

Excellence in Integrated Reporting Awards 2019

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

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned behind the 'Y', extending from the bottom left towards the top right.

Building a better
working world

Purpose of the survey

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

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

Since 2010, all companies listed on the Johannesburg Stock Exchange (JSE) have been required to produce an integrated report in line with King III. This requirement has been carried forward to King IV, effective for financial years commencing on or after 1 April 2017. In addition, the JSE requires application and disclosure of King IV in any report lodged with them after 1 October 2017. EY has been commissioning the Excellence in Integrated Reporting survey for the last eight 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.

Disclaimer

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

Workshops

Excellence in Integrated Reporting workshops will be held in the following cities. Please contact **Kgola Tsoai** for more information: Kgola.M.Tsoai1@za.ey.com

Johannesburg: Tuesday, 17 September 2019

Cape Town: Wednesday, 18 September 2019

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Integrated reporting awards breakfast

From left: Sandy van Esch (Integrated Reporting Committee (IRC)), Sue Ludolf (independent director), Mervyn King (IRC chairman), Leigh Roberts (IRC CEO)



10th place - Barclays Africa Group Ltd

From left: Colin Beggs, Nicola Ross, Nola Richards, Jason Quinn, John Annandale, Ophelia Akosah-Bempah - Barclays



Third place - Kumba Iron Ore Ltd

From left: Ajen Site (EY CEO) and Bothwell Mazarura (Kumba)



Fourth place - Sasol Limited

From left: Paul Victor, Brenda Baijnath, Tries Rysbergen, Elvina Hercules, Alex Russell - Sasol



EY and University of Cape Town

From left: Larissa Clark (EY), Mark Graham (University of Cape Town), Dion Chang, James Luke (EY), Alex Watson and Goolam Modack (both from UCT)



Excellence in integrated reporting winners - Nedbank Ltd

From left: Thabani Jala, Brigitte Burnett, Bruce Thomas - Nedbank



Fifth place - Vodacom Ltd

From left: Sarah Chetty and Shaun van Biljon - Vodacom



Eight place - Standard Bank Group Ltd

From left: Ajen Sita (EY CEO) and Arno Daencke (Standard Bank)



Runner up - Redefine Properties Ltd

From left: Leon Kok (Redefine) and Ajen Sita (EY CEO)



Excellence in integrated reporting team

From left: Lucia Tsoku, James Luke, Sarah Custers, Marieke Fourie, Ajen Sita, Larissa Clark, Dion Chang and Aphiwe Twaku

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How can EY help?



Foreword

By Larissa Clark, Professional Practice, EY

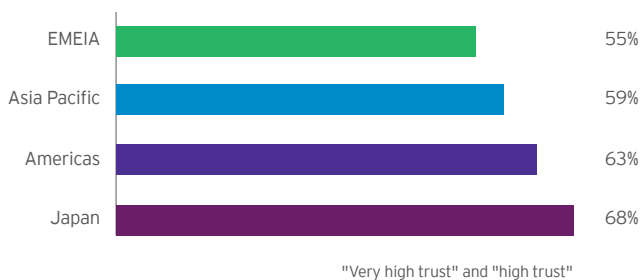
Following a tumultuous year including corporate scandals, a volatile operating environment and a subdued macro-economic outlook, the need for trust to build confidence in South Africa's capital markets is a key priority for business and government alike. Investors are increasingly sceptical about the accuracy and transparency of information being reported to the market.

Global trends

It is not only in South Africa that there is a widening trust gap between business and society. The results from our 2018 Global Financial Accounting Advisory Services (FAAS) corporate reporting survey¹ shows that only 58% of finance leaders are prepared to say that business is highly trusted, and for regions such as EMEIA (Europe, Middle East, India and Africa), this statistic is as low as 55%.

