

# EY's Excellence in Integrated Reporting Awards 2017

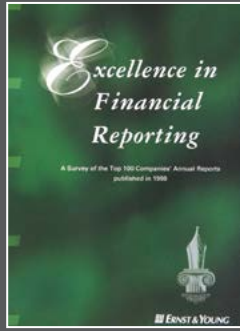
A survey of integrated reports from  
South Africa's top 100 JSE listed  
companies



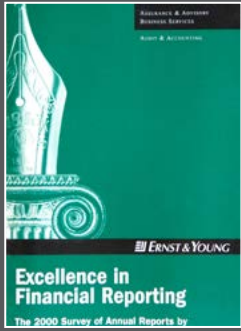
# 20 Years of "Excellence"



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1998



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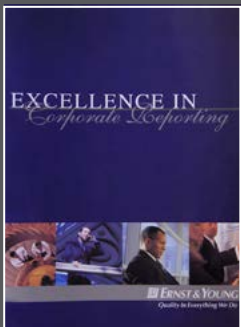
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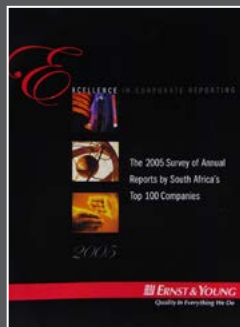
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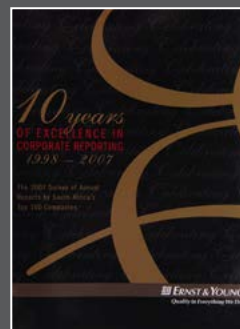
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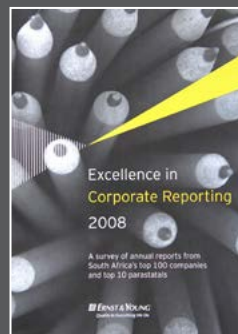
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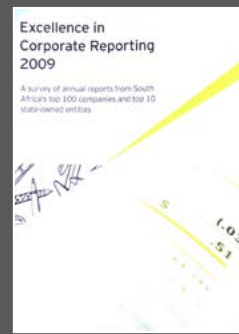
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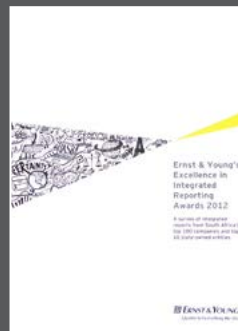
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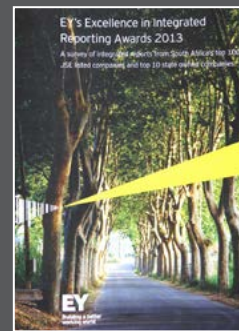
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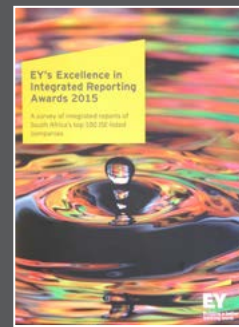
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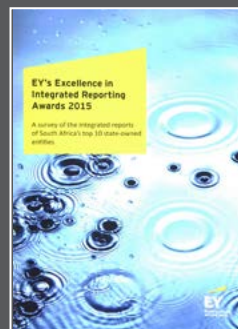
2013



2014



2015



2015



2016

# EY's Excellence in Integrated Reporting Awards 2016

## Purpose of the survey

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

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

Since 2010, all companies listed on the Johannesburg Stock Exchange (JSE) have been required to produce an integrated report in line with King III. EY has been commissioning the Excellence in Integrated Reporting survey for the last six years in order to encourage excellence in the quality of integrated reporting to investors and other stakeholders by South Africa's top companies.

## Contact

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

## Disclaimer

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

## Workshops

Excellence in Integrated Reporting workshops will be held in the following cities.

**Cape Town:** 20 September 2017

**Johannesburg:** 21 September 2017

Please contact Viv Mathys for more information  
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**Excellence in Integrated Reporting winners 2016 - Kumba Iron Ore Ltd**

**From left to right:** Johan Prins, Frikkie Kotzee, Nadia Schoeman and Avanthi Parboosing



**Runner up - Oceana Group Ltd**

**From left to right:** Nyarai Pfende and Karen-Dawn Koen



**3rd place - Liberty Holdings Ltd**

**From left to right:** Roy Dobson, Casper Troskie, Yuresh Maharaj and Denver Chetty



**4th place - Sasol Ltd**

**From left to right:** Ajen Sita (EY CEO) and Brenda Baijnath

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How can EY help?



5th place - Redefine Properties Ltd

From left to right: Renske Coetzee, Jaclyn Lovell, Leon Kok and Lesley Dukes



7th place - Vodacom Ltd

From left to right: Till Streichert, Sarah Chetty and Shaun van Biljon



8th place - Nedbank Ltd

From left to right: Steven Bird, Ajen Sita (EY CEO) and Alfred Visagie



Merit award for innovation - Exxaro Resources Ltd

From left to right: Carina Wessels and Hanno Olinger

# Foreword

By Larissa Clark, Professional Practice Director at EY

This year marks 20 years of "Excellence" in reporting, a journey that started with financial reporting, moved to corporate reporting, then sustainability reporting, evolving into integrated reporting.

We have seen big shifts in integrated reporting over the last six years in South Africa, from the first integrated reports in 2011. Companies no longer simply combine their annual financial statements with the sustainability reports, like they did then. What we are now seeing are high quality innovative integrated reports, some much closer to the ideal report.

It is great to see the improvements in the integrated reports, in a time when global economic and political uncertainty demand greater transparency in terms of information. The demand for transparency comes on the back of the three forces of disruption - technology, globalisation and demographics, which are sweeping through all sectors in the world.

We are now seeing technologies like artificial intelligence and blockchain starting to transform every aspect of corporate reporting. Globalisation has begun redefining the operation of capital markets, while there is a deliberate shift away from reporting only on financial capital and towards reporting in a more inclusive manner. Explaining what a company defines as creating value has become key, not only for the shareholders but also the wider stakeholders of the company. These forces of disruption will have immense implications for the future of integrated reporting, in South Africa and across the globe.

In South Africa, we have seen further developments in the King Codes, with the introduction of King IV™. The preceding Code (King III™) provided a solid base for excellent corporate governance. King IV™ does not depart from the underlying ethos and principles of King III™ but the transition to King IV™ will have its own challenges, as companies are having to explain in their next reporting cycle, how they have applied the governance principles in their own context.

The 2017 survey marks the sixth year of our EY Excellence in Integrated Reporting survey. This year's annual integrated reporting survey, shows that once again, South African companies have made every effort to improve their integrated reports.

We extend our congratulations to Kumba Iron Ore Ltd for once again being the overall winner of our awards. This year is the second consecutive year that the Kumba takes the top spot, following its win in 2016. We know that the team at Kumba has worked incredibly hard over many years to consistently improve their report.

In 2016 we introduced the "Honours" award, which goes to companies with high quality integrated reports, which the adjudicators believe have come the closest to complying with all the requirements of the <IR> Framework. This year, five companies have received the "Honours" award and we congratulate all these companies on their outstanding achievement.

In addition, we celebrate and congratulate all the entities included in the Top 10 and our merit award winners, for their excellent reports. All the entities that achieved the rankings of "Excellent" and "Good," are recognised for the examples they have set, both in South Africa and around the globe.

This survey is made possible by the continued involvement and dedicated efforts of Professors Alexandra Watson, Mark Graham and Goolam Modack, the panel of adjudicators from the College of Accounting at the University of Cape Town. We also thank Professor Mervyn King, Chairman of the King Committee and Chairman of the International Integrated Reporting Council,

Mark Wienberger, EY global CEO and Chairman, as well as, EY EMEA managing partner, Andy Baldwin, for their ongoing support of our awards programme and contributions to this year's brochure.

