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Excellence in Integrated Reporting
2023

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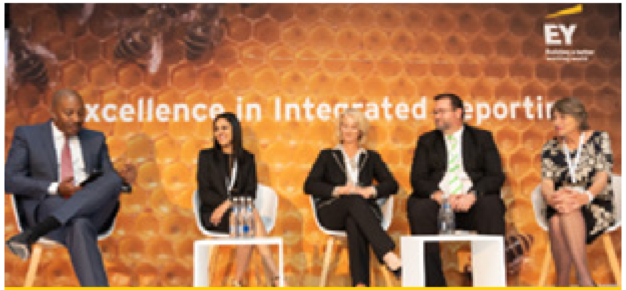
EY Excellence in Integrated Reporting Awards 2022

Nedbank Group Ltd - 2022 Winner
From left: Clémence McNulty, Bruce Thomas, Ajen Sita

Redefine Properties Ltd - 2022 Runner Up
From left: Clémence McNulty, Ntobeko Nyawo, Ajen Sita

Netcare Ltd - 2022 Third place
From left: Clémence McNulty, Lauren Louw, Paul Cowan, Ajen Sita



From left: Stephen Ntsoane, Esha Mansingh, Elizna Viljoen, Bruce Thomas, Alex Watson

Kumba Iron Ore Ltd - 2022 Top 10
From left: Penny Himlok, Nadia Schoeman and Leandra Matthews

Vodacom Group Ltd - 2022 Top 10
From left: Elsa Jardim, Nola Richards, JP Davis, Violet Letsoalo, Karen Robison

Adjudicators 2022
From left: Goolam Modack, Mark Graham, and Alex Watson

Larissa Clark
Corporate reporting leader, EY Africa

EY Excellence in Integrated Reporting team 2022
From left: Khutso Mabala, Robin Managa, Clémence McNulty, Goolam Modack, Larissa Clark, Mark Graham, Alex Watson, Marieke Fourie, Dineo Mojapelo, and Abigail Paulus

Purpose of the 2023 EY Excellence in Integrated Reporting survey

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

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

From 2010, all companies with a primary listing on the Johannesburg Stock Exchange (JSE) are required to produce an integrated report in line with King III and subsequently King IV. Those companies with a secondary listing on the JSE are not required to produce an integrated report. EY has commissioned the Excellence in Integrated Reporting survey for the last 12 years in order to encourage excellence in the quality of integrated reporting to investors and other stakeholders by South Africa's top companies.

Contact

For more information on this survey, contact Abigail Paulus, Corporate reporting Associate Partner, EY Africa, on abigail.paulus@za.ey.com

Disclaimer

The survey findings and rankings of the integrated reports have been independently prepared by the three adjudicators with affiliations to the University of Cape Town (UCT); Professors Alexandra Watson (Emeritus Professor), Goolam Modack (College of Accounting), and Mark Graham (Emeritus Associate Professor).

Accordingly, the survey findings and ranking of the integrated reports are the views of the adjudicators. The other material has been prepared for general information purposes only and is not intended to be relied on as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

Virtual workshop

The Excellence in Integrated Reporting workshop will be held as a virtual event.

During the workshop we will:

- Provide an overview of the 2023 EY Excellence in Integrated Reporting survey results;
- Discuss positive and negative trends in integrated reporting;
- Highlight examples of leading practice, to assist companies to prepare their next integrated report; and
- Unpack the recent international sustainability reporting developments and what this means for South African reporters.

Date: Thursday 28 September @ 9am

Please contact: **eyreportingupdates@za.ey.com** for details of this event

For more information, please visit:

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Introduction

By **Larissa Clark,** Corporate reporting leader, EY Africa

The international developments in the environmental, social and governance (ESG) reporting landscape over the last year have been unprecedented. The investor and society at large's growing demand for more detailed and accurate non-financial information is greater than ever. Over the next few years reporters will be challenged to bridge the gap between the current reporting requirements and users' expectations of how value should be defined and created. This will be critical to strengthen corporate reputation and build trust in our reporting suites.

None of this will be possible without embedding ESG targets into a company's strategy. How this strategy is translated into action will be essential to creating long-term value. As CEOs around the world are looking forward and positioning their companies for growth, South African companies are navigating a world of loadshedding, skills challenges, economic downturn and political instability. Ajen Sita (Chief Executive Officer, EY Africa) considers (on page 06) how strategic foresight and commitment to innovation can turn hurdles into sustainable stepping stones.

The last year has been a busy one on the sustainability front. During June 2023, the International Sustainability Standards Board (ISSB) published its first two standards, one dealing with the general requirements for the disclosure of sustainability-related financial information (IFRS S1) and the other dealing with climate related disclosures (IFRS S2)[1]. Similarly, the US-based Securities and Exchange Commission (SEC) and the European Financial Reporting Advisory Group (EFRAG) have issued proposals which are all based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We were privileged to include extracts from an interview with Dr Ndidi Nnoli-Edozien (ISSB board member) where we discussed what these developments mean for South Africa and the rest of the continent (see page 09). We also include Ndidi's views on how integrated reporting practices can be used to catalyse the application of IFRS S1 and IFRS S2.

The benefits of providing better and more accurate ESG information to investors are many, including an opportunity to better articulate a company's value proposition and better access to capital. But there will be many other benefits too, such as engagement with stakeholders on a broad range of topics that traditional reporting does not cater for. We have had the opportunity to discuss impact reporting with Eelco van der Enden (CEO of the Global Reporting Initiative (GRI)). Eelco emphasises the importance of impact reporting and describes impact materiality and financial materiality as the two sides of the same coin. We look forward to having more clarity on how reporters should incorporate these different aspects into their reporting suite. A huge amount of work will need to be done in South Africa and across the continent to implement these requirements. In South Africa, it is unclear what the publication of the various international guidelines means for reporters. In addition, investments will need to be made in terms of systems, processes, and capacity building. We have done a survey on the current state of sustainability reporting in South Africa, by polling companies and asking them about their reporting suites (see page 27). A huge focus of the European Union's adoption of ESG reporting has been on ensuring that the information provided is assured. Alexi Colyvas (Climate Change and Sustainability Services Associate Partner, EY Africa) shares his views on the evolving sustainability assurance landscape (see page 15). Stephen Ntsoane (Assurance leader, EY Africa) emphasises that the impact of AI on delivering holistic and insightful ESG assurance cannot be underestimated (page 07).

This is the twelfth year that we have commissioned the Excellence in Integrated Reporting survey and the twenty sixth year since this programme's inception in 1997 as 'Excellence in Corporate Reporting' awards. As we have tracked and evaluated the efforts by the Top 100 JSE-listed companies to report in a clear, crisp and transparent manner, we have been joined on this critical journey by professors associated with the University of Cape Town's College of Accounting. This survey is made possible by the continued involvement and dedicated efforts of Professors Alex Watson, Mark Graham and Goolam Modack, the panel of independent adjudicators.

It is our great pleasure to congratulate Nedbank Group for achieving first place in our 2023 awards. As you will read further on in this report, the judges felt Nedbank's report has a discernible focus on value creation, preservation, and erosion. They particularly liked the strategic focus of the report and the way in which strategic performance is supported by detailed key performance indicators. We also congratulate Redefine Properties and Kumba Iron Ore on achieving second and third place respectively. Our congratulations are extended to all of the entities included in the Top 10 for their outstanding reports. We commend the entities that achieved the rankings of "Excellent" and "Good" for their efforts and the examples they have set.

For more details on how the companies were selected, the mark plan and the adjudicators, please refer to page 34 - 37.

[1]IFRS S1 General requirements of disclosure of sustainability related financial information (IFRS S1) and IFRS S2 Climate-related disclosures (IFRS S2)

Necessity is the mother of invention

By **Ajen Sita,** Chief Executive Officer, EY Africa

Running a business in South Africa today is filled with so many contrasts. Talk of incredible opportunity and pending doom is common in conversations. Business leaders are grappling with complexity in the form of inflation, market volatility, the energy crisis, fraud and corruption, and naturally, talent attraction and retention. The global picture is not much better. Trade wars between the world's largest economies, a war in Europe and deep social equity challenges dominate the agendas of companies. We've just hosted a successful Netball World Cup. Banyana Banyana got further in the Soccer World Cup than any men's team ever has. And the Springboks are looking strong for the Rugby World Cup.

Ours is a nation of rich cultural diversity and abundant resources; we have the potential for greatness. South African businesses are navigating the "business unusual" terrain with determination and innovation. We are a resilient people. The challenge of our condition is bringing out the best in our entrepreneurs and of necessity, much innovation. Our client conversations are consistent – companies are not stuck in feeling sorry for themselves. They are taking action.

Let's start with **loadshedding**. Unexpected power outages disrupt operations, leading to productivity losses and increased costs. Companies are responding by embracing energy-efficient technologies, investing in alternative energy sources such as solar, and implementing demand-side management measures to mitigate the impact of loadshedding. Collaboration with government and energy providers is also a key approach to advocate for long-term solutions to this issue.

In the **skills** area, businesses are challenged with talent retention and knowledge continuity. To counteract this trend, companies are focusing on enhancing employee engagement and satisfaction through competitive remuneration, meaningful career growth prospects, and fostering a positive work culture. Partnerships with educational institutions are being forged to support the development of local talent, nurturing a skilled workforce, and reversing the brain drain.

Economic downturns, political instability, and supply chain interruptions require companies to be agile and adaptable. Diversifying supply chains, investing in digitalisation and automation, and implementing robust risk management strategies are some ways businesses are enhancing resilience in the face of disruptions. A sustainability focused mindset helps with resource allocation, informed decision-making, accountability, goal-setting, motivation, continuous improvement, process optimization, customer satisfaction, competitive advantage, risk management, and demonstrating impact.

We firmly believe that with strategic foresight and a commitment to innovation, we can turn our hurdles into stepping stones for success. Our commitment to fostering local talent, embracing digital transformation, and adopting sustainable practices will position us strongly to contribute to South Africa's inclusive growth. Collaboration within the private sector as well as with government is critical to driving positive change and achieving shared goals.

How artificial intelligence can enhance the credibility of sustainability disclosures

By **Stephen Ntsoane,** Assurance Leader, EY Africa

In the ever-evolving landscape of corporate responsibility and sustainability, the significance of environmental, social, and governance (ESG) reporting cannot be overstated. As organisations strive to demonstrate their commitment to ethical practices and societal well-being, the role of accountants and auditors in providing quality assurance for ESG reporting has become increasingly important. ESG reporting, encompassing a range of non-financial metrics, serves as a transparent window into a company's environmental impact, social initiatives, and governance practices. It is the bedrock upon which stakeholders, including investors, regulators, customers, and employees, make informed decisions regarding a company's ethical and sustainable endeavours.

The assurance provided by accountants and auditors holds considerable importance in this context. ESG reports, similar to financial statements, require a meticulous examination to ensure accuracy, transparency, and reliability. Just as auditors lend credibility to financial data, they play a vital role in maintaining the credibility of ESG disclosures.

We are seeing innovative developments in the artificial intelligence (AI) space, which will provide auditors with additional tools in their toolbox to ensure the credibility of ESG disclosures. Here are five ways that AI will assist the audit profession to provide quality assurance over sustainability information in the future:

1. Enhanced data analytics and AI integration: AI-powered tools can analyse vast amounts of non-financial data, ensuring accurate and comprehensive ESG reporting. Predictive analytics can help identify trends and anomalies, contributing to more insightful audits.

2. Risk assessment and materiality determination: Key to providing decision-useful information is to determine which matters should be disclosed to users of ESG reports. In addition, transparent risk assessments greatly contribute to the credibility of the information presented. AI-driven algorithms can assess ESG risks more effectively, assisting auditors in identifying material issues that warrant attention. This proactive approach will enable auditors to focus on areas of greatest impact, enhancing the quality of their assurance.

3. Continuous monitoring and real-time reporting: One of the greatest challenges that companies are facing in presenting their ESG data is to present the information timeously. The integration of AI will enable auditors to monitor ESG metrics in real time, providing stakeholders with up-to-date information. Continuous monitoring reduces the risk of inaccuracies and allows for prompt intervention when deviations occur.