Question:

In your opinion, what do you consider to be the most current level of trust between the public and large businesses



Source: EY 2018 Global Financial Accounting Advisory Services (FAAS) corporate reporting survey

There are many reasons for the widening of the trust deficit between business and society, shareholders and investors such as:

- ▶ The bias in traditional reporting to focus on only the financial aspects of reporting, aimed at the investors;
- ▶ Financial reporting that has become increasingly complex for the ordinary investor to understand;
- ▶ The high volumes of financial and other reporting that companies are required to produce in line with various regulations and frameworks, making key decision-making information more difficult to find;
- ▶ Reporting that is one sided and only focusses on the positives and underplays any negative aspects;
- ▶ The way corporate executives are incentivised to produce short-term results often at the expense of a long-term sustainable business;

- ▶ A difference between how companies define and measure value and what is deemed to be valuable by the companies' various stakeholders;
- ▶ Social media that plays a bigger role in the reporting ecosystem, which means that if companies are not able to appropriately respond to emerging challenges and crises, trust and value can be destroyed very quickly;
- ▶ A disconnect in the time taken to report through official channels compared to real time reporting through social media platforms, which often means that bad news is reported more quickly than good news;
- ▶ The degree to which users can assess whether information is assured or verified and the basis for determining what requires assurance or verification;
- ▶ A lack of governance over the information being reported; and
- ▶ A lack of clarity about how directors are rewarded and incentivised as well as the large (and often unexplained difference) between executive remuneration and the lowest paid individuals.

Increasingly global companies are seeking to close the gap between what has traditionally been reported and a more holistic view of the company, that incorporates a range of non-financial measures. To this effect our research indicates a more general acknowledgement of the importance of reporting on the non-financial information.

Question:

Do you agree or disagree that "nonfinancial information is increasingly used in investors' decision making?"



Source: EY 2018 Global Financial Accounting Advisory Services (FAAS) corporate reporting survey

Integrated reporting has a critical role to play by enabling companies to not only incorporate the non-financial aspects of reporting, but to also communicate their vision, culture and strategy. Importantly, the company's approach to creating long-term value can help them differentiate their business by turning challenges into a competitive advantage.

¹Refer to EY 2018 Global Financial Accounting Advisory Services corporate reporting survey - https://www.ey.com/en_gl/news/2018/11/long-term-value-based-on-transparency-smart-tech-and-new-skills-are-set-to-transform-corporate-reporting

In disruptive environments, more leaders are making bold choices about how to share their company's stories of value creation, innovation, skills development, empowerment and social responsibility.

The quality of reporting by corporate South Africa as a collective, plays an important role in the confidence that local and international investors have in our capital markets. These investors are not only concerned with the values that companies are able to create over the short term, but increasingly about the inclusive capital that will be created over the long term.

Sustainable goals

As we celebrate 22 years of recognising excellence in corporate reporting and integrated reporting, it is important to consider what reporting of the future will look like.

Will there simply be more volumes of unstructured corporate data, produced to suit the needs of the multitude of stakeholders and regulators? Or will reporting be more integrated and connected, showing clearer links between value created and the capitals employed. Will our integrated reports evolve to be more reliable, more transparent and easier to understand? And will our reports have a clearer focus on how the company is positioning itself today to create sustainable value in the future.

As integrated reporting matures, there is no doubt there will be a greater focus on sustainable development goals. The United Nation's 17 Sustainable Development Goals to end poverty, protect the planet and ensure that all people enjoy peace and prosperity, have received a lot of attention lately. For South Africa, with high levels of poverty and inequality, the voice of business leadership will be increasingly important to make progress against these ambitious goals. This will mean that integrated reporting has and can make a tangible difference in the lives of ordinary people.



Larissa Clark
Professional Practice
EY

Creating value

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

We are joined on this critical journey by the University of Cape Town's College of Accounting, as we track and evaluate the efforts by the Top 100 JSE-listed companies to provide greater transparency around the value that they create over the short, medium and long term. 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 from the College of Accounting at the University of Cape Town.

It is our great pleasure to congratulate Nedbank Group Ltd for achieving first place in our 2019 awards. As you will read further on in this report, the judges felt Nedbank scored excellently in almost every aspect of the marking process by demonstrating a high level of adherence to the guiding principles and content elements of the International <IR> Framework. The judges particularly liked the robust way in which performance reporting has been handled. This included meaningful performance measures reported over a three-year period with a clear link to value creation, together with appropriate explanations of context, targets and disclosure of the extent of assurance provided. In addition to this, the link to the United Nation's Sustainability Development Goals was also well handled.

