comprehensive level. Companies should apply the latest GRI G4 guidelines applicable for reports published after 31 December 2015.
IRC:	The Integrated Reporting Committee of South Africa
IIRC:	The International Integrated Reporting Council was formed in July 2010 and is currently chaired by Professor Mervyn King. The mission of the IIRC is to create a globally-accepted <IR> Framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format. The aim is to help with the development of more comprehensive and comprehensible information about organisations, prospective as well as retrospective, to meet the needs of a more sustainable, global economy.
Integrated thinking:	is described in the <IR> Framework as "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organisation uses or affects" (IIRC, 2013)
Integrated Reporting:	"Integrated Reporting" means a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability (IoD; 2009b). "Integrated Reporting is seen by the IIRC as the basis for a fundamental change in the way in which organisations are managed and report to stakeholders. A stated aim of Integrated Reporting is to support integrated thinking and decision-making." (IIRC, 2013)
JSE:	Johannesburg Stock Exchange. The JSE Ltd ("JSE") is licensed as an exchange under the Securities Services Act, 2004 and is Africa's premier exchange.
King III:	The King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009. Parktown, South Africa: The Institute of Directors (IoD) in Southern Africa.
King IV™ Report on Corporate Governance for South Africa:	2016. Parktown, South Africa: The Institute of Directors in Southern Africa.
KPI:	Key Performance Indicator

Annexure D: Glossary of Terms (continued)

RSA:	Republic of South Africa
Sustainability:	Sustainability is the ultimate, long-term goal of sustainable development. (See "sustainable development") (King IV of IoD 2016)
Sustainable development:	In general, "the development that meets the needs of the present without compromising the ability of future generations to meet their needs". At the level of organisations' participation in sustainable development, it means organisations intentionally interacting with, and responding to, the opportunities and challenges of triple context in which the organisation operates and the capitals that the organisation uses and affects with the aim of achieving positive value creation over time. Sustainable development is not confined to individual matters, such as the economic viability of the organisation, the natural environment or corporate social responsibility. Rather, it refers to an integrated approach that includes these and other considerations as represented by the triple context (refer to "triple context") and the capitals (refer to "capitals") (King IV of IoD 2016)

Annexure E: Bibliography and Further Reading

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Integrated Reporting is a journey to ensure the entire sustainability of an entity – in a manner that meets its existing needs without compromising the ability of future generations to meet their needs.

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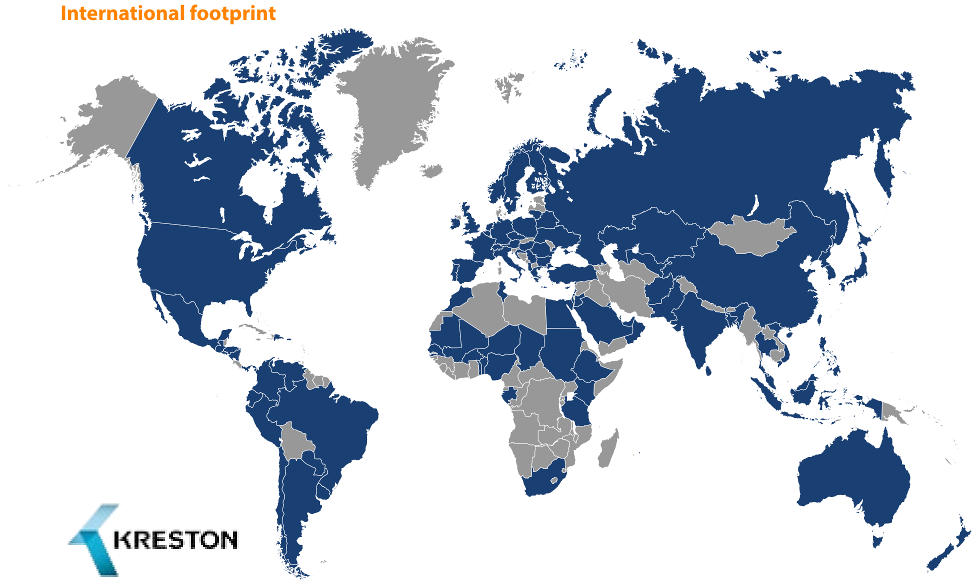
International footprint



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