4. Expanded role of auditors as data stewards: As auditors work with large volumes of diverse ESG data, their role will extend beyond traditional auditing functions. They will become data stewards, ensuring data integrity and accuracy, and collaborating with data scientists to develop sophisticated AI-driven audit methodologies.

5. Emphasis on soft skills and interpretive abilities: While AI streamlines processes, auditors' skillsets will shift towards soft skills. Interpretation of AI-generated insights, effective communication of findings, and ethical judgment will be critical for auditors to provide meaningful assurance to stakeholders.

The impact of AI on the digital audit landscape cannot be underestimated. Automation will undoubtedly revolutionise auditing procedures, offering more efficient and accurate results. However, the human touch remains irreplaceable. Auditors will need to adapt and expand their skillsets to harness the full potential of the digital transformation within the audit profession and deliver holistic and insightful ESG assurance using these new tools. The ability to understand AI-generated outputs, make informed decisions based on those outputs, and effectively communicate their significance will define the new auditor.

The role of accountants and auditors in providing quality assurance in ESG reporting will be pivotal for the credibility and transparency of corporate sustainability efforts. ESG reporting holds the key to informed decision-making for stakeholders and plays a crucial role in driving ethical practices and sustainability in the business world. As the audit profession evolves over the next five years, AI integration will undoubtedly reshape the digital audit landscape, offering unprecedented efficiencies and insights. However, the human element of skilled interpretation, communication, and ethical judgment will remain essential for auditors to navigate the complex realm of non-financial data and ensure the accuracy and reliability of ESG reporting.

In conversation with Dr Ndidi Nnoli-Edozien

Extract from a conversation between **Dr Ndidi Nnoli-Edozien** (International Sustainability Standards Board (ISSB) board member) and **Larissa Clark** (Corporate reporting leader, EY Africa)

Larissa: In June the ISSB launched its first two standards as part of a global baseline of reporting on sustainability. Can you tell us what you think this means for Africa?

Ndidi: It's really important to note that the ISSB's IFRS S1 and S2[1] were launched in two jurisdictions across the African continent, both in South Africa and in Nigeria. That's a big deal and it's a signal to you and to the African market of how important Africa is in terms of the adoption of the ISSB Standards.

As these standards are focused on capital markets and on providing decision-useful information for investors, by applying the ISSB Standards in South Africa we can strengthen the capital markets. We hope to also see an improvement in the integrity of information and governance. The ISSB Standards have also adopted the four pillars of the TCFD[2], which emphasise governance, just like the Integrated Reporting Framework[3] does.

What I personally hope and believe is that the adoption and implementation of the ISSB Standards will increase the attractiveness of African companies to global capital providers. It's very important to remember that the whole world is beginning with this at the same time. The African continent, with its early adoptions across various countries, is ahead.

This means that there is a huge window of opportunity to properly articulate sustainability-related (and climate-related) risks and opportunities so that they can be built into a business's resilience, the understanding, and presentation of its business models to investors.

This means that there is a huge window of opportunity to properly articulate sustainability-related (and climate-related) risks and opportunities so that they can be built into a business's resilience, the understanding, and presentation of its business models to investors.

[1] IFRS S1 General requirements of disclosure of sustainability related financial information (IFRS S1) and IFRS S2 Climate-related disclosures (IFRS S2)

Larissa: In Africa we've seen some strong support for the adoption of the ISSB Standards. Nigeria, Ghana and Zimbabwe have all announced their ambitions for early adoption. In South Africa, whilst we know the discussion is underway, it's not really clear what our path for adoption will be. What are your expectations in this space?

Ndidi: My hopes are that in the same way as South Africa leads on integrated reporting, that it will also lead on the ISSB Standards. It's Africa's largest capital market and it has a very positive, important reputation in this regard. And it's also the reason why we were so excited to celebrate the launch of the ISSB Standards in the last week of June, both in Lagos at the Nigerian Exchange and in Johannesburg at the JSE.

To our understanding, there are about 1,000 entities in South Africa that have adopted the Integrated Reporting Framework. Many are looking to us for guidance around what the process and the road map to adopting IFRS S1 and IFRS S2 is. We're working with the Integrated Reporting Committee of South Africa so that the entities who do integrated reporting are well positioned to adopt IFRS S1 and IFRS S2.

Following the launch of the ISSB Standards, we saw IOSCO's[4] endorsement of the standards in July. In addition, the Financial Stability Board announced that the work of the TCFD had been completed, given the TCFD recommendations are fully embedded into the ISSB Standards. This is another positive step towards the consolidation of the disclosure landscape, with the TCFD Recommendations, Integrated Reporting Framework, CDSB Framework and SASB Standards embedded into the work of the ISSB.

The IOSCO endorsement demonstrates the strong support from securities regulators across the world for the ISSB Standards. There have only ever been two endorsements by IOSCO. The first was for the IFRS accounting standards and now we have IOSCO endorsing the IFRS sustainability disclosure standards.

[2] Task Force on Climate-related Financial Disclosures
[3] Integrated Reporting Framework, revised January 2021
[4] International Organisation of Securities Commissions

While we understand that for South Africa to adopt the ISSB Standards there will be legislative amendments required, we're working very closely with the regulators in-country to provide every level of capacity-building, support, analysis and encouragement possible.

Our hope is that South Africa, just like it's played a leadership role on integrated reporting and governance, will continue to support us to build this comprehensive global sustainability reporting system. Likewise, we will continue to support South Africa on this journey.

Larissa: What do you see as the key challenges for companies to enable sustainability reporting in line with the ISSB Standards?

Ndidi: Talking about challenges is always a huge issue and it is an uphill task. It's important to remember that with an uphill task, there's a downhill that follows. The first challenge is making sure that in the building of a truly global baseline, Africa's voice is heard. South Africa has played an important role in this regard and it's important that you continue to play that role in terms of the standard-setting and contributions.

To build a truly global baseline, we've been working hard at ensuring interoperability between the ISSB Standards and the European standards. For preparers to reduce the cost and burden of reporting, interoperability is absolutely key.

What's also important is that we build the skills and capability and enhance the resource availability for preparers, as well as those who support preparers. And that's not just important for large entities, it's also important for smaller entities because, since we require scope 1, scope 2 and scope 3 emissions disclosure, entities along the value and supply chain will also be pulled into this equation.

Another key hurdle is of course the availability and maturity of data, especially when we start talking about scenario analysis and scope 1, scope 2 and scope 3 emissions. That is an investment that needs to be made by entities. We have provided proportionality measures to ensure that entities do not have undue cost and effort in the sourcing of their data.

Another critical aspect is to ensure that sustainability-related information and disclosures are decision-useful for investors and are made available at the same time as financial information. As the Integrated Reporting Framework highlights, it's very important to consider sustainability-related information in terms of a company's value creation.

Larissa: What practical tip can you give companies to improve their sustainability reporting to the market?

Ndidi: It's really important that entities engage and get started on the journey. My hope is that the requisite governance systems are put in place so that this is not just a compliance exercise, but an exercise that helps to build corporate resilience and access to global capital markets.

In conversation with Eelco van der Enden


Cleménce McNulty (Sustainability Leader, EY Africa) discusses the evolving sustainability landscape and the potential implications for South African reporters with **Eelco van der Enden** (CEO of the Global Reporting Initiative (GRI))

Cleménce: One of the global consequences of COVID-19 and the war in Ukraine seems to be an increased focus from the analyst and wider business community on environmental, social and governance (ESG) and non-financial matters. How do you expect the sustainability reporting landscape to evolve over the next few years?

Eelco: I think that these unfortunate events finally woke investors and business up to the fact that when we are dealing with topics such as environmental, social, and governmental issues, we are in fact dealing with long-term risk management. It has already shaped reporting and it will reshape it even more going forward. These topics will, if the risks around them are not mitigated, hit your bottom line one way or another. So, instead of looking at these topics as something that only deals with doing good, it's also about doing good business. And, you have a fiduciary duty as [a director of] an organization to try to mitigate these risks, or at least be prepared for the consequences.

Organisations who do want to mitigate these risks, have been regularly asking our friends at the ISSB[1] and GRI to push harder for a global comprehensive baseline on sustainability reporting. And why is that important for investors and others? Comparability of data is critical to be able to make calculated decisions based on facts and not on perceptions. The more integrated global reporting around sustainability topics is, the better it is for decision making and the better it is for capital markets, as well as society.

The most important thing is to not be afraid – it is perhaps far less complicated than you think. If you look at GRI, our uptake is more than 11,000 multinational companies already. If you look at the uptake of international accounting standards, of which the ISSB forms a part, it is even more. So, what you see is there is already a proof of concept with GRI and the IFRS Foundation over the last 25 years. The big challenge you will have is to extract proper data for reporting, but once you've sorted that out, it is far less complicated than you may think. So don't be afraid of sustainability reporting – it will add value to your business.

Cleménce: One of the biggest challenges that we hear is the continued fragmentation in frameworks and reporting expectations. In addition, users of information are still challenging reporters on quality. What are your thoughts on these aspects?

Eelco: In Europe, we see that the GRI standards form the core of impact reporting and it is mandatory. You will also see mandatory assurance, at first limited and then from 2028 reasonable assurance will be required on those reports.If you look on a wider scale, a report by the IFAC[2] of November last year showed that 39% of all GRI reports are accompanied by a form of external assurance, compared with SASB[3] reports at 7%. That already shows that many businesses think this type of information is something that needs to be validated to give more credibility to the reports and to those outcomes.

What I predict, looking at what's happening in Europe and what's happening around the globe, is that a form of assurance on impact reporting, in this case GRI, and of course, when it comes to the ISSB on the financial part of sustainability reporting, will become mandatory. Why? To curb the potential effects of greenwashing, something that is detrimental to the credibility of the entire system. We know that investors take far more interest in these topics than before. And as you know, investors deal with validated comparable data, so, assurance will be happening for sure.

Cleménce: The ISSB launched its first two standards[4] in June aiming to serve as a global baseline. What does this mean for companies reporting in terms of GRI sustainability reporting standards?

Eelco: Companies can leverage a lot off their existing GRI reports and we will provide guidance on how companies can use their existing GRI reports to comply with IFRS S1 and IFRS S2. There is a high level of interoperability between the climate standards of the ISSB and the GRI, because they are both based on the TCFD[5] framework. There are a lot of similarities.

The big difference is that the ISSB Standards deal with the financial material effects, let's call that the "outside in" effects of environmental and climate issues on your bottom line. On the other hand, the GRI standards are about the "inside out" effects, i.e. the effects of business pursuing its strategic objectives on the climate. So basically, we are two sides of the same coin. That's why we say we complement

[1] International Sustainability Standards Board | [2] International Federation of Accountants | [3] Sustainability Accounting Standards Board | [4] IFRS S1 General requirements of disclosure of sustainability related financial information (IFRS S1) and IFRS S2 Climate-related disclosures (IFRS S2) | [5] Task Force on Climate Related Financial Disclosures

each other. We have this wonderful memorandum of understanding. Guidance on how to use them both will follow very soon.

Clemence: What do you think are the benefits for companies to apply the GRI standards in Africa?

Eelco: I think it will create more of a level playing field for those businesses that invest in sustainability and mitigate sustainability risks, by comparing them on a level playing field to those companies that don't make the investment. It will also show that those businesses that take up the challenges that we currently have, will have lower cost of capital entering to the capital markets. Why? Because it's investors that are driving these initiatives in the first place.

Whether or not the GRI will be mandatory, is of secondary importance, since thousands of companies already use the GRI standards, and we see a push from both society as well as investors to use them. More and more businesses in Africa use the GRI standards, not only as a reporting tool, but as a tool to assess topic specific risks in the fields of ESG.

Cleménce: Listed companies in South Africa are already on the journey to integrated reporting. Can you tell us how you anticipate this will support broader sustainability reporting?