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

For more details on how the companies were selected, the mark plan and the adjudicators, please refer to page 17.

Aligning purpose and strategy

By Ajen Sita, CEO, EY Africa

There is no need to be convinced about the importance of trust and transparency for the effective functioning of the capital markets. Without trust and transparency, you cannot create tangible value for your stakeholders. Most companies, focus on three stakeholders; their shareholder, the customers and to a lesser extent, their employees.

A significant lesson that the audit profession has learnt over the last two years is the idea of public interest. In creating long-term sustainable value for companies, companies can no longer ignore the influence of the public at large. The public at large has become a key stakeholder and sustainable companies will need to pay closer attention to the needs of this important stakeholder group.

If we look at the GDP make-up of most countries, we see that large companies play a significant role in contributing to this metric. Increasingly, the public are looking to companies to play a leadership role. There is a sense that governments have let the public down in areas of global trade, migration, education or even keeping pace with digital disruption and making digital accessible to all. Large companies can no longer afford to be silent on the impact that these topics have on not only business itself, but on society as a whole.

Historically, most business CEOs have chosen to remain noncommittal with respect to global challenges, particularly those that are sources of political friction. Now, we have come to a tipping point as the CEOs of global companies, their board directors and institutional investors align on the need for corporate action and, most importantly, CEO leadership on these issues.

The 2019 EY CEO Imperative Study² (a survey of CEO's, board directors and institutional investor of the world's largest corporations) shows that CEOs can no longer rely on the old excuses for inaction on global challenges such as protectionist economic policies, climate change, technological disruptions resulting in job losses as well as gender and income inequality. Nor must they ask permission to be at the forefront of solutions—it's an expectation and a new growth imperative.

In our latest Transparency Report³, we recognise our own responsibility to serve the public interest. Companies need to

have a view, certainly in a South African context, on topics such as jobs, land distribution, youth unemployment and inequality. If we look around the world, for example in the United States you need to have a position on migration, whereas in Europe companies would need a view on Brexit.

If your company wants to succeed in this market, your purpose and strategy has to be aligned to the public interest at large. At EY, we understand the importance of engaging in the process of setting policies which promote transparency, serve the public interest, foster trust in markets and build a better working world.

“ Today's leaders are being called upon to go further than ever before in demonstrating leadership, taking public positions on politically-charged issues, choosing strategies, setting policies, and taking proactive measures to help solve large global challenges. ”
2019 EY CEO Imperative Study