We hope, by continuing this survey, that EY will continue to drive the quest for excellence and companies will be encouraged to strive to improve the quality of their integrated reports.



**Larissa Clark**

Director  
Professional Practice Group EY

**The demand for transparency comes on the back of the three forces of disruption - technology, globalisation and demographics, which are sweeping through all sectors in the world.**

*For more details on how the companies were selected, the markplan and the adjudicators, please refer to page 17-20 and 26-28*

# Twenty years of "Excellence" in reporting

## 1998 - 2002

### Excellence in Financial Reporting:

- ▶ Focus on financial disclosures in accordance with accounting standards

## 2003 - 2011

### Excellence in Corporate Reporting:

- ▶ Financial reporting incorporating non-financial measures and information about strategy

## 2005 - 2011

### Excellence in Sustainability Reporting:

- ▶ Companies started reporting on their environmental impacts, employee-related issues and corporate social responsibility issues in a separate report often referred to as a sustainability report that accompanied the financial information distributed to shareholders

## 2012 - 2017

### Excellence in Integrated Reporting:

- ▶ Since 2010, all companies listed on the Johannesburg Stock Exchange (JSE) have been required to produce an integrated report in line with King III™
- ▶ Integrated Reporting gained substantial momentum globally and South Africa became one of the leaders in this movement

For more information on the evolution of reporting, please refer to page 23.



• 1994

### King I™ issued:

- ▶ A ground-breaking code of guidelines of corporate governance. Compliance with the King Report is a requirement for companies listed on the JSE



• 2002

### King II™ issued



• 2005

### IFRS adopted by listed companies in South Africa:

- ▶ Increasing pressure of globalisation developed a strong need for global accounting standards



• 2008

### Global financial crisis:

- ▶ Created a distrust in the accuracy and completeness of accounting financial information



• 2009

### King III™ issued



• 2013

### International Integrated Reporting Council (IIRC) published its Integrated Reporting <IR> Framework:

- ▶ Companies started moving beyond reporting only financial information, to capture and communicate the full value of the organisation



• 2016

### King IV™ issued

# The role of integrated reporting in inclusive growth

## Interview with EY's Global CEO and Chairman, Mark Weinberger

*Mark Weinberger is also a member of the International Integrated Reporting Council (IIRC).*

### **This year we celebrate 20 years of "Excellence" in corporate reporting<sup>1</sup>. What are your reflections on the development of corporate reporting over the last 20 years?**

Corporate reporting has matured over the past 20 years. There's better recognition – particularly since 2008 – that while financial information is important, it is never the whole picture. The first integrated reports were a great start, but often only combined financial statements with sustainability reports. Today, we're seeing more analysis of the connections between strategy, performance, sustainability and the creation of value. This is great, because it brings perspective to performance.

### **Looking forward, how do you think the new digital world will influence corporate reporting?**

Technologies like artificial intelligence and blockchain will transform every aspect of corporate reporting. How we access information, analyse it, verify it – and with augmented reality – even how we experience it. At EY, we currently use analytics to process client data: helping to better identify risks. In the future, we'll actually have intelligent audit appliances located in clients' data centres that will stream results to us in real time.

### **Do you think that integrated reporting will contribute to inclusive capitalism, or is it rather that the move towards inclusive capitalism will drive integrated reporting?**

The financial crisis raised questions around the role of reporting in reflecting a company's true value. It also fueled the debate around what gives business its mandate to operate.

If you accept that this mandate comes from demonstrating broad economic and social value, then integrated reporting and inclusive growth are intertwined. Over time, transparency builds trust and value.

### **How is EY contributing to the integrated reporting agenda?**

At EY, we're working on how to assign value to a company's long-term investments. We've seen that, in addition to financial reporting, investors want to know about things like a company's human capital, intellectual capital and brand value. This builds on the work of others, but has a different slant. There's been a lot of focus on measuring inputs – we're looking at how to measure outcomes for stakeholders in a reliable and verifiable way.



**Mark Weinberger**  
EY Global CEO and Chairman  
Member of the International  
Integrated Reporting Council  
(IIRC)

<sup>1</sup> **1998 - 2002** Excellence in **financial reporting** (5 years) with University of Cape Town  
**2003 - 2011** Excellence in **corporate reporting** (9 years) with University of Cape Town  
**2012 - 2017** Excellence in **integrated reporting** (6 years) with University of Cape Town  
**2005 - 2011** Excellence in **sustainability reporting** (7 years) with University of Johannesburg



# From financial capital to inclusive capital

## Interview with Judge Professor Mervyn King, King Committee Chairman and International Integrated Reporting Council (IIRC) Chairman

**This year we celebrate 20 years of “Excellence” in reporting. We started with financial reporting, then corporate reporting, followed by sustainability reporting and it has evolved into integrated reporting, which we have done for the last six years, in South Africa.**

### **How has corporate reporting evolved over the last twenty years?**

Corporate reporting has changed a lot due to shifts in the corporate world, the largest shift being from financial capital to inclusive capital. This shift came from a need to steer organisations from the road of short term capital into the avenue of sustainable capitalism.

Until the end of the 20th century, there was a focus on reporting only the financial information. While financial reporting is critical, it had become insufficient to discharge the duties of accountability. As a result, sustainability reporting was developed, in order to try and give some accountability to what became known as the intangible assets. However entities started reporting in silos, which did not reflect the reality of how companies operate.

### **Preparing an integrated report is very costly and time consuming for companies, what are the benefits that companies are seeing from reporting in this manner?**

One of the benefits that companies have seen in adopting integrated thinking is in the development of their business strategies and then almost seamlessly doing an integrated report. Integrated reporting provides the opportunity to connect teams across the organisation, breaking down silos and leading to more integrated thinking and improved internal processes, which lead to a better understanding of the business, creating value for all stakeholders.

### **After six years of integrated reporting in South Africa, what challenges are companies still experiencing?**

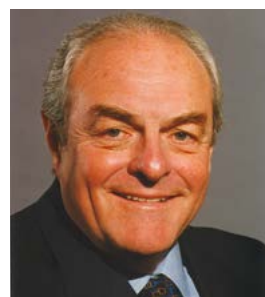
There still has to be a mind-set shift from maximisation of shareholder wealth, to long-term company health. If a board changes its mind-set, to focus on long-term company health that's in the long-term interest of all stakeholders, including the shareholders.

### **What would you say is the most fundamental shift from King III™ to King IV™? What do you think will be the biggest challenge for companies to implement King IV™?**

The biggest intended shift from King III™ to King IV™ is moving from mindless compliance to mindful compliance. If an entity is practicing quality governance, the organisation should be achieving the four outcomes that propagate in King IV™ - ethical culture with effective leadership, adequate and effective controls, value creation in a sustainable manner and trust and confidence with legitimacy in operations. It becomes a very mindful process, which adds value to the entity.

### **EY has been performing this survey and awards programme for the last 20 years. Do you believe there is value for companies that we do this?**

Absolutely, recognition is important. Not only to get recognition from a global organisation such as EY, but also it's a peer recognition. So I think it's very laudable and very rewarding.



### **Mervyn King**

Judge Professor  
King Committee Chairman  
and International Integrated  
Reporting Council (IIRC)  
Chairman

# How to revolutionise innovation in Africa

By Andy Baldwin, EY Area Managing Partner EMEIA

*This blog originally appeared on the World Economic Forum's Agenda.*

Earlier this year, Dr Ponomi Venson-Moitoi, Minister of Foreign Affairs for the Republic of Botswana, called for an "innovation revolution" in Africa.

"African innovators live in a new era of opportunity enterprise where there is enormous need for innovation," she said, adding that, since Africa has the fastest-growing population on earth, it has huge human capital potential. But she also pointed out that the heavy research and development (R&D) costs associated with fostering innovation have meant that this activity has tended to be the privilege of wealthy nations until now.

I see Africa as a vibrant and burgeoning continent full of many opportunities. But, of course, like any continent, it has its own unique set of challenges.