Eelco: What a journey integrated reporting has been on over the last couple of years! Not so long ago, it was seen as somewhat of a marketing gimmick, whereby companies were trying to improve their image and brand by reporting on the good they do for society, employees and the communities they operate in. Currently, it's an integrated part of doing good business; integrated in business strategies. It is something that is being taken very, very seriously by investors, regulators, and the communities companies operate in. It's no longer perceived as a marketing gimmick; it is about doing good business. It really reads like a guidebook on long-term risk management.

As the GRI, we are very proud to have been one of the co-founders of the International Integrated Reporting Committee. We are very proud to see that together with the ISSB, our journey is concluding in a global comprehensive baseline. And believe it or not, you are already very well prepared for this global comprehensive baseline. So, your investment, time and commitment into integrating reported has paid off.

Sustainability reporting - Where to from here?

Abigail Paulus (Corporate reporting Associate Partner, EY Africa) interviewed **Larissa Clark** (Corporate reporting leader, EY Africa) on the current and future state of sustainability reporting in South Africa

Abigail: During the year the International Sustainability Reporting Committee (ISSB) issued its first two standards, the first dealing with the general requirements for the disclosure of sustainability-related financial information and the second dealing with climate-related disclosures[1]. What does this mean for South African companies publishing environmental, social and governance (ESG) related disclosures?

Larissa: This is a great question with a "not so easy" answer. The requirement to prepare financial statements, that comply with International Financial Reporting Standards (IFRS), comes from the Companies Act[2] and applies to all South African companies that meet certain thresholds. The Companies Act references the standards as issued by the International Accounting Standards Board (IASB), which is the sister board to the newly formed ISSB. This means that only financial accounting standards are currently applicable to South African companies and the Companies Act will need to be amended to include the sustainability reporting standards. We understand that there are currently no proposals to amend the Companies Act to incorporate this.

The JSE issued Sustainability Disclosure Guidance in June 2022[3], to all listed entities wanting to understand the various sustainability reporting frameworks. This is a very useful document and as it is only a guide, its adoption is voluntary. We are not aware of any current proposals by the JSE to include sustainability disclosure in their listing requirements.

Abigail: So, without any formal requirements to produce a sustainability report, does this mean South African reporters should do nothing?

Larissa: I do not think so. There are a few reasons for this. We are seeing a sharp uptick in ratings agencies, capital providers and banks asking companies to report on an ever-increasing suite of ESG measures. Investors want to invest in companies that take sustainability seriously and by not reporting on these measures companies put themselves at a disadvantage when compared to companies that are. In addition, many South African companies are linked to parent companies or themselves are listed on exchanges based in the European Union, United Kingdom, and the United States, who are subject to or will become subject to sustainability reporting in the near future. Depending on the framework(s) applied, these requirements may also affect South African entities meeting certain thresholds. Ultimately, I believe that South African companies will want to own their sustainability narrative and comply with (some of) the international guidance on a voluntary basis.

Abigail: Many South African companies will start providing sustainability disclosure on a voluntary basis. What can companies do now to prepare for the additional sustainability reporting requirements?

Larissa: It has been great to see that sustainability matters have made it onto the main board agenda of many companies. This is topical and something that investors often ask about, so companies have been giving it much more focus than in the past. However, to build robust sustainability reporting, a great deal of thought and planning must be given to the systems and information requirements. Linked to that, appropriate governance processes need to be developed so that the management of the entity can be assured of the reliability of the information. Consideration should also be given to the needs of the users to ensure that an appropriate assurance framework is developed.

[1] IFRS S1 General requirements of disclosure of sustainability related financial information (IFRS S1) and IFRS S2 Climate-related disclosures (IFRS S2 | [2] Companies Act, 71 of 2008 |
[3] JSE Sustainability Disclosure Guidance, June 2022

Abigail: Since 2010, all South African listed entities have been required to produce an integrated report, in line with the requirements initially of King III and now King IV. We also know that companies need to prepare annual financial statements in line with IFRS. Does this mean that a sustainability report should be a separate report or can the sustainability information be provided as part of the integrated report?

Larissa: Again, this is a good question and there is not one uniform view on this. The positioning of the integrated report as part of the reporting suite is one, that I think, we will still discuss for a few years to come.

The primary purpose of an integrated report is to explain to providers of financial capital how the organisation creates, preserves, or erodes value over time, however, it is also intended to be useful to a wide range of stakeholders. As much as an integrated report is intended to be a concise report, it is also intended to be more than a summary of information provided elsewhere, such as financial, sustainability or governance information.

Many South African companies include their sustainability information in their integrated report, but over the last few years we have seen a steady increase of listed companies preparing a separate and detailed sustainability report[4]. Of the Top 100 companies surveyed for the Excellence in Integrated Reporting Awards 2023, 75% produce a separate sustainability report, a 5% increase on 2022. It is also interesting to note that the ISSB has indicated that the IFRS sustainability information can be provided in a separate report or the same report that is used for other regulatory requirements. There is a requirement coming through in the ISSB's Standards that the information is separately identified and that the IFRS sustainability disclosures are provided at the same time as the IFRS financial disclosures.

Since the incorporation of the Value Reporting Foundation into the IFRS Foundation (the governing body of the IASB and the ISSB), the Integrated Reporting Framework has become part of the materials of the IFRS Foundation. Going forward the IASB and the ISSB will use the principles and concepts of the Integrated Reporting Framework in their standard-setting work. There are differences and similarities between the Integrated Reporting Framework and the IASB's existing project on Management Commentary. In time, we will hopefully have more clarity on exactly where and how to present the information relating to how the entity intends to create, preserve or erode value over time.

Abigail: What should companies do in the meantime?

Larissa: Sustainability reporting is much too important to wait until it is legislated, or we have clarity on exactly how to position an integrated report as part of the reporting suite. It will be important for companies to stay close to the international and national developments. Because we do not have clarity of what will be required of South African reporters in the future, companies will have to carefully evaluate the purpose and audience of their reporting suite, which may be very different for different companies with different stakeholders. It will be important to develop an approach that suits these needs, is flexible and can be adapted as requirements become clearer.

[4] See Insights into sustainability reporting among SA listed companies on page 27

Why independent sustainability assurance is so important

By **Alexi Colyvas,** Climate Change and Sustainability Services Associate Partner, EY Africa

Historically in South Africa (and indeed in most countries), obtaining independent external assurance over non-financial reporting has not been a formal requirement. This has resulted in significant differences in how companies approach this, with some being progressive in obtaining assurance over significant parts of their reported environmental, social and governance (ESG) data, and others either doing little or nothing in this regard. We also observe inconsistency in the standards and types of assurance practitioners used. The fact that we observe such significant inconsistency, even amongst listed entities operating within the same sector, is particularly concerning.

The reasons why many companies have historically not seen the need for sustainability assurance are complex and may include factors such as different interpretations of the cost versus benefit, the specific needs of their stakeholders, and the lack of legal requirements enforcing this. Significant emphasis is currently being placed on sustainability reporting globally, and there are significant movements in the regulatory requirements around this in certain jurisdictions, being driven largely by the urgency around climate change. We can expect that audit committees and social, environmental and ethics committees will need to start rethinking their own position on the matter, even in jurisdictions like South Africa where regulation has not caught up yet. In particular, the emerging global view that reported ESG information needs to be treated with the same degree of importance and robustness in terms of accuracy, reliability and relevance as financial reporting, suggests that external assurance will become an expectation of stakeholders and an important tool to address concerns around greenwashing.

Companies that make increasingly strong claims and commitments about the importance of sustainability are especially likely to see a growing expectation amongst their stakeholders that such information should be independently assured. Furthermore, growing investor awareness about the importance of ESG performance in relation to the overall performance and future prospects of a company is also going to drive this trend, and is likely to do so at a faster pace than local regulatory developments, although it is expected that the regulatory environment in South Africa will not be far behind.

With the recent issuance of the ISSB's Standards, there are likely going to be questions around whether it is still appropriate to selectively assure only certain KPIs, as has commonly been the practice using other frameworks, or whether the direction of travel is to ultimately obtain assurance over the entire report.

Consequently, companies should proactively be considering their path to assurance readiness as they navigate these developments, with key decisions to be made around which reporting and assurance standards they will apply, the scope and breadth of the external assurance that might be required, and enhancements in data quality, systems and controls that would support this.

2023 Survey at a glance

"**Excellent**" reports:
- clear strategic focus
- emphasise value creation
- coherent value creation narrative

The **integration of sustainability issues** into the report is improving

Improved **value creation, preservation & erosion** "story" told

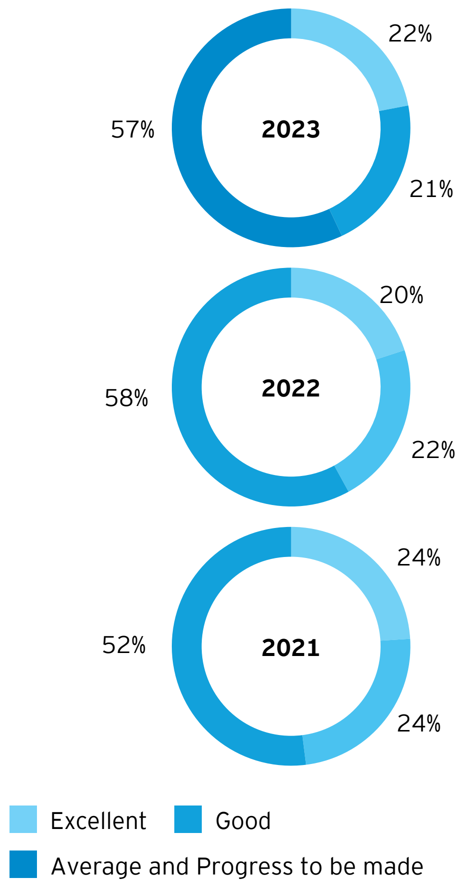
21 Companies ranked "**Good**" (2021: 22, 2020: 24)

Quality of "Excellent" and "Good" reports **keeps improving**

Little improvement in those reports ranked as "**Average**" and "**Progress to be made**"

22 Companies ranked "**Excellent**" (2021: 20, 2020: 24)

Overall impressions at a glance



2023 Rankings

Top 10 Rankings

1 Nedbank Group Ltd

2 Redefine Properties Ltd

3 Kumba Iron Ore Ltd

4 Netcare Ltd

5 Anglo American Platinum Ltd

6 Vodacom Group Ltd

7 Exxaro Resources Ltd

8 Truworths International Ltd

9 Impala Platinum Holdings Ltd

10 Absa Group Ltd

The adjudication process ranks entities in the following categories:

"Excellent" and "Good" are awarded to entities that progressively achieve a higher level of adherence to the spirit of integrated reporting. Other than the Top 10, the categories are presented in alphabetical order and are not ranked.