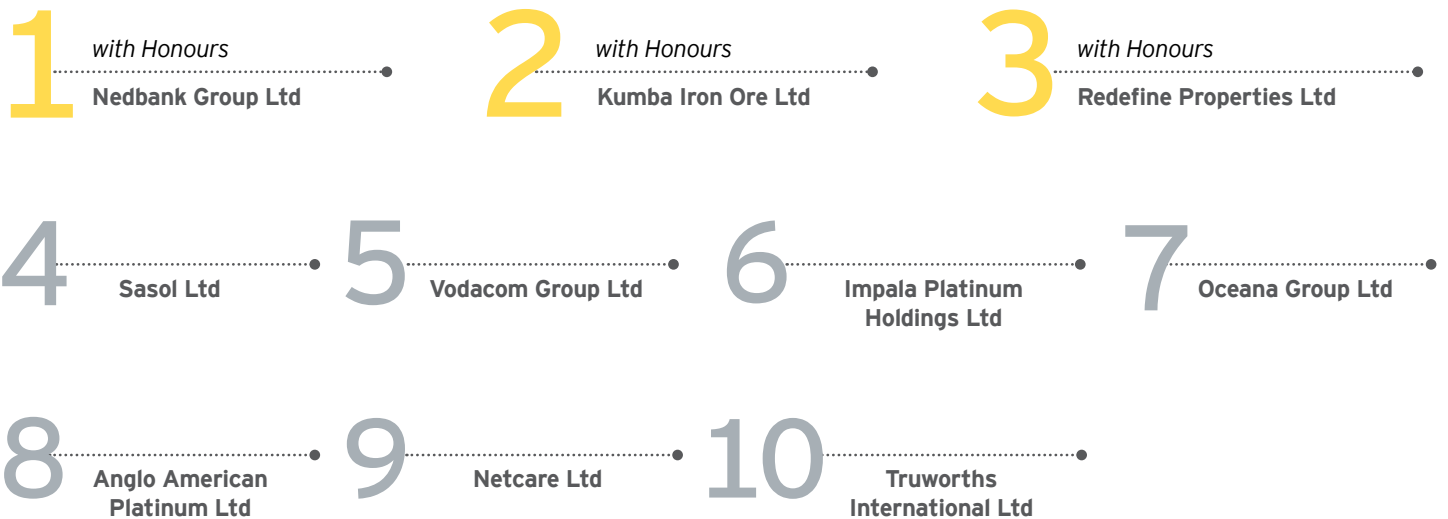


Ajen Sita
CEO, EY Africa

²Refer to the EY CEO Imperative Study - ey.com/ceoimperative ³Refer to the EY South Africa Transparency Report - <https://www.ey.com/za/en/about-us/ey-south-africa-transparency-report-2018>

2019 Rankings

Top 10

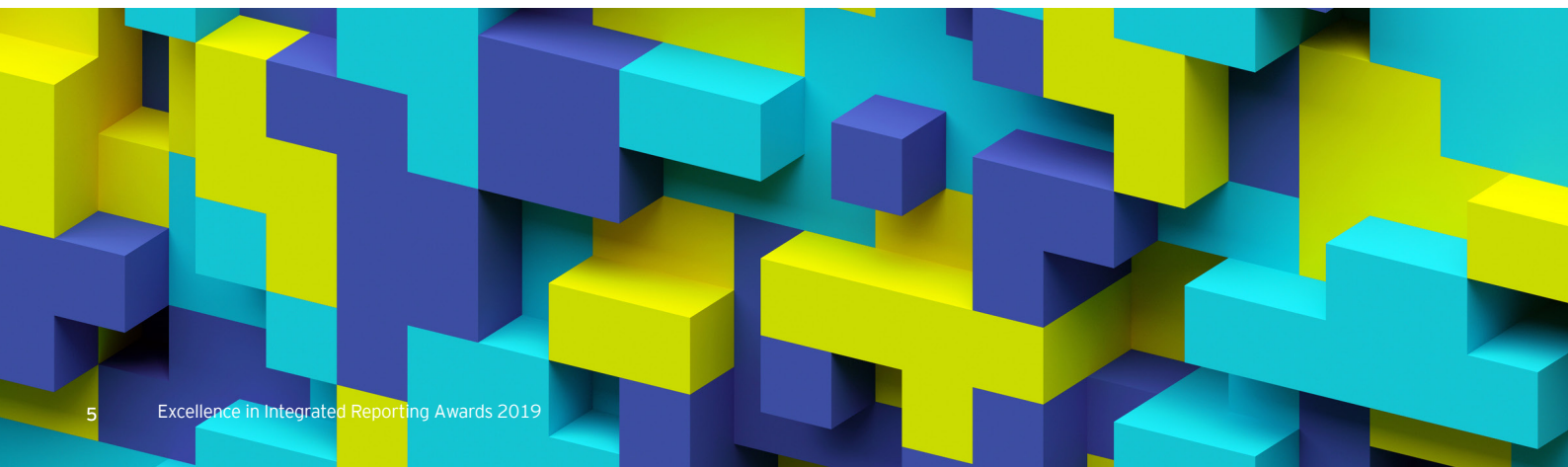


"Honours" is awarded to those high quality integrated reports, which the adjudicators believe have come closest to complying with the requirements of the <IR> Framework.

The adjudication process ranks entities in the following categories:

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

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



Excellent*

Absa Group Ltd	Liberty Holdings Ltd	Standard Bank Group Ltd
Anglo American plc	Life Healthcare Group Holdings Ltd	Telkom SA SOC Ltd
Exxaro Resources Ltd	Pick n Pay Stores Ltd	Woolworths Holdings Ltd
Glencore plc	Reunert Ltd	
Gold Fields Ltd	Sappi Ltd	