## Wealth inequality

African innovators are not only hindered by R&D costs, but must also contend with other difficulties.

Wealth remains unevenly distributed between the cities and the rural areas where most of the population lives. Education systems require investment and even more so in critical science, technology, engineering and mathematics (STEM) subjects. And, with more than 50 different countries in the continent, each at a different stage of economic, legal and political maturity, it is very fragmented, with intra-Africa trade and commerce driving only 15% of GDP.

Infrastructure development needs to be another key focus as it has been shown to be positively correlated with economic growth. However, in sub-Saharan Africa it is estimated that poor infrastructure reduces economic growth each year by two percentage points.

The Africa Infrastructure Country Diagnostic study, estimated the infrastructure needs of sub-Saharan Africa at slightly above \$93b annually, yet less than half that amount is funded, leaving a financial gap of more than \$50b to fill. It is also

concerning that 72% of planned infrastructure projects in sub-Saharan Africa do not reach completion. There needs to be an infrastructure blueprint, more commercially viable projects, strong contract management and better project management.

The impact of this lack of infrastructure is real: logistics can be a struggle for African entrepreneurs. It is difficult for them to fulfil orders outside of major cities due to the poor quality of roads and a lack of trustworthy carriers. Customs barriers at border posts serve to further block trade, and exchange controls make it hard to move money across borders.

## So what can be done?

### How technology can lead to financial inclusion

Despite the challenges, however, there are early signs that the innovation revolution, that Botswana's minister called for, may not be that far off. As she herself highlighted, Africa is home to five of the 10 nations that have the most start-ups. Tech hubs have also appeared in a host of different countries, with a particularly strong showing in Ghana, Kenya, Nigeria, Morocco, Senegal and South Africa.

This probably helps to explain why most of these countries ranked highly on our latest Africa Attractiveness survey, *Connectivity redefined*, in which we found that Egypt, Kenya, Morocco, Nigeria and South Africa collectively attracted 58% of the continent's total foreign direct investment projects in 2016.

## Smartphones and e-commerce

Another important development has been the increase in smartphone penetration across Africa. Between 2014 and 2016, the number of smartphone connections across

the continent doubled to 226 million while the cost of a smartphone dropped from an average of \$230 in 2012 to \$160 in 2015, according to a report published by Global Systems for Mobile Communications (GSMA). By 2021, a further half a billion smartphone connections are expected to be added, taking the adoption rate to more than half of total connections in the region. The implications of this for e-commerce, in particular, are immense.

In financial services, innovators have taken advantage of the rise of mobile phones and the absence of cumbersome legacy systems to create new solutions that support financial inclusion. The success of mobile payments service in Africa is well documented – and a range of providers process billions of transactions annually.

Meanwhile, blockchain is being put to use by the member countries of the West African Economic and Monetary Union, which are using the distributed ledger technology as a basis for a new digital currency – the eCFA. A Ghanaian start-up is also experimenting with using blockchain as a way to record land titles, which will allow people to prove that they own land so that they can borrow against it.

Importantly, technology has helped to drive the growth of microfinance businesses, which provide financial services to low-income people and small enterprises. Kenya's Equity Bank Limited, which won our EY World Entrepreneur Of The Year Award™ in 2012, did just this when they set out to empower ordinary citizens and business owners who were not served by existing bank services that reached only 6% of the population. Thankfully, microfinancing groups are on the rise, but there is a need for even more flexible funding.

### Embracing change

We know that artificial intelligence (AI) and robotic process automation are set to disrupt a long list of industry sectors from automotive through to professional services, with significant implications for labour markets in developed countries.

In Africa, where wage costs tend to be lower, there may appear to be less of a business case for AI, but actually it could dramatically boost economic development, particularly if it is applied in areas such as agriculture, education, healthcare, manufacturing and transportation. In fact, some African pioneers are already exploring the possibilities of AI.

Over the last 150 years, Africa has been transitioning through the phases of economic development and maturity; from agrarian society, to the development of extractive industries, and now the journey into manufacturing and i-services.

With increasing economic development and maturity, parts of the continent should begin the transition to a digital-based economy, or what is being termed as the Fourth Industrial Revolution. We cannot assume that this transition will happen automatically, however.

Policy makers and businesses both have a role to play in supporting innovation in Africa – policy makers by encouraging the growth of technology hubs, establishing strong legal frameworks and improving the quality of education systems, and businesses by investing in infrastructure and operations within African markets.



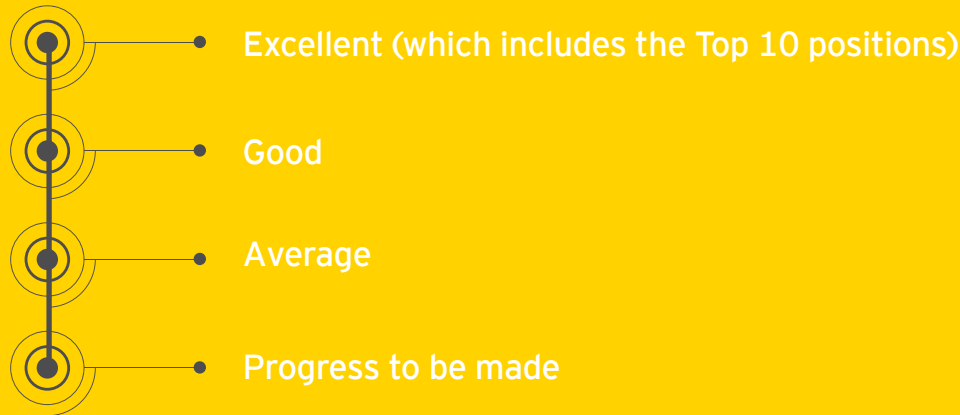
**Andy Baldwin**

EY Area Managing Partner  
EMEIA

Sure, a digital revolution is within our grasp, but it will only happen if leaders work inclusively to empower this growth for the benefit of all.

# 2017 Rankings

The adjudication process ranks entities in the following categories:



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

## Top ten

<b>1</b> <i>with Honours</i> Kumba Iron Ore Ltd	<b>2</b> <i>with Honours</i> Redefine Properties Ltd	<b>3</b> <i>with Honours</i> Sasol Ltd	<b>4</b> <i>with Honours</i> Nedbank Group Ltd
<b>5</b> <i>with Honours</i> Oceana Group Ltd	<b>6</b> Barclays Africa Group Ltd	<b>7</b> Truworths International Ltd	<b>8</b> Liberty Holdings Ltd
<b>9</b> Vodacom Group Ltd	<b>10</b> Standard Bank Group Ltd	"Honours" is awarded to those high quality integrated reports, which the adjudicators believe have come closest to complying with the requirements of the <IR> Framework.	

## Merit awards

The following merit awards are awarded to companies ranked as "Excellent", but were not included in the Top 10, where the adjudicators felt that certain aspects of the integrated reports are "best-in-class".