- Excellent (which includes the Top 10 positions)
- Good
- Average
- Progress to be made

Excellent

Absa Group Ltd
Anglo American Platinum Ltd
AngloGold Ashanti Ltd
Aspen Pharmacare Holdings Ltd
DRDGOLD Ltd
Exxaro Resources Ltd
Impala Platinum Holdings Ltd
Kumba Iron Ore Ltd
Momentum Metropolitan Holdings Ltd
MTN Group Ltd
Nedbank Group Ltd
Netcare Ltd
Pick n Pay Stores Ltd
Redefine Properties Ltd
Royal Bafokeng Platinum Ltd
Sappi Ltd
Sasol Ltd
Standard Bank Group Ltd
Telkom SA SOC Ltd
Transaction Capital Ltd
Truworths International Ltd
Vodacom Group Ltd

Good

ADvTECH Ltd
Anglo American plc*
Bid Corporation Ltd
Coronation Fund Managers Ltd
Discovery Ltd
Gold Fields Ltd
Growthpoint Properties Ltd
Harmony Gold Mining Company Ltd
Life Healthcare Group Holdings Ltd
Mediclinic International plc*
Mondi plc
Mr Price Group Ltd
MultiChoice Group Ltd
Old Mutual Ltd
Omnia Holdings Ltd
RCL Foods Ltd
Shoprite Holdings Ltd
Sibanye Stillwater Ltd
The Foschini Group Ltd
Tiger Brands Ltd
Woolworths Holdings Ltd

Average

AECI Ltd
African Rainbow Capital Investments Ltd
African Rainbow Minerals Ltd
Barloworld Ltd
BHP Group Ltd*
British American Tobacco plc*
Clicks Group Ltd
Capital & Counties Properties plc*
Dis-Chem Pharmacies Ltd
Distell Group Holdings Ltd
Equites Property Fund Ltd
FirstRand Ltd
Fortress REIT Ltd
Glencore plc*
Hammerson plc*
Hyprop Investments Ltd
Investec Ltd
Italtile Ltd
JSE Ltd
KAP Industrial Holdings Ltd
Motus Holdings Ltd
Naspers Ltd
Northam Platinum Holdings Ltd
OUTsurance Group Ltd
Pepkor Holdings Ltd
Prosus NV*
PSG Konsult Ltd
Remgro Ltd
Sanlam Ltd
Santam Ltd
Sirius Real Estate Ltd
Sun International Ltd
The SPAR Group Ltd
Thungela Resources Ltd
Tsogo Sun Gaming Ltd
Vukile Property Fund Ltd

Progress to be made

Alphamin Resources Corp*
Anheuser-Busch InBev SA/NV*
AVI Ltd
Bytes Technology Group plc*
Capitec Bank Holdings Ltd
Compagnie Financière Richemont SA*
Globe Trade Centre SA*
Hosken Consolidated Investments Ltd
Karooooo Ltd*
Lighthouse Properties plc
MAS plc
Montauk Renewables Inc*
NEPI Rockcastle NV*
Ninety One plc*
Quilter plc*
Reinet Investments SCA*
Resilient REIT Ltd
South32 Ltd*
Super Group Ltd
Textainer Group Holdings Ltd*
The Bidvest Group Ltd

*These companies do not have their primary listing on the JSE and are not required to prepare an integrated report

2023 Top ten reports

By **Mark Graham,** Emeritus Associate Professor, University of Cape Town

1 Nedbank Group Ltd

Nedbank's report is well laid out, easy to read and good use is made of infographics to summarise complex information in a way that is understandable. The report has a discernible focus on value creation, preservation, and erosion. We particularly liked the strategic focus of the report and the way in which strategic performance is supported by detailed key performance indicators. These key performance indicators include three years of performance data, targets, benchmarks, the outlook for the medium and long term, levels of assurance, as well as linkage to executive remuneration. The focus within the governance section on the key issues considered by the board, together with extensive discussion of these issues, is best practice. The group's outcomes are detailed and supported by meaningful hard data. The presentation of key strategic trade-offs demonstrates the way in which the group assesses the availability and quality of its capital inputs and clearly illustrates short-term and long-term considerations. The overall coherence and connectivity of the report is excellent.

2 Redefine Properties Ltd

Redefine's report is crisp, concise and has a narrative flow that is easy to follow. Good use is made of icons to make the necessary links between the various content elements to tell an integrated story. The introductory summary of the group's integrated approach to business and value creation, which provides useful context for what is to follow, is excellent. The report has a strong future focus, particularly in relation to value creation which is presented on a capital-by-capital basis. We particularly liked the governance section of this report with its clear link to strategy and its focus on how the board is responding to material matters. The report includes a detailed and understandable business model that clearly shows the group's inputs, business activities, outputs, and outcomes. The explanation of the group's operating context is sufficiently detailed for the reader to get a good sense of the global drivers, macroeconomic factors and industry trends that affect the business and how these matters drive the group's strategy.

3 Kumba Iron Ore Ltd

Kumba's report has a clear strategic focus with an emphasis on value creation both for itself and for other stakeholders, together with relevant information on how the value that is created is measured. The explanation of the group's approach to materiality using the concept of 'double materiality' and the way in which the materiality determination approach is explained is excellent. We particularly liked the connectivity within the section that shows the interdependencies between value creation and the capitals that the group's business model depends on. The report includes a comprehensive explanation of the group's strategy across three distinct time horizons together with clear disclosures of how the group has performed against previous strategic ambitions. The group's risks and opportunities are clearly presented and the way in which these are linked to value creation and the strategic focus areas is an indication of integrated thinking within the group.

4 Netcare Ltd

Netcare's report has a clear emphasis on value creation and strategy. The report has a sensible structure that commences with a brief overview of the business and its strategy, followed by the necessary detail on governance, the group's value creation story and in-depth discussions of its capitals. We particularly liked the detailed explanation of the context within which the group operates and the way in which items within this section are linked to the group's strategy. The inclusion of 'key takeaways' in explaining the operating environment is innovative and helpful. The disclosure of the group's risks and opportunities that includes the risk management framework, an explanation of how the top business risks have been identified, a risk exposure heat map, and a comprehensive and integrated disclosure of each risk is excellent. The presentation of group's performance against each of its strategic initiatives is sufficiently detailed and appropriately linked to the Exco scorecard.

5 Anglo American Platinum Ltd

The Amplats report has a sensible layout that contains a wealth of useful, well contextualised, and clearly explained data which makes the value creation narrative easy to follow. We particularly liked the explanation of the group's approach to reporting and the graphic that is used to illustrate this explanation. The detail provided on the group's purpose is useful in understanding the context of the strategic priorities that follow. The detailed disclosure of these strategic priorities together with clearly identified strategic initiatives, current performance and medium to long-term targets is excellent. The discussion of the group's trade-offs is specific to its business and clearly shows how the group manages these trade-offs to create long-term value. The group's risks are clearly presented, appropriately integrated with strategy, and illustrated with a heat map that shows the likelihood and consequence of each risk.

6 Vodacom Group Ltd

Vodacom's report is easy to navigate and makes excellent use of icons to link sections and guide the reader. The report is crisp, concise, attractive, and uses language that is easy to read. We particularly liked how the group's purpose and approach to ESG are explained early-on in the report together with links to where more sustainability information can be found. The disclosures of how the group is responding to 'hot topics' on a macro, industry and company level is excellent. The emphasis on value creation is supported by performance measures and detailed discussions which clearly show the extent to which various strategic objectives have been achieved. These performance measure disclosures are comprehensive and include three years of historic data, medium-term targets, links to executive directors' remuneration as well as an indication of whether value has been created, eroded, or sustained.

7 Exxaro Resources Ltd

Exxaro's report has a clear future focus on sustainable growth. The report commences with a clear 'big picture' outline of how the group is driving value through transition and which provides a coherent basis for the narrative that follows. We particularly liked the specific focus within the report on business reliance and how the group uses its intellectual capital to enable its responses to challenges in the market and position the business for the future. Strategy is central to this report and is unpacked in sufficient detail to get a clear sense of how the group aims to create and preserve value by delivering sustainable growth and impact. The explanation of the group's opportunities and how these have informed strategy is excellent. The explanation of the group's business model is comprehensive and in addition to inputs, activities, trade-offs, outputs, and outcomes includes useful detail on how outcomes are being improved.

8 Truworths International Ltd

Truworths' report is easy to navigate, avoids the use of jargon and is written using language that is clear and concise. The report includes detailed and integrated disclosure of each material issue that incorporates performance against objectives and targets, challenges encountered, future objectives and plans, risks and opportunities as well as achieved and target key performance measures. We particularly liked the way in which the governance disclosures provide a good overview of the board's deliberations and have a strong link to value creation. The explanation of the business model is comprehensive and exhibits a high level of coherence with the way in which the group manages and explains its business. The Chief Financial Officer's report which blends a traditional style of reporting with an appropriate explanation of how financial capital has been increased, preserved, or eroded is excellent.

9 Impala Platinum Holdings Ltd

Impala Platinum's report focuses on value creation and contains an appropriate mix of forward-looking information and performance disclosures. The explanation of the group's materiality determination process and reporting boundary are clearly presented together with an explanation of what additional material can be found in other reports. We particularly liked the information provided with respect to the availability, affordability and quality of capitals that is shown within the business model infographic. Risk disclosures are comprehensive and are enhanced by disclosure of short and medium-term risk outlook factors. The detail provided within each divisional review is excellent and provides suitable granularity with respect to material matters, risks and opportunities, strategy, and performance. The section that shows the group's performance against KPIs and targets is excellent.

10 Absa Group Ltd

Absa's report focusses on value creation and contains an appropriate mix of forward-looking information and performance disclosures. The explanation of the basis of preparation and presentation of the report is suitably detailed and supported by an explanation of the extent to which the report has been assured. A wealth of useful, well contextualised, and clearly explained data is provided within the report and the extensive use of cross referencing makes the report easy to navigate. We particularly liked the context provided by the comparison of the group's position relative to its most significant peers in each country within which it operates. The materiality determination process is comprehensively explained, and the material matters are unpacked and linked to risks, opportunities, strategy, stakeholders, and their impact upon the business model. The section that deals specifically with the outlook for the group is excellent.

2023 Adjudicators' observations and overall performance

By **Mark Graham,** Emeritus Associate Professor, University of Cape Town

Companies included in the 2023 survey

- **Top 100 Johannesburg Stock Exchange (JSE) Limited listed companies selected based on their market capitalisation as at 31 December 2022.**
- Integrated report or annual report for year-ended on or **before 31 December 2022**.
- **Largest in survey**: BHP Group plc with a market capitalisation of R2.7 trillion.
- Smallest in survey: African Rainbow Capital Investments Ltd with a market capitalisation of R8.4 billion.
- The 100 companies in the survey account for **96% of the market capitalisation** of the JSE at 30 December 2022.

Changes to the Top 100

Eight companies that appeared in the 2022 survey are no longer included in the Top 100 due to relative declining market capitalisation or other corporate activity.

New / returning in 2023 survey:

- OUTsurance Group Ltd
- Globe Trade Centre SA
- Hosken Consolidated Investments Ltd
- Omnia Holdings Ltd
- ADvTECH Ltd
- JSE Ltd
- Sun International Ltd
- African Rainbow Capital Investments Ltd

Companies included in the 2023 survey

- The **quality** of "Excellent" and "Good" reports **continues to improve**.
- "Excellent" reports have: a **clear strategic focus**, an emphasis on **value creation** and a high level of **connectivity between the various elements** presented, and consequently a **coherent value creation narrative**.
- "Excellent" and "Good" reports include all the **content elements** required by the **Framework**[1] in a way that is **easily understood** by the reader.
- There is **increasing divergence** amongst the more highly ranked reports in the way in which the **value creation, preservation** and **erosion** 'story' is being told. This positive trend indicates that companies are telling their 'story' in a way that is relevant to their specific business.
- **Increased disclosure of ESG information**. However, these disclosures are often not integrated into the value creation narrative.
- **Very little improvement observed** in those reports ranked as "Average" and "Progress to be made".
- The **gap** between those reports ranked as "Excellent" or "Good" and those ranked as "Average or "Progress to be made" **is increasing**.
- Some reports are using a **financial materiality lens**, whilst other reports are using a **double materiality lens** to determine what matters to include in the integrated report. In some cases, it is not clear what lens is being used.