Good*

Adcock Ingram Holdings Ltd	JSE Ltd	RCL Foods Ltd
African Rainbow Minerals Ltd	MAS Real Estate Inc	Remgro Ltd
AngloGold Ashanti Ltd	Massmart Holdings Ltd	Sanlam Ltd
Aspen Pharmacare Holdings Ltd	Mediclinic International plc	Shoprite Holdings Ltd
Attacq Ltd	Mondi plc	Sibanye Gold Ltd
Barloworld Ltd	Mr Price Group Ltd	The Foschini Group Ltd
Clicks Group Ltd	MTN Group Ltd	Transaction Capital Ltd
Coronation Fund Managers Ltd	Northam Platinum Ltd	Tsogo Sun Holdings Ltd
Discovery Ltd	Old Mutual Ltd	
Intu Properties plc	Pioneer Food Group Ltd	

Average*

BHP Group plc	Growthpoint Properties Ltd	Quilter plc
Brait SE	Hammerson plc	Rand Merchant Investment Holdings Ltd
British American Tobacco plc	Harmony Gold Mining Company Ltd	RMB Holdings Ltd
Capital & Counties Properties plc	Hyprop Investments Ltd	Santam Ltd
Curro Holdings Ltd	Investec plc	Tiger Brands
Dis-Chem Pharmacies Ltd	Investec Property Fund Ltd	The Bidvest Group Ltd
Distell Group Holdings Ltd	Naspers Ltd	The Spar Group Ltd
FirstRand Ltd	PSG Konsult Ltd	Vivo Energy plc

Progress to be made*

AECI Ltd	Globe Trade Centre SA	Reinet Investments SCA
Anheuser-Busch Inbev SA/NV	Hosken Consolidated Investments Ltd	Resilient REIT Ltd
Assore Ltd	Italtile Ltd	Sirius Real Estate Ltd
AVI Ltd	KAP Industrial Holdings Ltd	South32 Ltd
Bid Corporation Ltd	MMI Holdings Ltd	Super Group Ltd
Capitec Bank Holdings Ltd	Montauk Holdings Ltd	Trustco Group Holdings Ltd
Compagnie Financiere Richemont SA	NEPI Rockcastle plc	Vukile Property Fund Ltd
EPP N V	Pepkor Holdings Ltd	
Fortress REIT Ltd	PSG Group Ltd	

Top 10 companies

By Mark Graham, Associate Professor, University of Cape Town

1 Nedbank Group Ltd

Once again Nedbank scored excellently in almost every aspect of the marking process by demonstrating a high level of adherence to the guiding principles and content elements of the International <IR> Framework. The report has a clear strategic focus with an emphasis on value creation both for itself and for others. An innovative infographic shows how creating value for staff and clients translates into creating value for shareholders and the broader society. The report has a sensible structure and a high level of integration, using the purpose of the business as a strong thread throughout. The integration of the governance and risk sections works well. Governance is introduced early-on in the report with cross referencing to where more detailed information on various important governance issues can be found. The way in which the Group's risks are presented is comprehensive and the presentation of three possible political and macroeconomic scenarios that are used in the planning process are informative. We particularly liked the robust way in which performance reporting has been handled. This included meaningful performance measures reported over a three-year period with a clear link to value creation, together with appropriate explanations of context, targets and disclosure of the extent of assurance provided. In addition to this, the link to the United Nation's Sustainability Development Goals (SDGs) was also well handled.

2 Kumba Iron Ore Ltd

Kumba's report clearly defines the value that it wishes to create, together with the performance indicators that they use to measure its value proposition. This information is presented early-on in the report and sets the scene for the value creation explanation. The report also includes a clear focus on the steps taken to enhance its various capitals to create ongoing value. The explanation of the Group's strategy is clear and particular attention is given to explicitly outlining the short, medium and long-term strategies. An explicit link is made between the Group's strategy and the key enablers of this strategy. The presentation of the business model is excellent. The business model infographic is packed with relevant information and we particularly liked the presentation of the factors that differentiate costs and revenues, together with the supporting sensitivity analyses. The detailed explanation of the Group's operating context is informative and a clear linkage is made between the various material issues and their implications for value creation, as well as the Group's strategic response to these issues. The Chief Financial Officer's review is one of the best we have seen and we particularly liked the explanation of the key financial risk factors that will affect the Group's performance as well as the link to the various capitals within the financial statements.