### For conciseness:

Exxaro Resources Ltd

### For a reporting against capitals:

Nampak Ltd

### For responding to complexity:

Anglo American plc

### For risk disclosure:

Gold Fields Ltd

### For connectivity:

Barloworld Ltd

### For clarity:

Woolworths Holdings Ltd

## Excellent\*

Anglo American Platinum Ltd	Harmony Gold Mining Company Ltd	Netcare Ltd
Anglo American plc	Impala Platinum Holdings Ltd	Sappi Ltd
ArcelorMittal South Africa Ltd	Intu Properties Plc	Telkom SA SOC Ltd
Barloworld Ltd	Life Healthcare Group Holdings Ltd	Tsogo Sun Holdings Ltd
Exxaro Resources Ltd	MTN Group Ltd	Woolworths Holdings Ltd
Gold Fields Ltd	Nampak Ltd	

## Good\*

African Rainbow Minerals Ltd	Glencore plc	Omnia Holdings Ltd
AngloGold Ashanti Ltd	Growthpoint Properties Ltd	Pick n Pay Stores Ltd
Aspen Pharmacare Holdings Ltd	Hammerson plc	Pioneer Food Group Ltd
Attacq Ltd	Hyprop Investments Ltd	Redefine International plc
BHP Billiton plc	Imperial Holdings Ltd	Reunert Ltd
British American Tobacco plc	JSE Ltd	Sanlam Ltd
Capitec Bank Holdings Ltd	Massmart Holdings Ltd	Sibanye Gold Ltd
Clicks Group Ltd	Mondi plc	The Foschini Group Ltd
Coronation Fund Managers Ltd	Mr Price Group Ltd	The Spar Group Ltd
Discovery Ltd	Northam Platinum Ltd	Tongaat Hulett Ltd
Distell Group Ltd	Old Mutual plc	

## Average\*

AECI Ltd	Mediclinic International plc	Santam Ltd
Brait SE	MMI Holdings Ltd	Super Group Ltd
Capital & Counties Properties plc	RCL Foods Ltd	The Bidvest Group Ltd
Curro Holdings Ltd	Rand Merchant Investment Holdings	Tiger Brands Ltd
FirstRand Ltd	Remgro Ltd	
Investec plc	RMB Holdings Ltd	

## Progress to be made\*

Anheuser-Busch InBev NV/SA	Globe Trade Centre SA	Rockcastle Global Real Estate Company Ltd
Assore Ltd	Hosken Consolidated Investments Ltd	SA Corporate Real Estate Ltd
AVI Ltd	Italtile Ltd	Shoprite Holdings Ltd
Bid Corporation Ltd	KAP Industrial Holdings Ltd	South32 Ltd
Blue Label Telecoms Ltd	Naspers Ltd	Steinhoff International Holdings NV
Compagnie Financière Richemont SA	New Europe Property Investments plc	Vukile Property Fund Ltd
EOH Holdings Ltd	PSG Group Ltd	Zeder Investments Ltd
Famous Brands Ltd	Reinet Investments SCA	
Fortress Income Fund Ltd	Resilient REIT Ltd	

\*Not ranked within categories

# Top ten companies and merit awards

By Mark Graham, Associate Professor, University of Cape Town

## The top 10 companies

1

### Kumba Iron Ore Ltd

Once again, Kumba's report scored excellently in almost every aspect of the marking process by demonstrating a high level of adherence to the Guiding Principles and Content Elements of the International <IR> Framework.

The report clearly demonstrates to shareholders how the group's strategy, business model, operating context, material risks, opportunities and governance will create value for the group and for others. The explanation of the business model provides clarity on how Kumba's revenues, activities, costs and the issues within their operating context will impact the creation of value. The sensitivity and potential for positive and negative cost differentiation provided an appropriate future focus to the information presented. We particularly liked the way in which the value chain was presented and the way in which inputs, outputs and outcomes were integrated with the six capitals. Furthermore, the clear manner in which the trade-offs between the six capitals is presented and explained is excellent.

Kumba's strategy is detailed, well presented and clearly focusses on value creation and achieves an appropriate balance between strategic objectives and the detailed strategies that will be used to achieve them.

There is a high level of connectivity within this report and sensible use is made of icons that make appropriate links between the various content elements. Financial and non-financial key performance indicators ("KPI's") are used to show performance in each of the various strategic focus areas and the impact that each KPI has on the capitals.

2

### Redefine Properties Ltd

Redefine's crisp, concise and focussed report is an excellent example of how a property company can explain how it will deliver sustained value to each of its stakeholders. Furthermore, it is evident that the key benefit to integrated reporting has helped to embed a greater level of integrated thinking within the group.

The focus throughout the report is on Redefine's value creation story and this theme is emphasised within the explanation of the group's business model and within the extensive discussions around the six capitals and how the strategy contributes to the development and preservation of these capitals. The report clearly explains what each capital means to Redefine, how each capital will create value as well as the challenges, strategic response to each challenge and priorities for the next year for each capital.

We particularly liked the disclosures of Redefine's stakeholder relationships which include; an explanation of the quality of the relationship with each stakeholder, the actual issues raised, the strategic response to each issue raised as well as the key risks and opportunities identified in the stakeholder engagement process.

3

### Sasol Ltd

Sasol's report clearly explains how they intend to grow shareholder value sustainably, which is their definition of 'victory'. We particularly liked the detailed discussion of Sasol's material matters and the way in which these matters are used as an anchor for the detailed content that is presented throughout the report.

The explanation of the group's internal and external operating context and in particular how each context affects the business, is excellent. The report then goes on to sensibly show how the issues within both their external and internal operating environment give rise to the material issues that could affect value creation.

The report includes an informative infographic that explains how Sasol creates value by using the six capitals together with detail on each capital that crisply includes; inputs, outputs and outcomes together with the trade-offs between the various capitals. A comprehensive performance scorecard is presented that clearly shows progress against various targets as well as the targets for the year ahead.

4

## Nedbank Group Ltd

Nedbank's report is innovative and exhibits a certain freshness in integrated reporting. The narrative of the report is clear and comprehensive and achieves its objective of explaining how the group applies and leverages its capitals to deliver financial performance and value for all its stakeholders. The table that summarises stakeholder value creation is informative and comprehensive and clearly shows which metrics have been assured.

The explanation of the context within which the bank operates, which includes detailed information about market share is excellent. The report has an emphasis on strategic value creation and makes a clear and appropriate distinction between short, medium and long-term targets and aspirations.

We particularly liked the innovative governance disclosures within this report and their emphasis on value creation and preservation. The disclosure of what value the various board committees created during the year and the focus for the years ahead works well.

5

## Oceana Group Ltd

Oceana's report starts with a comprehensive overview of the group's business model and operating context. The business model includes comprehensive disclosures of the six capitals, operating context, material risks, outcomes and the group's profit formula that includes both details of revenue and costs.

We particularly liked the way in which the report addresses the various sustainability issues that will play a key role in the group's ability to create value. The way in which the overall strategy and risk disclosures are carried forward into each of the divisional reviews is excellent.

The material risks are clearly presented within the report, through inherent and residual risk heat maps to show the principal risks that will affect the group's ability to create value. The risks are linked to strategy, enhancing the general connectivity within the report.

6

## Barclays Africa Group Ltd

Barclays Africa's report successfully uses a balanced scorecard approach to report on its material matters and to show how the group creates value for its various stakeholders. Key stakeholders are identified within the balanced scorecard and desired outcomes for both employees and the group are clearly identified for each element of the scorecard.

We particularly liked the way in which the report presents positive and negative matters in a balanced manner and the particular emphasis on the changing environment within which the group operates. The group's business model is clearly explained and explicitly shows the inputs, outputs and outcomes for each of the six capitals.

The report includes an innovative and useful section that outlines the integrated planning process that is used to create sustainable value creation. The financial statements are sensibly included within the financial director's review and the 'one page' balanced scorecard performance summary is excellent.

7

## Truworths International Ltd

Truworths' report is stylish and attractive and is sensibly structured around its four material issues. The wheel that is used to depict the group's value-creating business model is innovative and clearly shows the links between the various capitals, business activities, inputs, outcomes and trade-offs.

The snapshot of each material issue, which integrates objectives, plans, challenges, targets, risks and opportunities is useful in orientating the reader before the presentation. It also provides more detail of each issue later in the report. We particularly liked the conciseness of the report, and the way in which this is appropriately balanced with the principles of completeness and comparability.

The report is innovative, engaging and easy to read. Furthermore, the information within the report is sensibly structured, with an overall high level of connectivity.

8

## Liberty Holdings Ltd

Liberty's report is themed around the key stakeholder partnerships that maximise their ability to create sustainable value. Governance disclosures are introduced early in the report and explicitly focus on how the group's governance structures add value to their stakeholders and thereby achieve their strategic objectives.