[1] Integrated Reporting Framework, revised January 2021

Observations specific to reports ranked as "Excellent" or "Good"

- The **first few pages** of the report are increasingly being used to orientate the reader to the **purpose of the report** and the way in which the **value creation narrative** is going to be structured.
- Increased use is being made of **other reports to present important additional information.** In many cases the reader is directed to these other reports early-on in the integrated report.
- Greater attention is being given to the **materiality process** and the concept of **"double materiality"** is increasingly being used.
- Continued improvements in the **use of graphs/tables/ infographics** and icons to achieve conciseness, integration, and more effective communication.
- **Governance disclosures** are becoming more detailed and are now addressing issues specific to the business. Furthermore, these disclosures are increasingly being focussed on how governance structures contribute to the **value creation process.**
- An increasing number of reports are now including an **endorsement signed by all directors.**
- Better links are being made between **key performance indicators** and **executive remuneration.**
- The integration of sustainability and ESG issues into the report is improving.
- The way in which **inputs, outputs and outcomes** are being included **within the business model** is now more in line with the intention of the Framework.
- Increased disclosures of **innovation initiatives** and **IT strategies.**

Areas for improvement

- Include the **date of the year-end** and the **date of approval** of the integrated report.
- Include an **explicit statement on the purpose and audience** of the integrated report and how this informs the **approach to materiality.**
- Clearly **identify those material matters** that have an impact on value creation, preservation, and erosion.
- Explain the **value that the business wishes to create** for itself and others early-on in the report.
- Increase the **emphasis on balanced** reporting by including negative outcomes and other challenges.
- Disclose the **inputs** that are available at the year-end which will be used to **support future value creation.**
- Explain how business **outcomes** could be improved to **create future value**.
- Consider placing more emphasis on **future value creation** potential rather than **current year performance.**
- Clearly articulate how the continued **availability, quality and affordability** of significant capitals contribute to the organisation's ability to achieve its strategic objectives in the future and thereby create value.
- **Improve the structure** of the strategy disclosures by making it clear how **strategic objectives, goals, pillars, etc.,** are interrelated and how they relate to the **performance measures** that are disclosed.
- Provide more detail on the **actual strategies** that will be used in the **short, medium, and long-term** to achieve the **businesses strategy objectives.**
- Include information on **key board deliberations** and link this to **strategy and value creation and preservation.**
- **ESG information** should be linked to the **business model** and **future value creation** and not simply added as a separate section of the report.
- Need for **more reflection on what was said in prior reports** and disclosure of progress against previously disclosed objectives and targets.
- **Exclude regulatory and compliance detail**, especially excessive remuneration disclosures, that are not relevant to the value creation story.
- Ensure that the use of **icons, figures, graphs, photographs, or pictures** does not become excessive and a distraction for the reader.
- Make sure that PDF versions of the report are readable on all devices that are currently being used by readers.

Rankings

43 of the 100 integrated / annual reports reviewed this year were ranked as "Good" or "Excellent".

57 companies are not making a serious attempt to produce an integrated report that complies with the International Integrated Reporting Framework.

Title of report

21 of the 100 companies in the survey do not produce an integrated report as they have their primary listings on stock exchanges other than the JSE and are not required to prepare an integrated report.

Endorsement by directors

75 of the 100 companies in the survey include a specific acknowledgement that the report is endorsed by the directors.

65 of these endorsements were signed by some or all the directors.

31 endorsements were signed by all the directors.

Other reports issued by the 22 companies ranked as "Excellent"

8 issue a sustainability report in addition to their integrated report.

3 issue a separate remuneration report.

10 issue an ESG report in addition to their integrated report.

7 issue a separate governance report.

8 issue a separate report on climate related matters.

Audience of the integrated reports

- The Integrated Reporting Framework clearly states that the primary purpose of the integrated report is to explain to providers of financial capital how an organisation creates value for itself.
- 34 of the integrated reports clearly state that their integrated reports are primarily aimed at providers of capital.
- 40 of the integrated reports state that their integrated reports are aimed at a variety of stakeholders.

Length of integrated reports

- Average length of reports in this year's survey is 157 pages.
- Average length of the reports that are titled an integrated report is 142 pages.
- Shortest integrated report is 37 pages.
- Longest integrated report is 288 pages.

Style of financial statements

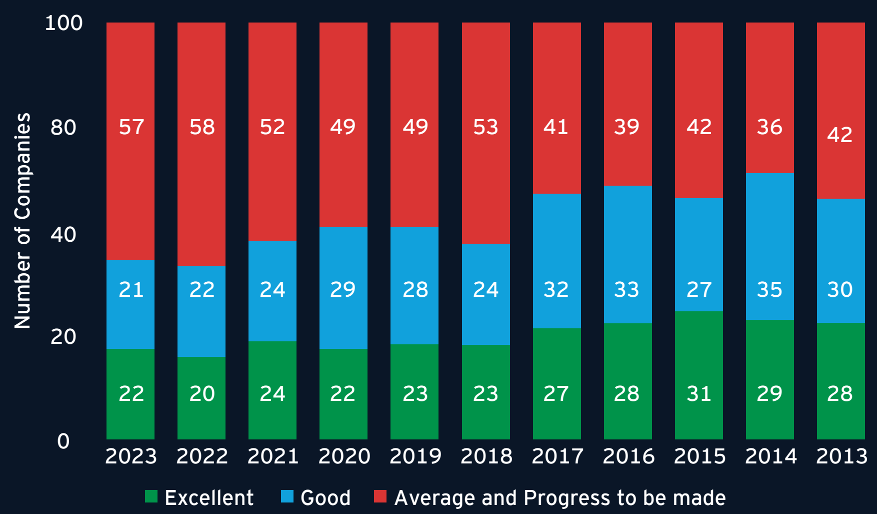
- Average length of **financial statements** within the reports is **53 pages.**
- Average length of the **financial statements (full or summarised)** within reports that are titled an integrated report is **43 pages.**
- **34 companies** in the survey included **full financial statements** in their report.
- **14 reports** that are titled an integrated report **include full financial statements** in their report.
- **9 companies** in the survey include **IAS 34**[2] **financial statements** within their report.
- **45 companies** included their **financial statements at the end** of the report.
- **43 companies** include extracts of their financial statements within their financial review or discussion of financial capital.

Industries included in the survey

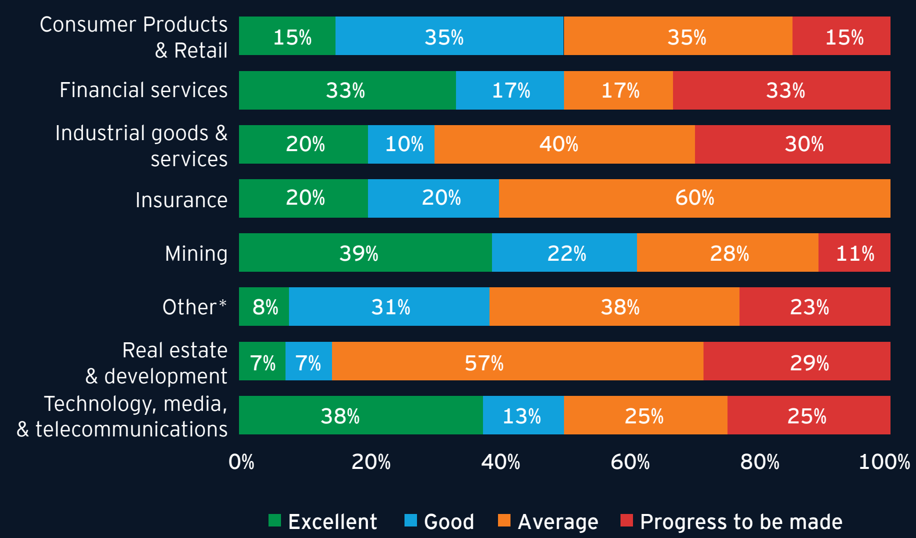
- For the fifth consecutive year, at least **20%** of the companies included in the 2023 survey operate in the **consumer products and retail sector**, making this the largest group of companies in a single sector featured in the survey.
- **The financial services** sector makes up approximately **12%** of the total number of companies featured in the survey this year, a slight decrease from **14%** last year.
- The number of companies operating in the **real estate & development and industrial goods & services** sectors and featured in the survey has decreased in comparison to the prior year.
- The mining sector showed an increased representation when compared to the prior year's survey, increasing to the levels saw for 2019 to 2021.
- For the second consecutive year, the survey has featured a company operating in the **alternative energy sector** which has been included in the "Other" category.
- A further analysis of companies by industry included in the 2023 survey indicates that over **60%** of **mining sector companies** are included in the "**Excellent**" and "**Good**" categories.
- **50%** of all companies classified as "Good" or "Excellent" operate in the **technology, media and telecommunications, financial services, and consumer products and retail sectors.**
- **40%** of companies **featured in the survey** and operating within the **insurance industry** are included in the "**Excellent**" or "**Good**" categories.
- Lastly, **38%** of the companies included in the "Other" category were awarded an "Excellent" and "Good" ranking. The "Other" industry ranking includes companies within alternative energy, healthcare, logistics, entertainment, educational services and travel & leisure.

[2] IAS 34 Interim Financial Reporting

Rating by year



2023 Ratings per Industry



*Industries included in other: Alternative energy, healthcare, logistics, entertainment, educational services, and travel & leisure.

“

Integrated thinking is considered by top reporters to be a strong advantage when it comes to achieving sustainability reporting goals.

Alexi Colyvas
EY Climate Change and Sustainability Services

Insights into sustainability reporting among SA listed companies

By **Alexi Colyvas,** Climate Change and Sustainability Services Associate Partner, EY Africa

In June 2023, the International Sustainability Standards Board (ISSB) issued its first two standards[1], with an effective date of 1 January 2024 for voluntary adopters or to be mandatorily adopted through regulatory processes at jurisdictional level.

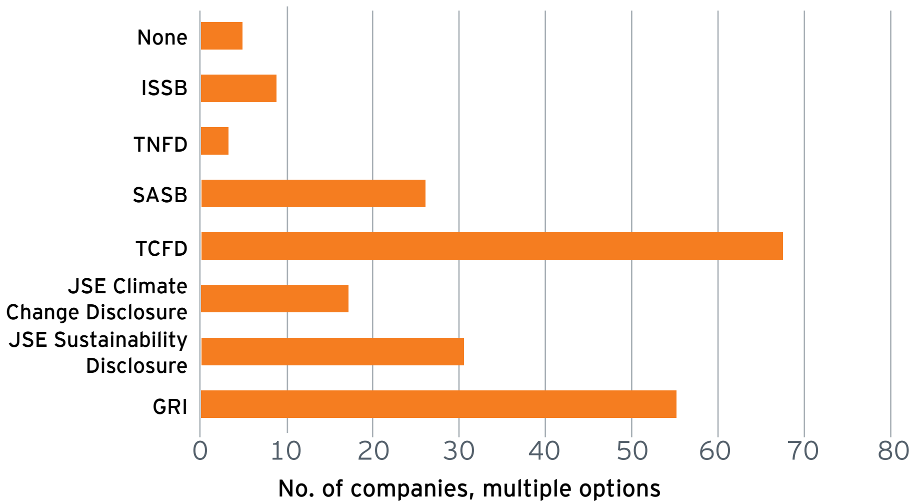
The ISSB's Standards are intended to serve as a global baseline for sustainability reporting, as they consolidate several different earlier frameworks and standards, bringing much-needed alignment and clarity. The intended audience of sustainability reports prepared using these standards is investors, lenders and other providers of capital (i.e., a financial or enterprise materiality perspective). Furthermore, sustainability reporting has received a significant boost through the European Union's adoption of the new Corporate Sustainability Reporting Directive (CSRD), regulations that will mandate more extensive sustainability reporting in the form of the European Sustainability Reporting Standards, with external assurance requirements.

In recognition of the growing emphasis on sustainability reporting globally, for EY South Africa's Annual Excellence in Integrated Reporting Awards 2023 (EIR), we performed an analysis of the top 100 JSE listed companies' most recently published sustainability reports (or equivalent). Furthermore, we received 15 responses to a survey of top South African[2] integrated reporters to obtain a better understanding of their approach to sustainability reporting. The results presented below provide interesting insights into the current trends and viewpoints around sustainability reporting and how it links to integrated reporting.