3 Redefine Properties Ltd

Redefine's report clearly explains how it will use their six capitals to create sustainable value. The indicators of value creation are presented early-on in the report and include positive, negative and neutral value outcomes. Good detail is provided on the way in which the Group responds to the positive and negative factors that have arisen in the markets in which it operates. We particularly liked the detailed disclosures given on each of their capitals and the comprehensive explanation of the primary trade-offs that the Group made during the year, together with the rationale behind each of these trade-off decisions. The explanation of the issues raised by each of the Group's various stakeholders and its strategic response to these issues is excellent. Furthermore, the manner in which the Group measures and reports on the quality of its relationships with these stakeholders is innovative and effective. The governance disclosures are crisp and provide sufficient detail on how the Group's leadership and governance structures are focussed on value creation. The insightful interview with the lead independent director highlights the key governance practices and issues within the Group and helps the reader get a real sense of governance within this Group.

4 Sasol Ltd

Sasol's report is a crisp and concise explanation of how its strategy drives sustainable value creation. This strategic focus is effectively carried through into each of the Group's business units in a way which links the Group's overall strategy to the more detailed and unique strategies of each separate unit. We particularly liked the comprehensive disclosure of performance in relation to each of the six capitals and the useful disclosure of the actions taken to enhance each capital and the related trade-offs that the Group has made. The financial review is future focussed and provides a framework for long-term value creation and useful detail on the Group's capital allocation process. The explanation of the material matters which could impact the Group's ability to create sustainable value is excellent. The section of the report that outlines the Group's risks and how they dealt with them is comprehensive and the inclusion of a 'watch list' of evolving risks is useful. The infographic that shows how remuneration is aligned to the Group's strategic targets is easily understandable and could be regarded as best practice in this area of reporting.

5 Vodacom Group Ltd

Vodacom's report is easy to navigate and commences with an overview of the financial and non-financial value created for each of its stakeholder groups during the year. We particularly liked the way in which the Group has reported on its 'Vision 2020' strategy and specifically the disclosures on how success is measured for each strategic objective, how the Group has performed in the current year, the 2020 target and the individual or individuals who take responsibility for each objective. The explanation of the steps taken to sustain value that highlights the key resources required and the performance in relation to each of these resources is excellent. The narrative on stakeholder 'hot topics' that expands the standard stakeholder disclosures with additional detail is extremely useful in understanding some of the key issues within the Group. The Group's risks are clearly presented, appropriately integrated with strategy and include 'heat maps' that show both residual impact versus likelihood and risk versus speed of impact. The reporting on investors' perspectives with respect to the Group's performance, split into 'bulls' and 'bears', is a useful and unique way of conveying risks and opportunities for the Group.

6 Impala Platinum Holdings Ltd

Impala's report starts with a succinct explanation of the Group's materiality determination process. This is followed by an appropriately detailed section that outlines the Group's commitment to good governance and assurance. The explanation of the Group's operating context is enhanced with a detailed description of the issues that have important implications for the Group's business model. This description includes both internal and external issues and the disclosures include information on how each particular issue will impact value creation as well the Group's response to each issue. The risk disclosures are comprehensive and enhanced by showing the risks applicable to each of the Group's mines. We particularly liked the detailed and integrated way in which the Group's business model and value chain was presented. The section that outlines stakeholder material matters is excellent. For each stakeholder matter, there is a detailed response as well as a clear link to the risk disclosures and the relevant strategy, which enhances the overall connectivity of the report.

7 Oceana Group Ltd

Oceana's report includes a clear focus on the factors relevant to its future value creation. The comprehensive business model infographic includes references to the controllable and the non-controllable factors that impact on the Group's ability to deliver shared value. We particularly liked the way in which the Group's five strategic objectives are presented together with a value creation target for each objective. Later on in the report, each strategic objective is discussed in more detail and the historic and targeted performance for each objective is presented. The explanation of how the Group manages trade-offs to deliver long-term value is excellent and sufficiently detailed to get a good sense of the effect of each trade-off on the various capital employed. The risk disclosures are comprehensive and the presentation of the inherent and residual 'heat maps' is innovative. The divisional reviews are crisp, concise and provide a granularised picture of each division's value creation strategy as well as achievement against various key performance measures.