We particularly liked the overall crispness of the report and the way in which infographics are used to convey complex information. The presentation of the key performance indicators within a one page dashboard that includes both future targets and current actual performance against targets, in a manner that clearly identifies the positive and the negative is excellent.

The disclosures within the report that outline the current regulatory framework are comprehensive and understandable. Furthermore, an appropriate link between financial and non-financial information is made by disclosing the actual costs of regulatory change.

9

## Vodacom Group Ltd

Vodacom's report is attractive, innovative and explains in comprehensible English, how the group creates and sustains value. We particularly like the way the material issues that arise from the group's operating environment are presented. The inclusion of detailed strategies within various strategic pillars and the inclusion of a longer-term perspective within the report is informative.

The disclosures relating to the independent assurance of selected key performance indicators are useful and innovative. The way in which stakeholder 'hot topics' have been presented is informative and serves to highlight the substantive issues that will determine the group's ability to deliver value.

The report is easy to navigate with icons and cross-referencing used to improve the connectivity between the various content elements of the report. The report also makes use of excellent graphs and tables to present information.

10

## Standard Bank Group Ltd

Standard Bank's report commences with a high-level overview of their value creation story that includes cross-references to where more detailed information on each aspect of the 'story' can be found. We were impressed with the way the group's approach to governance is linked to value creation and included within this overview.

The explanation of the group's business activities and what these activities mean for both the group and society is excellent. The report clearly outlines the concerns of each of the group's key stakeholder and how these concerns are addressed by the various strategic initiatives that are in place.

The way in which the group's overall strategy is carried through into the divisional reviews is excellent. Furthermore, various disclosures with the group financial review - such as the graphic that shows how various economic activities will impact banking activities and the breakdown of the return on equity metric - are innovative and beneficial to the reader.

## The merit awards

The following merit awards are awarded to "Excellent" ranked companies not included in the Top 10.

### For conciseness:

#### Exxaro Resources Ltd

This integrated report "includes sufficient context to understand the organisation's strategy, governance, performance and prospects without being burdened with less relevant information".

### For risk disclosures:

#### Gold Fields Ltd

This integrated report's risk disclosures outline the specific risks that affect the organisation's ability to create value. Consideration is given to the extent to which detail has been provided on how the risks have been determined, prioritised and mitigated. The use of graphics and other visual aids to help the reader understand the risks are also taken into account.

### For reporting against the capitals:

#### Nampak Ltd

This integrated report clearly shows how the organisation "draws on the various capitals as inputs, and through its business activities, converts them to output".

### For responding to complexity:

#### Anglo American plc

This integrated report successfully communicates this large and complex organisation's value creation strategy in an effective and efficient manner.



## For connectivity:

### Barloworld Ltd

This integrated report “shows a holistic picture of the combination, interrelatedness and dependencies between the various factors that affect the organisation’s ability to create value over time”<sup>1</sup>.

## For clarity:

### Woolworths Holdings Ltd

This integrated report provides a clear and easily understandable “insight into the organisation’s strategy and how it relates to the organisation’s ability to create value...”<sup>1</sup>.



**Mark Graham**  
Associate Professor  
College of Accounting  
University of Cape Town

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<sup>1</sup>The International <IR> Framework, IIRC, 2013.



# Overall impressions - at a glance

- “Excellent” integrated reports have a **strategic focus**, an **emphasis on value creation** and a **high level of connectivity** between the elements presented
- **27** Companies ranked as **“Excellent”**, a slight decrease from 28 in 2016
- **59** Companies ranked as **“Excellent” and “Good”**, compared to 61 in 2016
- Integrated reports awarded an **“Honours” increased to 5**, from 2 in 2016

## Positive trends

1. The **quality** of “Excellent” integrated reports **continues to improve**
2. Continued innovation in **layout and structure** of reports
3. Continued improvement in **business model infographics**
4. Increased disclosures of **inputs, outputs and outcomes**
5. More **reports** incorporating the **capitals** and explicitly showing the trade-offs between these capitals

1. Too much **emphasis** is still placed on **historic performance** and not enough on value creation in future
2. **Governance and remuneration** disclosures are largely compliance driven
3. Lack of information about **detailed strategies**
4. Lack of **meaningful key performance indicators** that measure performance against previous strategies and show how the achievement of current strategies will be evaluated
5. Insufficient **linkage** between the different content elements such as stakeholder issues, material issues, strategy and risks and how they relate to each other

## Negative trends

# Adjudicators' observations and overall performance

By Mark Graham, Associate Professor, University of Cape Town

## Key observations

- ▶ The **quality** of "Excellent" integrated reports **continues to improve**
- ▶ "**Excellent**" integrated **reports** have:
  - ▶ a clear **strategic focus**
  - ▶ an **emphasis on value creation**
  - ▶ a high level of **connectivity** between the **various elements** presented
- ▶ Much evidence of **continued innovation** in layout and structure of the reports
- ▶ **Business model infographics** continue to improve
- ▶ Increased disclosures of **inputs, outputs and outcomes**
- ▶ More reports now incorporating **the six capitals** and explicitly showing the **trade-offs** between these capitals
- ▶ **Opportunities** as well as **risks** now starting to be disclosed
- ▶ Many companies still making only a **limited effort to comply with <IR> Framework**
- ▶ Still too much **emphasis on performance** and not value creation
- ▶ **Governance** and **remuneration** disclosures still largely compliance driven

## Areas for improvement

- ▶ Specifically state what **value** the organisation is trying to create for itself and for others
- ▶ Increase the emphasis on **balanced reporting** by including "bad news" and negative outcomes
- ▶ Provide less generic and more detailed information on what **inputs** are used in the organisation
- ▶ Include information of the extent to which **inputs from outside** the organisation are being used
- ▶ Improve the **linkage** between the different content elements by showing how stakeholder issues, material issues, strategy and risks relate to each other
- ▶ Include **detailed strategies** and not only high level strategic objectives
- ▶ Include meaningful **key performance indicators** that measure performance against previous strategies and also show how the achievement of current strategies will be evaluated
- ▶ Include the context for any data reported by providing **benchmark, trends** and some indication as to whether current levels are acceptable or not
- ▶ Provide details of the **trade-offs** between the various capitals
- ▶ Refocus the **governance** and **remuneration** sections of the report to show how the organisation's governance and remuneration structures will create value