[1] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
[2] The companies surveyed were all from the "Top 10" and "Excellent" categories of the 2023 EY Excellence in Integrated Reporting Awards

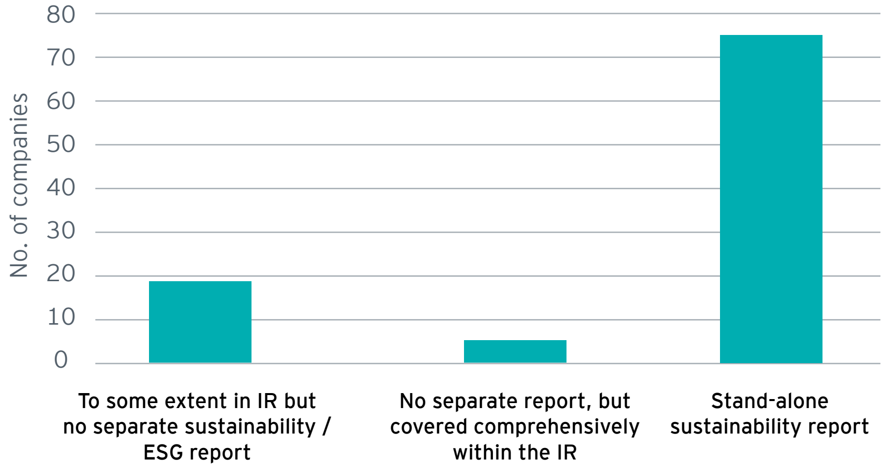
Graph 1

Top 100 JSE listed companies: Frameworks guiding their sustainability reporting



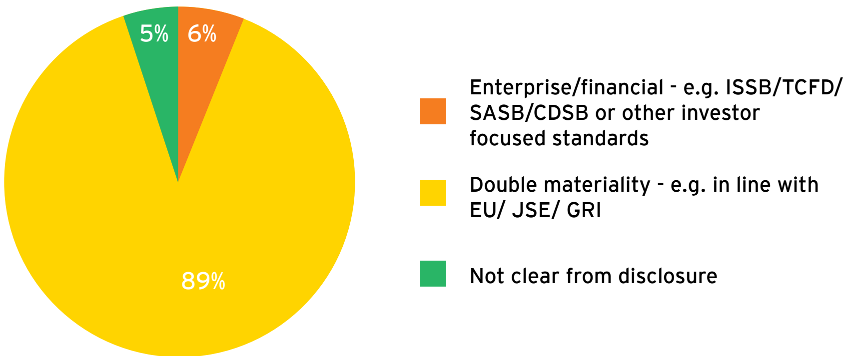
Graph 2

Top 100 JSE listed companies reporting on sustainability / ESG information



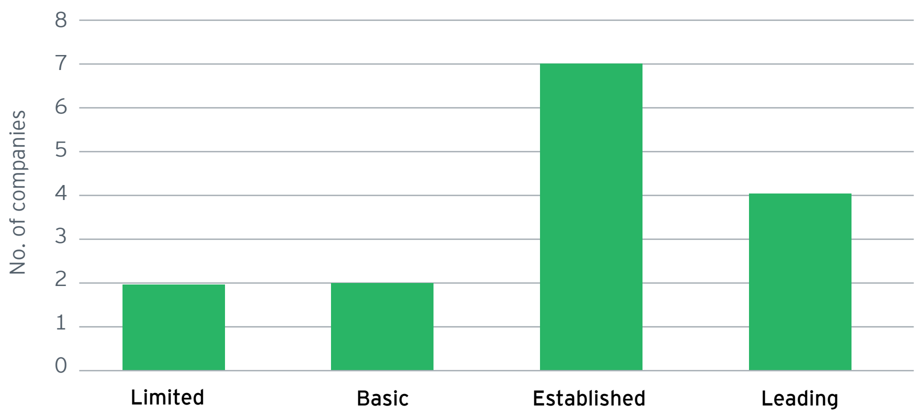
Graph 3

Top 100 JSE listed companies: Approach to materiality



Graph 4

Top Integrated Reporters: Maturity assessment of sustainability reporting



Reporting standards and practices currently being applied in South Africa

Most of the top 100 JSE listed companies use more than one standard to guide their sustainability reporting. GRI[3] and TCFD[4], as perhaps the two most used frameworks in South Africa, are, unsurprisingly, used by the majority of companies (Graph 1). Only a few companies referred to the ISSB, presumably as most companies have adopted a wait-and-see approach with respect to the final standards and whether these might become mandatory in South Africa.

It is interesting to note that, although the JSE Guidance[5] was only published a little over a year ago and is voluntary, 31 of the 100 companies refer to the JSE Sustainability Disclosure Guidance, while 17 refer to the JSE Climate Disclosure Guidance. We expect that this will continue to increase in subsequent periods, although it will be interesting to see how this interacts with the ISSB Standards now that these are also available for use.

More than half of the companies analysed also indicated the use of other standards and guidelines, which include rating agencies and industry-specific guidance. While most of the top 100 JSE listed companies are working towards aligning with various sustainability standards, 5 companies do not refer to any frameworks. However, it is important to note that companies may often refer to standards as a source of guidance, which does not necessarily equate to full adherence or adoption.

The top 100 JSE listed companies have applied different approaches to the location of the sustainability information within the company's reporting suite, with the clear majority opting for stand-alone sustainability reports (Graph 2).

Similarly, the top 100 JSE listed companies have applied different approaches to "materiality" in their sustainability reporting (Graph 3). 89% of companies seem to favour a "double-materiality" approach, which aims to provide information that is not only relevant to investors, lenders and other providers of capital, but also to broader external stakeholder groups without a financial interest in the company.

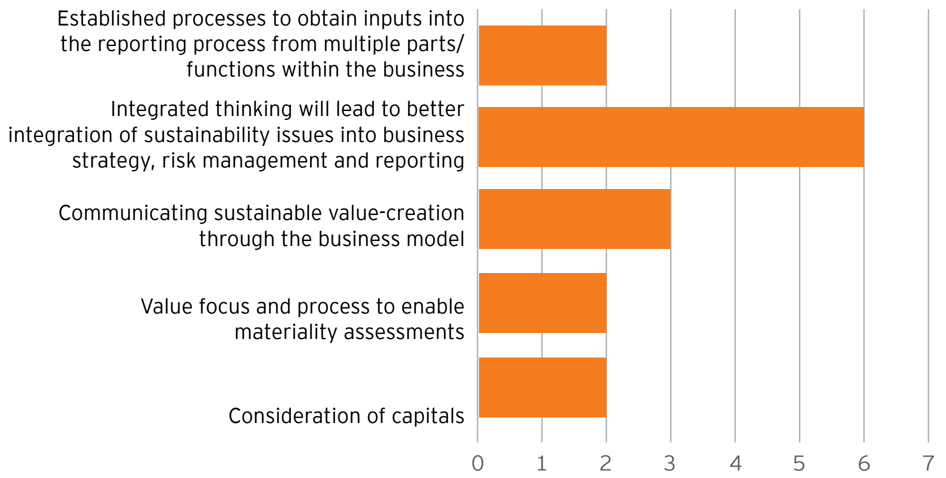
It will be interesting to see whether, through the future adoption of the new ISSB Standards, companies will consider switching their focus to enterprise / financial materiality. This seems unlikely given the already established systems, practices and processes that many companies have in place to provide external impacts information to the market and the fact that the JSE Guidance also promotes a double-materiality perspective.

Those companies with exposure to the EU market are also likely to use a double-materiality lens, considering the potential requirements flowing through from the CSRD regulations. However, there still seems to be a significant degree of inconsistency, which supports the need for stronger alignment and potentially, regulatory guidance on how this information should be reported and which standards to apply.

[3] Global Reporting Initiative
[4] Task Force on Climate-related Financial Disclosures
[5] Refers jointly to JSE Sustainability Disclosure Guidance and JSE Climate Disclosure Guidance, June 2022

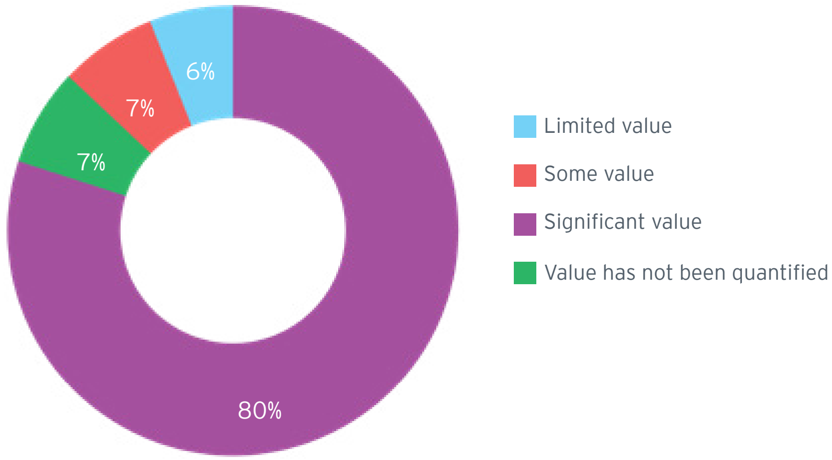
Graph 5

Top Integrated Reporters: Aspects of integrated reporting that will facilitate sustainability reporting



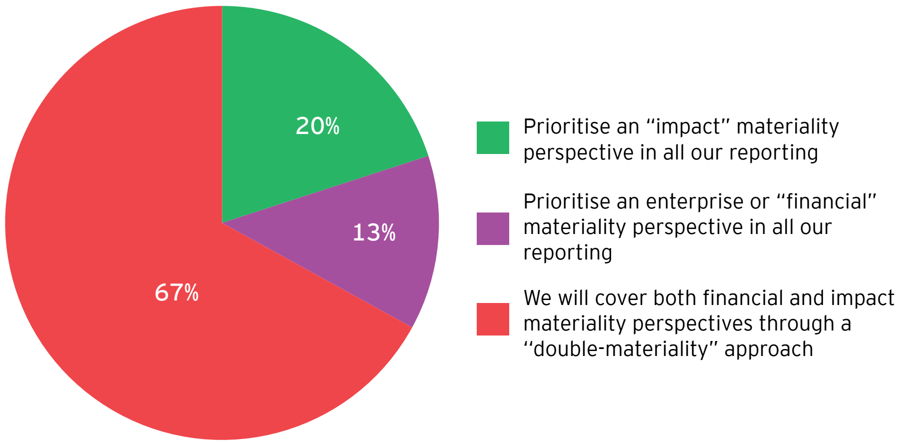
Graph 6

Top Integrated Reporters: Value obtained from sustainability reporting



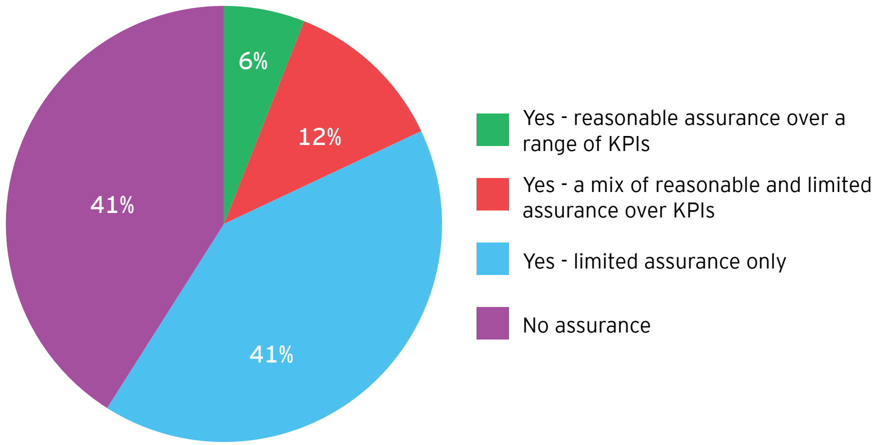
Graph 7

Top Integrated Reporters: Reconsidering the organisational materiality approach to sustainability reporting



Graph 8

Top 100 JSE listed companies: External assurance over sustainability disclosures



Maturity of sustainability reporting processes and the link to integrated reporting

From "Top 10" and "Excellent" companies ranked in the EY Integrated Reporting Survey (collectively referred to as the "Top Integrated Reporters") this year, 15 companies responded to additional questions about their sustainability reporting. In response to a question regarding the maturity of their sustainability reporting processes, it was pleasing to see that the majority consider themselves to have established or leading sustainability reporting practices, processes and systems (Graph 4). This suggests a correlation between integrated reporting quality, and sustainability reporting effectiveness, and may lend support to the notion that South African listed entities will be at an advantage when it comes to implementing sustainability reporting, given their historic experience with applying integrated reporting. This is further highlighted by their response to a question where companies were asked what aspect of integrated reporting would facilitate their sustainability reporting goals. "Integrated thinking" is considered by the respondents to be a strong advantage when it comes to achieving sustainability reporting goals (Graph 5).