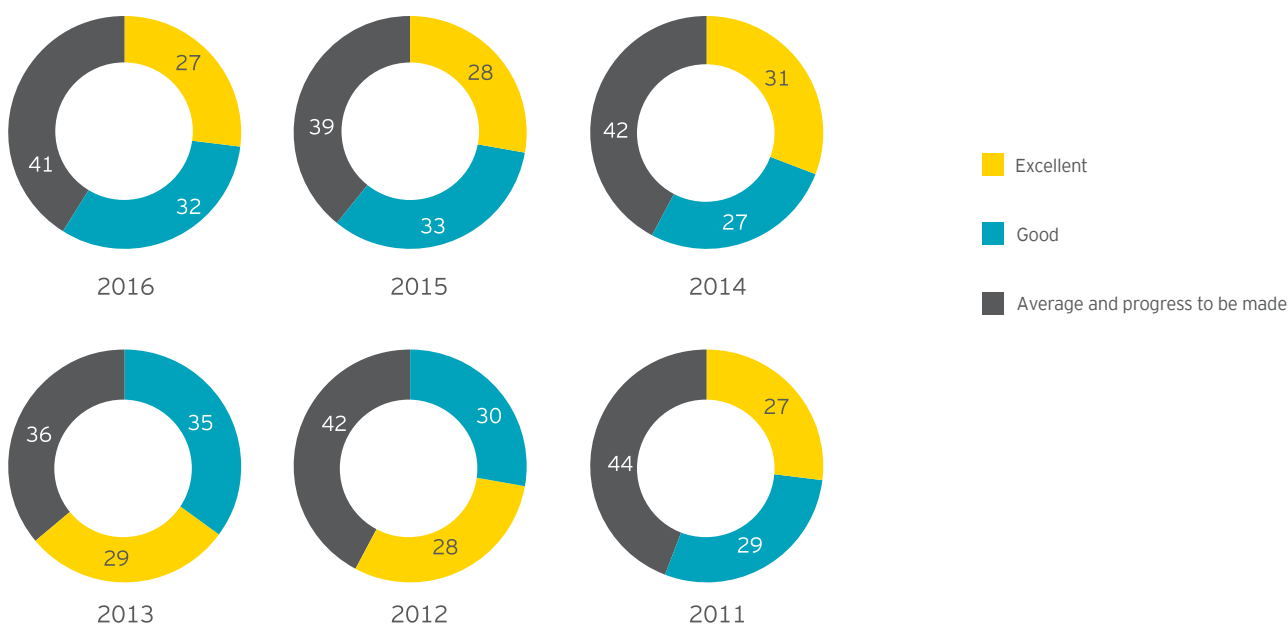
## Companies included in the survey

- ▶ Top 100 Johannesburg Stock Exchange (JSE) Limited **listed companies**, selected on the basis of their market capitalisation as at 31 December 2016
- ▶ Integrated report or annual report for **year-ended on or before 31 December 2016**.
- ▶ **Largest in survey** - Anheuser-Busch InBev SA (market capitalisation of R2.4t).
- ▶ **Smallest in survey** - RCL Foods Ltd (market capitalisation of R11.9b).
- ▶ The 100 companies in the survey account for **95% of the market capitalisation** of the JSE at 31 December 2016.

## Changes to the Top 100

- ▶ Ten companies that appeared in the 2016 survey are no longer regarded as being eligible - including SABMiller plc, that delisted after the Anheuser-Busch InBev SA acquisition and nine other companies that fell out of the Top 100 due to declining market capitalisation.
- ▶ New in 2017 survey:
  - ▶ Anheuser-Busch InBev SA
  - ▶ Bid Corporation Ltd
  - ▶ Blue Label Telecoms Ltd
  - ▶ Hammerson plc
  - ▶ Globe Trade Centre SA
- ▶ Returning in 2017 survey:
  - ▶ ArcelorMittal South Africa Ltd
  - ▶ Assore Ltd
  - ▶ Harmony Gold Mining Company Ltd
  - ▶ Omnia Holdings Ltd
  - ▶ SA Corporate Real Estate Company Ltd

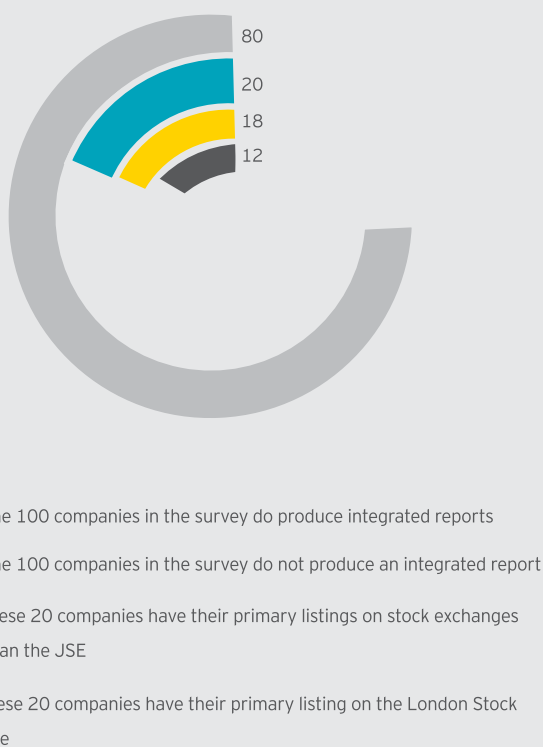
## Trends in the rankings



## Rankings

- ▶ **59 of the 100** integrated reports reviewed this year were ranked as being "Good" or "Excellent".
- ▶ The number of companies in the "Good" and "Excellent" categories has **stabilised**.
- ▶ 41 companies are **still not making a serious attempt** to produce an integrated report that complies with the International Integrated Reporting Council's Framework <IR Framework> for Integrated Reporting.

### Title of the report



### Title of the report

- ▶ 20 of the 100 companies in the survey do not produce an integrated report.
- ▶ 18 of these 20 companies have their primary listings on stock exchanges other than the JSE.
- ▶ 12 of these 20 companies have their primary listing on the London Stock Exchange.
- ▶ 8 of the 12 companies with their primary listing on the London Stock Exchange have a report that is ranked as being "Good" or "Excellent".
- ▶ 2 companies that have their primary listing on the JSE do not produced a report that is titled, an integrated report

## Endorsement by the directors

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

## Honours awards

- ▶ An "Honours" is given to those **high quality** integrated reports which are believed to have come closest to complying with all the requirements of the <IR> Framework.
- ▶ Companies whose integrated reports were awarded an "Honours" increased from **two** last year to **five** in current year.

## Audience of integrated reports

- ▶ The <IR> Framework clearly states that the primary purpose of the integrated report is to explain to **providers of financial capital** how an organisation creates value over time.
- ▶ An increasing number of integrated reports (**34** in the current year versus **29** in prior year) clearly state that their reports are primarily aimed at investors.

## Length of integrated reports

- ▶ Average length of reports in this year's survey is **149 pages** (2016: 148 pages).
- ▶ **Shortest** integrated report = 65 pages.
- ▶ **Longest** integrated report = 310 pages.

## Style of financial statements

- ▶ Average length of financial statements within the integrated report is **38 pages**.
- ▶ **49 companies** in the survey included full financial statements in their integrated report.
- ▶ **23 companies** in the survey included IAS 34<sup>1</sup> financial statements in their integrated report.
- ▶ **72 companies** included their financial statements at the end of the integrated report.
- ▶ An increasing number of companies, amounting to **11** in 2017, are now presenting extracts from financial statements within their financial review.

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



# King IV – A shift towards more mindful compliance

By Joanne Henstock and Kelly Gilman, EY Governance, Integrated Reporting and Sustainability

King III™ provided a firm foundation for world-class corporate governance. Whilst King IV™ does not depart from the underlying ethos and principles of King III™, it is fair to say that it represents a new development in the King Code™, both in content and approach, as well as how corporate governance is framed. Organisations that have implemented King III™ will typically find that they have a solid base from which to proceed. However, the transition to King IV™ will entail more than simply updating an existing list of practices. Even if an organisation has implemented King III™, it should be prepared for some challenges with regards to implementing King IV™. This is because the rationale underpinning the implementation of the King IV Code™ has been totally reconceived.

The four directional shifts in King IV™ that will be central to approaching implementation are:

- ▶ **The focus on outcomes-based implementation** – practices that achieve the desired outcomes, such as ethical culture, good performance, effective control, legitimacy, will need to be implemented
- ▶ **Moving from “apply or explain” to “apply and explain”** – governing bodies will need to disclose their thought processes behind their implementation approach and practices and explain how these contribute to the achievement of the governance outcomes
- ▶ **A stakeholder-inclusive approach** – King IV™ recognises that the governing body will need to strike an appropriate balance between the legitimate expectations and interests of the organisation’s stakeholders, such that it gives parity to all sources of value creation, whilst still acting in the best interests of the organisation over time
- ▶ **Sustainable development and integrated thinking** – whilst these are present in King III™, King IV™ stresses their interconnectedness, emphasising that the governing body needs to think about the triple context in an integrated manner.

The fundamental concepts and various terms as related to integrated thinking and integrated reporting (value creation, six capitals, outcomes, business model) that we have become used to as part of the <IR> Framework, are used throughout in King IV™. These principles are mainly encapsulated in principle 4 and 5, below:

**Principle 4:** The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

**Principle 5:** The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance and it’s short, medium and long-term prospects.