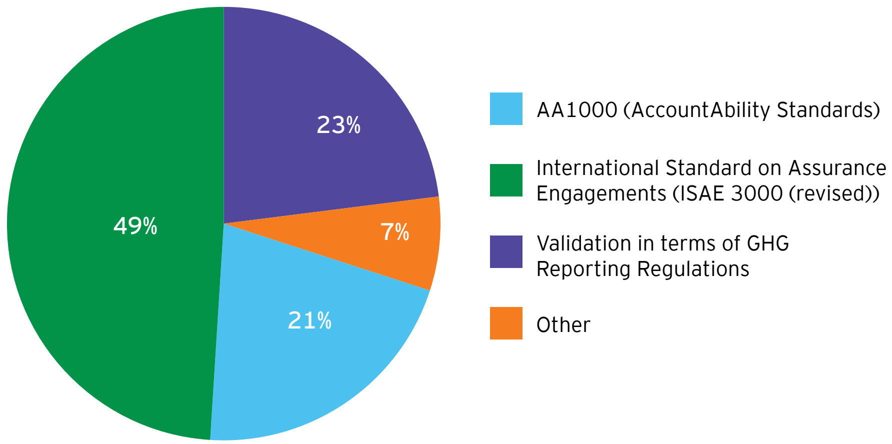
80% of our Top Integrated Reporters see significant value from sustainability reporting (Graph 6). In addition, 87% of the Top Integrated Reporters indicated that they are likely to continue prioritising the impact perspective, or a combination of both financial and impact perspective (double-materiality), which suggests an alignment between high quality integrated reporting, integrated thinking, and a companies' approach to sustainability reporting (Graph 7). Thus, most of the Top Integrated Reporters also appear to have good awareness and sensitivity with respect to the need to report on the broader impacts of the company on society and the environment and the value this can bring to the organisation.

Assurance

A company's approach toward external assurance may be an important indicator of confidence in its sustainability information. Our survey indicated that the Top 100 JSE listed companies use different approaches toward external assurance. The largest proportion of companies obtain limited assurance only, with a much smaller proportion obtaining a combination of limited and reasonable assurance, and even fewer who obtain only reasonable assurance (Graph 8). However, 40% of the top JSE listed companies are still not obtaining any form of external assurance on their reported sustainability information, which may create uncertainty with respect to the credibility of the information reported to stakeholders. Furthermore, amongst those companies who do obtain some form of assurance, there continues to be inconsistency in the assurance standards applied (Graph 9).

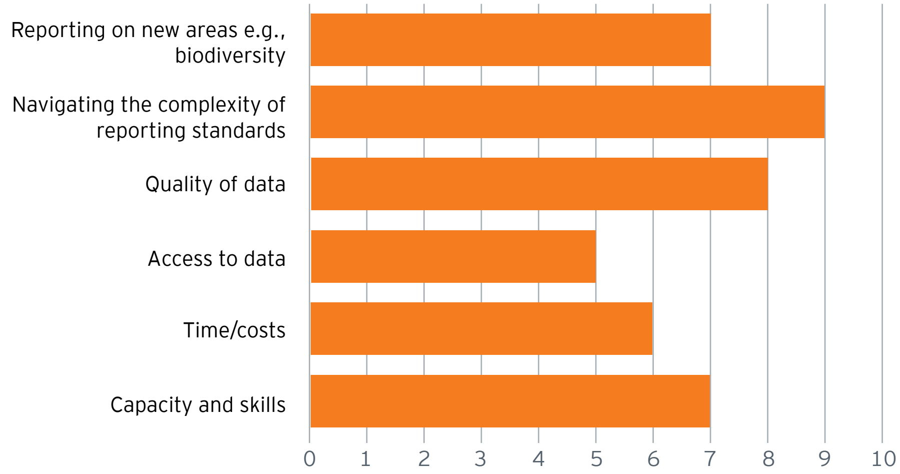
Graph 9

Top 100 JSE listed companies: Assurance over sustainability disclosures - standards applied



Graph 10

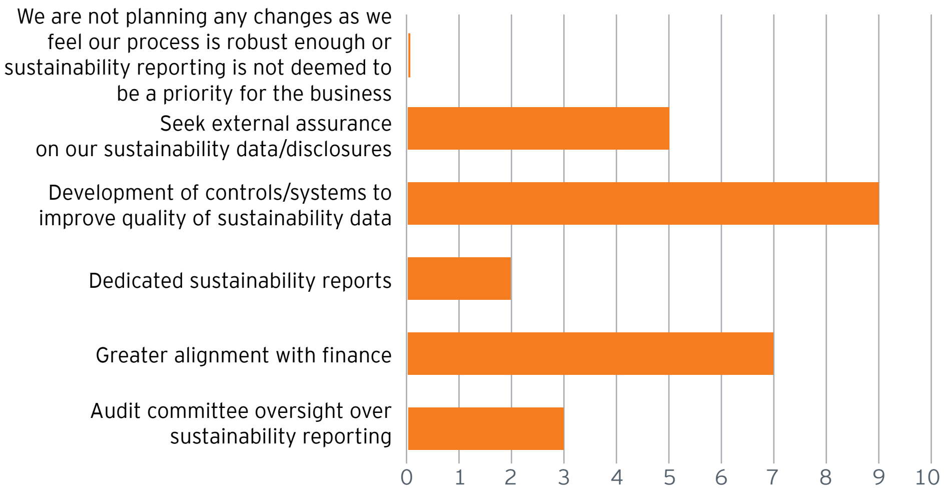
Top Integrated Reporters: Challenges in sustainability reporting journey



15 Respondents, multiple selections per respondent

Graph 11

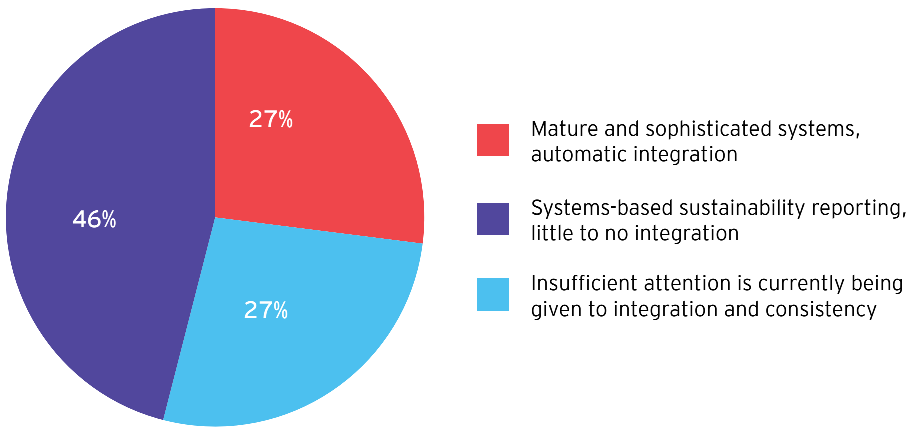
Top Integrated Reporters: Changes to be made to align to regulatory / stakeholder expectations



15 Respondents, multiple selections per respondent

Graph 12

Top Integrated Reporters: The extent to which sustainability reporting links into financial reporting



Challenges to be overcome and key changes expected

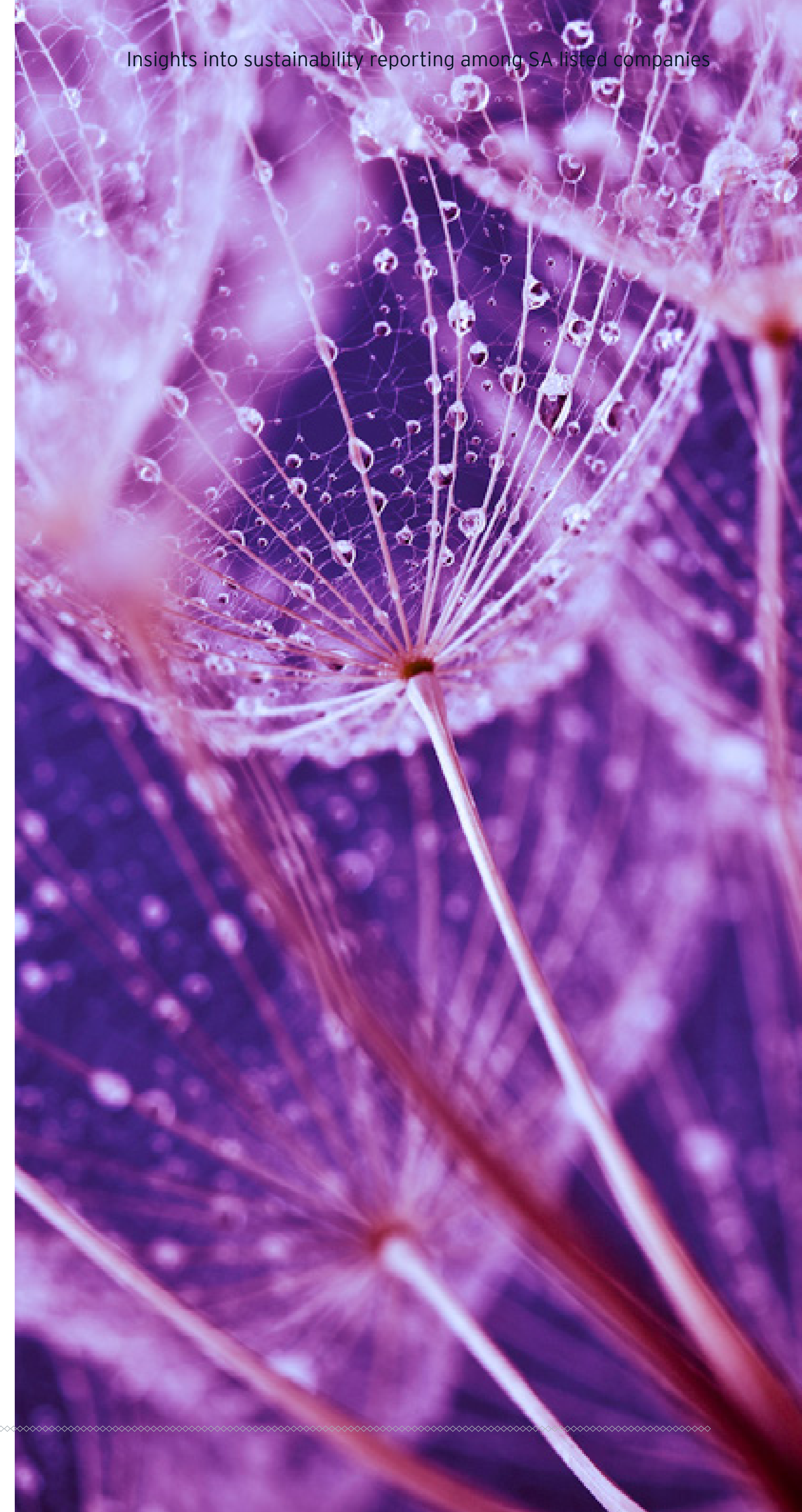
We asked respondents to rate what they believe are the biggest challenges to be overcome in the coming years as further progress is made in sustainability reporting. Navigating the complexity of new reporting standards and ensuring the quality of data are the leading concerns from the surveyed respondents (Graph 10). However, capacity and skills, and the emergence of new areas / topics to be reported on, also scored highly.

The respondents also provided their views on what their likely next steps / key changes would be to respond to the new reporting environment, with development of controls and implementation of systems to enhance data quality, followed by greater alignment between the sustainability and finance functions, and external assurance emerging as the focus areas (Graph 11).

The fact that greater alignment with finance scored so highly is interesting when considered further in the context of the question around the degree of linkage between the companies' sustainability reporting and financial reporting (Graph 12). Just 27% of companies in this grouping noted that they have mature and sophisticated systems with automated integration. However, it is also important to note that an equal number of companies stated that insufficient attention is currently being given to integration and consistency with financial information.