Through these principles, King IV™ emphasises that:

- ▶ The organisation is an integral part of society i.e. organisations operate within a societal context, which they affect and are affected by
- ▶ Integrated thinking and integrated reporting are integral concepts to governance and strategy development, implementation and performance i.e. the understanding of the six capitals and value creation and/or diminution
- ▶ The role of the governing body is to set the direction of the organisation’s approach to external reporting, including integrated reporting, such that stakeholders can make informed assessments of the organisation’s performance and its prospects



In order to achieve the governance outcomes in relation to principle 4 and 5, when organisations develop their King IV™ implementation plan, they should consider the following:

- ▶ **Has the organisation's strategy and its implementation taken King IV™'s underpinning philosophies into account?**  
Consideration is given to the organisation as an integral part of society, corporate citizenship, stakeholder inclusivity and sustainability development.
- ▶ **Is there an appropriate level of governance oversight in the integrated reporting process?**  
Consideration is given to oversight of how material information about the organisation's strategy and risks, its performance outcomes and value creation, is communicated to stakeholders. In addition, whether a combined assurance model is appropriate for both material financial and non-financial information.

King IV™ is effective for financial years commencing on or after 1 April 2017. However, the JSE requires application and disclosure of King IV™ in any report lodged with the JSE after 1 October 2017.

Refer to page 31 for details on how we can assist you on your King IV™ implementation journey, including assistance with understanding and embedding integrated thinking, integrated reporting and combined assurance.



**Joanne Henstock**  
Executive Director  
EY Governance,  
Integrated Reporting and  
Sustainability



**Kelly Gilman**  
Senior Manager  
EY Governance,  
Integrated Reporting and  
Sustainability

# The evolution of reporting

By Lindsay Gotsman, Senior Manager, EY Professional Practice Group

Financial reporting has evolved immensely over the last 20 years. This year, we celebrate 20 years of "Excellence" in reporting:

## "Excellence in financial reporting": 1998 - 2002

During this time financial communities across the world felt the impact of the Asian crisis. This led to calls for a tightening of regulations, including accounting standards. Technology and increasingly globally integrated markets began redefining the operation of capital markets. As a result there was a strong need for reform and a common set of accounting standards that promoted consistency, objectivity and transparency. The pressure for globalisation of accounting standards increased and a strong need for global accounting standards which were essentially the same for national and international purposes.

During this time we saw:

- ▶ A continuing trend towards globalisation in business and capital markets
- ▶ A steady process of bringing South African Accounting Standards in line with International Accounting Standards
- ▶ A focus on disclosures in accordance with accounting standards, moving from an exclusive focus on the needs of shareholders

## "Excellence in corporate reporting": 2003 - 2011

Rapid and fundamental changes were made to International and South African Accounting Standards during this period. The benefits of universally accepted accounting standards enhanced transparency by means of more reliable financial data. This in turn offered the prospect of improved access to capital both for companies across the world and for emerging market economies. It also boosted the flow of capital across the international markets as investors and other stakeholders find it more convenient to compare their business performance with other international companies. This makes it easier and cheaper for them to raise business capital from investors across the globe.

However there was an increasing recognition of the needs of other stakeholders such as employees, customers and suppliers. These needs began providing significant input into reporting.

While financial measures explain past performance, non-financial measures are key to assessing the future growth and potential of a company. Non-financial information began playing an important part of how investors saw a company and its prospects.

As a result, companies started incorporating non-financial measures other than in passing. In addition, companies started including information about their strategies.

Huge strides were made in this period addressing the quality of corporate reporting. Preparers had to deal with the impact of International Financial Reporting Standards, governance issues arising from the King Report™ and sustainability reporting. The impact of the second King Report™ in 2002 had reporting implications, including the recommendation that organisations should prepare a sustainability report. However an unintended consequence was that it led to a 'boilerplate' type of disclosure that made it difficult to discern the actual quality of governance.

King III™ widened the focus of reporting for organisations from reporting purely to shareholders to reporting to a wider stakeholder group, including the recommendation that organisations should prepare integrated reports. King III™ was adopted on an apply or explain basis in an attempt to move away from further 'boilerplate' type of disclosure. Reference to the future has been one area which showed limited improvement, perhaps due to fear of litigation if future-orientated statements were not realised.

The economic crisis in 2008 led to a distrust in the correctness of accounting financial information. The crisis and its effects launched a global challenge to ensure high quality corporate governance, financial reporting and further emphasised the need for corporate social responsibility.

## "Excellence in integrated reporting": 2012 - 2017

December 2013 saw the publication of the International Integrated Reporting Council's <IR> Framework. Integrated reporting has gained substantial momentum and South Africa is one of the leaders in this movement.



**Lindsay Gotsman**  
Senior Manager  
EY Professional Practice  
Group

Integrated reporting is about moving beyond financial information alone, to capture and communicate the full value of an organisation. Reporters are continuously improving and are presenting innovative reports that are having some success in telling the value creation story of their company.



# The mark plan - at a glance

## Overview of the mark plan:

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

### Companies included in the 2017 EY Excellence in Integrated Reporting Awards:

- ▶ Top 100 JSE listed companies
- ▶ Based on market capitalisation as at 31 December 2016
- ▶ Pure holding companies are excluded
- ▶ Dual-listed entities are included
- ▶ Ten newcomers
- ▶ Integrated report for year-ended on or before 31 December 2016

### The Content Elements

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

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

### The Guiding Principles

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

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

### The Fundamental Concepts

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

1. Value creation for the organisation and for others
2. The various capitals that the organisation uses and affects

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

# The mark plan and adjudication process

## Frequently asked questions

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

The companies chosen for inclusion in the awards survey are the top 100 companies listed on the Johannesburg Stock Exchange (JSE), which are selected on the basis of their market capitalisation on the last trading day of the calendar year. This is usually the 31st December.

All companies are regarded as being eligible to be included in the survey other than pure holding companies, if there are any. The final top 100 includes the full range of listed companies on the JSE, from resources to industrials, retailers and financial institutions, as well as a number of 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 three adjudicators from the College of Accounting at the University of Cape Town, in conjunction with EY's Professional Practice Group. The UCT team comprises Professors Alexandra Watson, Goolam Modack and Mark Graham. All of the adjudicators have been involved for many years in EY's "Excellence" in reporting series, and in EY's Excellence in Integrated Reporting survey since 2011.

### 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 Council's <IR> Framework (the Framework), which was issued in December 2013. 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 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 value with respect to the six capitals, is a particularly suitable way for most companies to present the content that needs to be presented within its integrated report. Furthermore, an explanation of how value is created 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.

Therefore, whilst the adjudicators do not expect companies to explicitly structure their report around the six capitals, or use specific terminology, they would certainly look for disclosures relating to the stock and flow of the capitals (i.e. financial, manufactured, intellectual, human, social and relationship as well as natural) and the extent to which tradeoffs between different capitals may influence the organisation's strategy.

### In South Africa it is still not clear who the target audience of the integrated report is. How is this handled in the adjudication process?

Whilst King III™ recommends that an integrated report is aimed at all stakeholders, the Framework suggests that the integrated report should be prepared primarily for the providers of financial capital (i.e. shareholders) but that it should be of benefit to "all stakeholders interested in an organisation's ability to create value over time". The mark plan is not prescriptive about this but the adjudicators do expect the company's view to be explicitly stated and the reporting approach to be appropriate for its stated target audience.

Any integrated reporting requirements in terms of King IV™ will be included in the 2018 survey as King IV™ is only effective in respect of the financial years commencing on or after 1 April 2017.

### Which document is adjudicated?

The document that is actually labelled as being the integrated report is reviewed and adjudicated. For the 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. The combined report is reviewed for the companies that operate through a dual listing. In all cases the online 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 from the College of Accounting at the University of Cape Town using the pre-agreed mark plan.

### Is this simply a box ticking exercise?

No, absolutely not. A lot of emphasis is placed on the quality of information presented, the relevance, understandability, accessibility and connectedness of that information. This is weighed against 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 means that 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.