While the majority of Top 100 JSE listed companies provide some form of sustainability reporting, there remain substantial inconsistencies in the adopted approaches, materiality perspectives and standards. This inconsistency is expected to reduce as more companies align to reporting guidance such as the JSE Guidance and as they consider the way forward with respect to the new ISSB Standards. However, even with greater alignment to IFRS S1, a degree of variability will remain where the standard is not specific on disclosure details.

It has been particularly interesting to note that most of the Top Integrated Reporters who responded to the survey appear to also have a holistic and mature approach toward sustainability reporting with ambitions to enhance this further, which lends credence to the assumption that South African listed entities are well-positioned to become leaders in sustainability reporting, irrespective of the pace at which this becomes a mandatory requirement in this jurisdiction. The intention to move toward enhanced external assurance is also positive and reflects a growing appreciation of the importance of providing credible, independently assured ESG information to the market.



The mark plan at a glance

Overview of the mark plan

The mark plan is based on the Integrated Reporting Framework's[1] seven guiding principles and the eight content elements. In addition, consideration is given to the Framework's fundamental concepts.

The Fundamental Concepts

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

- Value creation, preservation, or erosion for the organization and others
- The capitals
- Process through which value is created, preserved, or eroded

The Guiding Principles

The guiding principles underpin the preparation of an integrated report, informing the content and how information is presented:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

The Content Elements

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

- Organizational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of presentation

[1] Integrated Reporting Framework, revised January 2021

Integrated reporting and adjudication process FAQs

What is an integrated report?

The primary purpose of an integrated report is to explain to providers of financial capital seeking to assess enterprise value, how an organisation creates, preserves, or erodes value over time. An integrated report thus sets out how the organisation's strategy, governance, performance, and prospects lead to the creation of value in the short, medium, and long-term. The International Integrated Reporting Framework, now under the auspices of the IFRS Foundation, establishes the principles and concepts that govern the overall content of the integrated report.

Who should prepare an integrated report in SA?

The International Integrated Reporting Framework was issued by the International Integrated Reporting Council (IIRC) in 2013 and updated in 2021. In 2022, the IIRC and the Integrated Reporting Framework were incorporated into the IFRS Foundation. In South Africa, the King Code on Corporate Governance recommends that companies produce an integrated report. Compliance with the King Code is a JSE listing requirement; this then mandates all South African companies with primary listings on the JSE to produce an integrated report.

Is a sustainability report the same as an integrated report?

A sustainability report and an integrated report are not the same. They are different reports, presenting different information to different audiences. The International Integrated Reporting Framework is quite clear that the purpose of the integrated report is "to explain to providers of financial capital how an organization creates, preserves or erodes value over time" (paragraph 1.7). Therefore, the integrated report addresses those stakeholders seeking to assess enterprise value and should necessarily include those sustainability issues which may influence the users' view of the timing and certainty of the organisation's future cash flows. The sustainability report, on the other hand, targets all those stakeholders seeking to understand the organisation's significant sustainability impacts.

How are companies chosen for inclusion in the Excellence in Integrated Reporting Awards?

These are the top 100 companies listed on the JSE, selected based on their market capitalisation on the last trading day of the calendar year. This is usually the 31st of December.

All companies are regarded as being eligible to be included in the survey. The final top 100 includes the full range of listed companies on the JSE, from resources to industrials, retailers and financial institutions and includes several companies with dual listings. In the case of those companies which operate through a dual listing structure, only the combined group is included in the survey.

How is the mark plan developed?

The mark plan is developed by the three adjudicators with affiliations to the University of Cape Town (UCT) in conjunction with EY's Professional Practice Group. The UCT team comprises of Professors Alexandra Watson (Emeritus Professor), Goolam Modack (College of Accounting) and Mark Graham (Emeritus Associate Professor). All the adjudicators have for many years been involved in EY's Excellence in Corporate Reporting survey and since 2011 in EY's Excellence in Integrated Reporting survey.

What is included in the mark plan?

The mark plan is quite simple and is based on the guiding principles and content elements that appeared in the International Integrated Reporting Framework (the Framework). A mark out of ten is awarded for each of the seven guiding principles (i.e., strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and lastly consistency and comparability). Similarly, a mark out of ten is awarded for each of the eight content elements (i.e., organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook and finally basis of presentation and preparation). Marks are also awarded for the extent to which the integrated report incorporates the Framework's fundamental concepts, dealing with how value is created, preserved or eroded with reference to the six 'capitals' where relevant.

What do the adjudicators expect to see with respect to the six capitals?

The adjudicators believe that an explanation of how a business creates, preserves or erodes value with respect to the six capitals is a particularly suitable way for most companies to present much of the content that needs to be presented within its integrated report. Furthermore, an explanation of how value is created, preserved or eroded within an organisation can sensibly be structured around how value is embodied in the capitals that it uses. Doing this should also give the report a more logical flow.

So, whilst the adjudicators do not expect companies to explicitly structure their report around the six capitals, or indeed use this specific terminology, they would certainly look for disclosures relating to the stock and flow of the capitals (i.e., financial, manufactured, etc.) and the extent to which trade-offs between different capitals may influence the organisation's strategy.

Which document is adjudicated?

The document that is labelled as being the integrated report is reviewed and adjudicated. For those dual listed companies that do not produce an integrated report, the adjudicators evaluate the information contained in their annual report. This is generally not detrimental to those companies as many of the integrated reporting principles are included in their reports, nonetheless. For those companies that operate through a dual listing structure the combined report is reviewed. In all cases the on-line pdf or hard copy of the report is reviewed.

Are separate sustainability reports or other reports reviewed?

No, the adjudicators only look at the document that is labelled as being the integrated report or the annual report in the case where companies have not produced an integrated report.

Who actually adjudicates the integrated reports?

Each of the integrated reports of the top 100 companies is separately adjudicated by each of the three adjudicators using the pre-agreed mark plan.

Is this simply a box ticking exercise?

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

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

Do the adjudicators attempt to achieve consensus on the scores?

No, not really. It's really the ranking that matters. Where an adjudicator's ranking differs widely from the others, this is reviewed to ensure that information has not been overlooked. Often, scores may vary widely. While the adjudicators generally agree on what is good disclosure, perception of the relative importance of items may differ. Despite this, there is a high degree of consensus among the adjudicating members' overall perceptions and recommended rankings.

Is there an overriding objective to the ranking?

Yes, absolutely. The overriding objective in ranking the integrated report is the extent to which it complies with the spirit of integrated reporting as defined by the Framework as being "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation, preservation or erosion of value over the short, medium and long term".

The adjudication process results in each of the 100 companies being ranked as "Excellent", "Good", "Average", or "Progress to be made". A further evaluation then results in a ranking of the ten best integrated reports from amongst those that are ranked as "Excellent".

How do the adjudicators identify and rank the "Top 10"?

There are three specific areas which are believed to be crucial to excellence in integrated reporting. These are: the extent to which the report has a clear strategic focus, an emphasis on value creation, preservation or erosion and a high level of connectivity between the various elements presented. These three areas are then used to identify the "Top 10" integrated reports from all amongst those ranked as "Excellent" and to assign them a ranking within the "Top 10".

Other than the "Top 10", are there any other awards?

From 2016 - 2021, an "Honours" award was given to those high-quality integrated reports which the adjudicators believed came closest to complying with all of the requirements of the Integrated Reporting Framework. In both 2022 and 2023, we have not awarded "Honours" to any reports as a result of the changing landscape of reporting.

About the adjudicators

Mark Graham
Emeritus Associate Professor
Graduate School of Business, UCT

Mark Graham is a University of Cape Town (UCT) Emeritus Associate Professor of Accounting. He is a former Head of the College of Accounting at UCT. During his 27 years at UCT he taught on the CA programme within the College of Accounting, as well as finance, accounting, and integrated reporting on the MBA, EMBA and various Executive programs at the Graduate School of Business. Mark is the current chair of the adjudicating panel for the annual EY Excellence in Integrated Reporting awards. He has also been a member of the adjudication panel of the "Excellence in Reporting" awards since their inception as Excellence in Financial Reporting 26 years ago, in 1997.

Alex Watson
Emeritus Professor
College of Accounting, UCT
Independent non-executive director

Alex Watson is a UCT Emeritus Professor of Accounting. She is a past member of the South African Integrated Reporting Committee Working Group, former vice chairman of the Global Reporting Initiative, current chairman of the Financial Reporting Investigations Panel and former Chairman of the Accounting Practices Committee, the technical accounting committee of SAICA. Alex is an independent director of companies and the WWF-SA and has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting award, and prior EY reporting awards since they were introduced in 1997.

Goolam Modack
Associate Professor
College of Accounting, UCT

Goolam Modack is an Associate Professor in the Faculty of Commerce at the University of Cape Town. He is a former Head of the College of Accounting at UCT. He teaches financial reporting at an undergraduate and postgraduate level and has co-authored a number of financial reporting textbooks. Goolam has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting awards, and prior EY reporting awards since 2005. He consults to the accounting profession and serves non-profit organisations in various capacities.

How can EY help?

Area of Focus	Contact Person

Development of long-term value focused business strategy
‣ Strategic ESG risk and opportunity identification, and strategy integration
Development of ESG/ sustainability strategy and responsible business programmes, including climate change and decarbonisation strategies
‣ Spanning target identification, implementation support and related impact/ outcome measurement and monitoring
ESG/ sustainability data management and systems
‣ Data mapping and gap assessment
‣ Systems, controls and processes
‣ Data visualisation and analysis
Sustainable finance framework development and implementation, incl. application of ICMA green, social and sustainability-linked bond principles
Integrated thinking and Integrated Reporting Framework implementation support
‣ Integrated report health check/ maturity analysis/ peer review – Customised services to fine-tune your company's implementation of the Integrated Reporting Framework
‣ Training on Integrated Reporting Framework implementation
Assistance with design and configuration of the external reporting suite aligned to meet investor and stakeholder needs
‣ Materiality assessments, to address dynamic materiality needs for stakeholders
‣ Decision-making on selection of relevant non-financial reporting frameworks and related key performance indicators (KPIs) for inclusion in reports including support for data collection, development of control environment to reenforce reporting quality/ consistency, and alignment of programmes to operational plans
‣ Training and implementation assistance for non-financial reporting frameworks, including:
  ‣ Climate risk and opportunity analysis leveraging EY Climate Analytics Platform to meet requirements of the TCFD/ ISSB draft exposure standard on climate change and other requirements. This also includes baseline, target setting, and decarbonisation strategy development support aligned to science-based targets and other net zero frameworks
  ‣ Sustainability information disclosure frameworks: GRI, WBCSD, CDP/ WDP, UN Global Compact/UN SDGs, Equator Principles
  ‣ Mining sector-specific Responsible Business/ Responsible Producer frameworks, e.g., World Gold Council Responsible Gold Principles; ICMM Performance Expectations; Copper Mark, IRMALPPM, Extractive Industries Transparency Initiative
  ‣ Principles for Responsible Banking; Principles for Responsible Investment
Co-sourced internal assurance services to support integrity of your material non-financial performance information
Pre-assurance engagements for reporting of material non-financial performance information
Independent external assurance engagements for sustainability performance reporting/ sustainability indicators
‣ Independent assurance report for sustainability or sustainable development reporting, or for enhancing external credibility of the ESG information content of the integrated report
	Clémence McNulty
	Sustainability Leader, EY Africa
	Clemence.McNulty@za.ey.com

Integrated report benchmarking ‣ Excellence in integrated reporting benchmark report (Including in-person consultation with one of the Excellence in Integrated Reporting Awards' adjudicators)	**Abigail Paulus** Excellence in Integrated Reporting Awards Abigail.Paulus@za.ey.com

> What I personally hope and believe is that the adoption and implementation of the ISSB Standards will increase the attractiveness of African companies to global capital providers

Dr Ndidi Nnoli-Edozien
ISSB board member

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