The ranking is based on the collation of the scores for the seven Guiding Principles, the eight Content Elements and for adherence to the fundamental concepts as well as individual adjudicator's recommended rankings. The final ranking for each company is based on a combination of the average of individual adjudicator's scores, overall perceptions and extensive discussions between the three adjudicators. 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, 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 King III™ as being "a holistic and integrated representation of the company's performance in terms of both its finance and sustainability".

The other objective in ranking is based on the Framework being "a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term". 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 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 the companies ranked as "Excellent" and to assign them a ranking within the Top 10.

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

In addition to the Top 10 a number of integrated reports that are ranked as "Excellent", but which were not included in the Top 10, are awarded a merit award for achieving excellence in a specific area of integrated reporting that is considered to be important.

Furthermore, since 2016 an "Honours" award is given to the high quality integrated reports, which are believed to have come closest to complying with all the requirements of the Framework.

# About the adjudicators

## Mark Graham

Mark is an Associate Professor and former Head of the College of Accounting at the University of Cape Town (UCT). He convenes the Master of Commerce (specialising in accounting) programme, in the College and also teaches on the MBA, EMBA and Executive programmes at UCT's Graduate School of Business. He consults to the accounting profession and regularly presents courses on various aspects of accounting, both public and in-house. Mark is the current chair of the adjudicating panel for the annual EY Excellence in Integrated Reporting award. He has also previously been a member of the adjudicating panel, and prior EY reporting awards since they were introduced in 1997.



Associate Professor Mark Graham  
*College of Accounting, UCT*

## Alexandra Watson

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



Professor Alex Watson  
*College of Accounting, UCT*

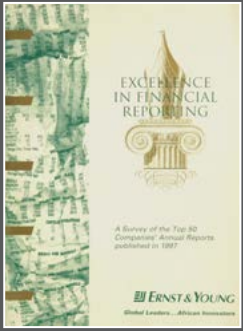
## Goolam Modack

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

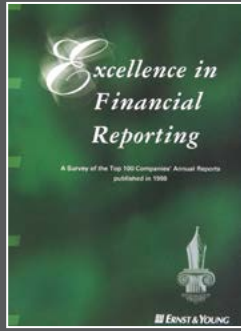


Associate Professor Goolam Modack  
*Head: College of Accounting, UCT*

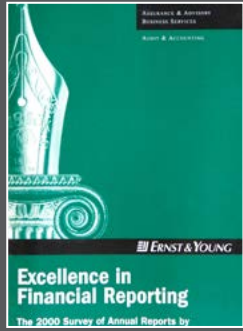
# 20 Years of "Excellence"



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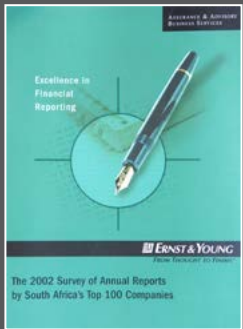
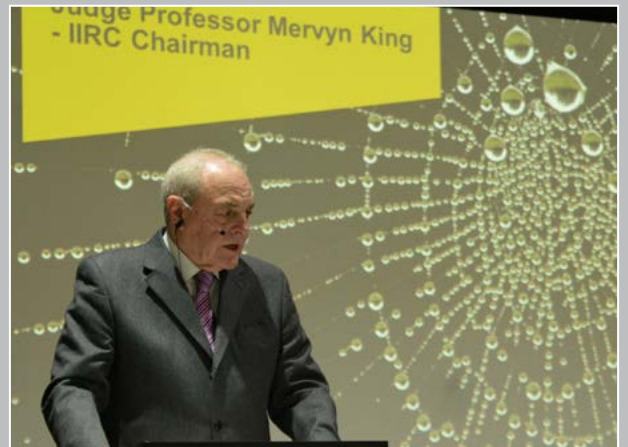
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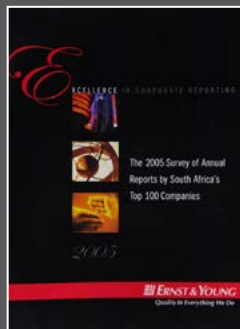
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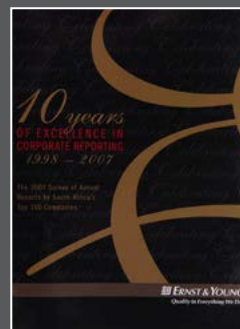
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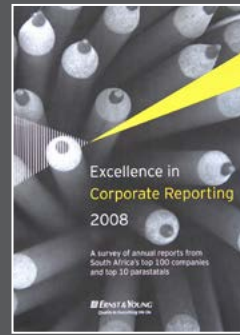
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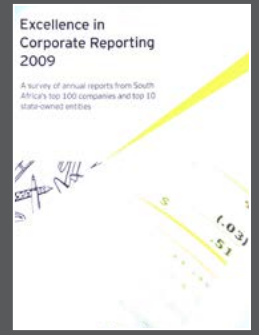
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2008



2009



2010



2011



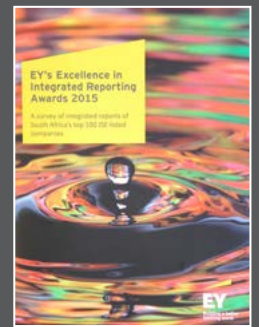
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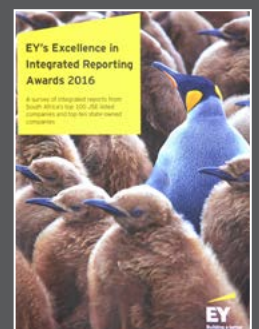
2014



2015



2015



2016

# How can EY help?

Service	Contact person
<ul style="list-style-type: none"> <li>▶ King IV briefings, gap analyses and assistance with implementation</li> </ul>	<p><b>Joanne Henstock</b> (011) 502 0364 <i>joanne.henstock@za.ey.com</i></p> <p><b>Luveshan Naiker</b> (011) 502 0526 <i>luveshan.naiker@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Excellence in Integrated Reporting Awards benchmark report (including in-person consultation with one of the awards' adjudicators)</li> </ul>	<p><b>Larissa Clark</b> (011) 772 3094 <i>larissa.clark@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Learning and development on integrated reporting: On-site briefings on the International Integrated Reporting Council's &lt;IR&gt; Framework and on applying the Framework (including an industry relevant application)</li> </ul>	<p><b>Joanne Henstock</b> (011) 502 0364 <i>joanne.henstock@za.ey.com</i></p> <p><b>Kelly Gilman</b> (021) 443 0473 <i>kelly.gilman@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Gap analysis of existing reporting against GRI G4 Guidelines, &lt;IR&gt; Framework and local and international best practice and peers</li> <li>▶ Facilitation of the materiality determination process</li> <li>▶ Writing the sustainability or integrated report</li> <li>▶ Assurance of non-financial information in the sustainability or integrated report</li> </ul>	<p><b>Joanne Henstock</b> (011) 502 0364 <i>joanne.henstock@za.ey.com</i></p> <p><b>Kelly Gilman</b> (021) 443 0473 <i>kelly.gilman@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Stakeholder engagement - development of framework, policy and strategy and/ or facilitation of stakeholder engagement</li> <li>▶ Development of a sustainability framework</li> <li>▶ Identification of key performance indicators for material issues and strategic objectives</li> </ul>	<p><b>Thomas van Viegen</b> (011) 502 0424 <i>thomas.vanviegen@za.ey.com</i></p> <p><b>Kelly Gilman</b> (021) 443 0473 <i>kelly.gilman@za.ey.com</i></p>
<ul style="list-style-type: none"> <li>▶ Remuneration design, reporting and disclosure support (linking pay to performance across different capitals)</li> </ul>	<p><b>Chad Schaefer</b> (011) 772 5045 <i>Chad.Schaefer@za.ey.com</i></p>

## About EY

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