8 Anglo American Platinum Ltd

Amplats' report is structured to provide the reader with a good sense of how the Group creates value. The various content elements within the report show a high level of integration and connectivity. There is a clear articulation of the strategic objectives that are required to create value as well as the strategies that will be implemented to achieve these objectives. The table that presents the current target and the actual and future target key performance indicator for each of the Group's pillars of value is excellent. The explanation of the Group's material issues is extensive and the disclosure of the materiality determination process is more detailed than most. Risk disclosures are presented with their related opportunities and for each risk the cause, impact, mitigation, appetite, tolerance and the effected pillar of value is presented. The report's sensible structure continues into the governance section; which commences with a useful infographic that shows how the Group's pillars of value relate to the various governance activities and how these translate into four key governance outcomes.

9 Netcare Ltd

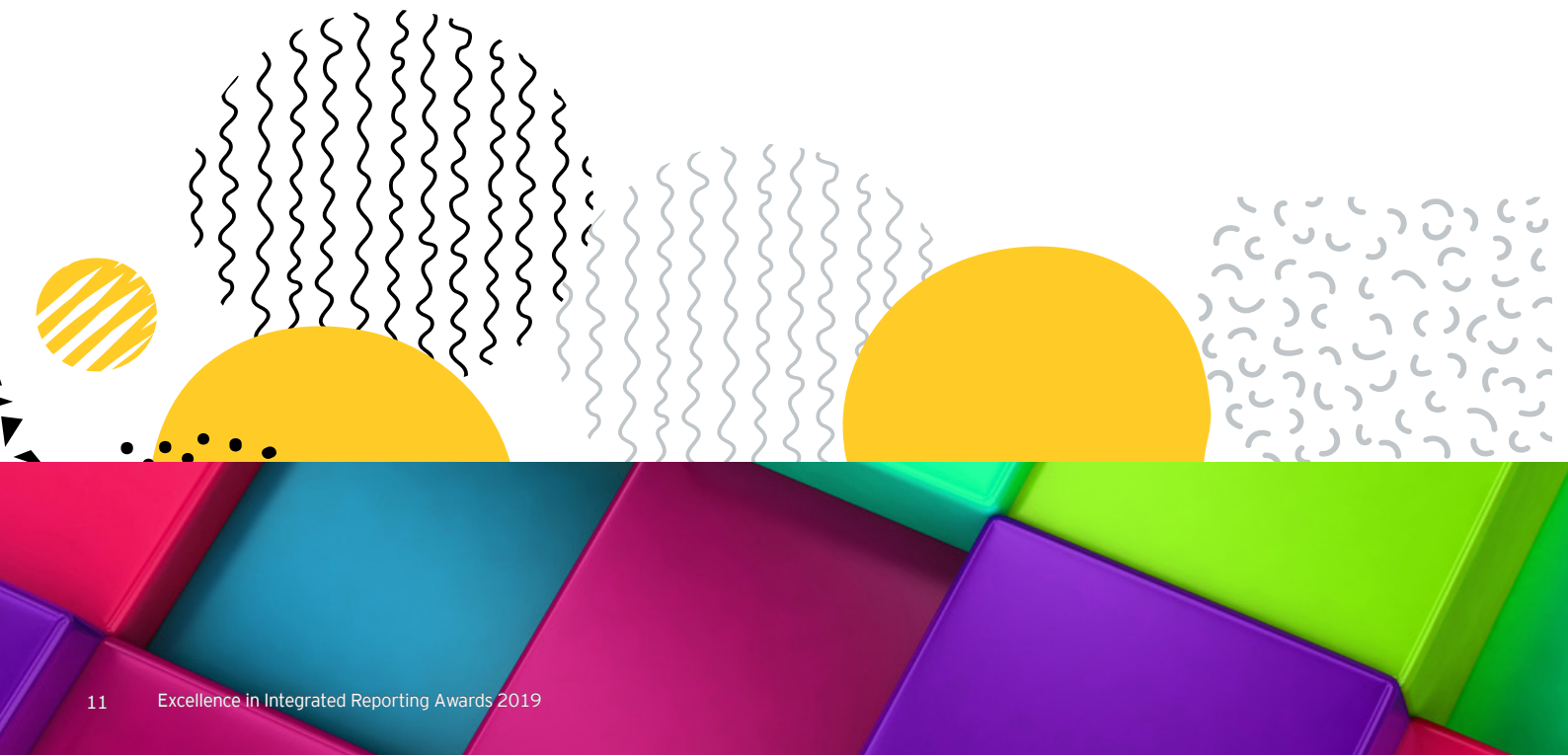
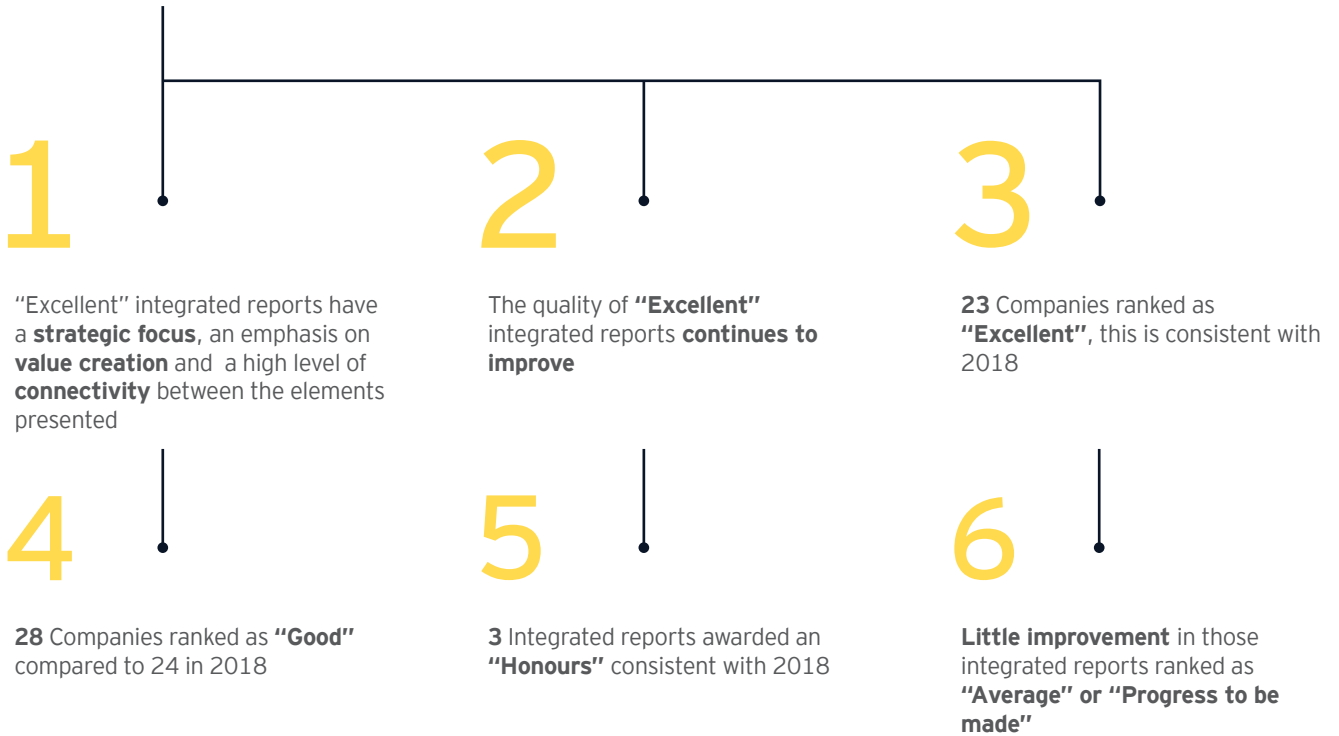
Netcare's report is an excellent example of how a healthcare service provider can explain how it will create sustainable value for its stakeholders. The report includes an excellent description of how it is attempting to create value on a stakeholder by stakeholder basis and links this to its various capitals. We particularly liked the comprehensive discussion of the healthcare industry and its operating environment. Material matters are explained in detail and appropriately linked to the Group's strategic priorities. The Group's risk disclosures include a description of each risk, opportunities arising from each risk, potential impact of each risk as well as a link to the related strategic priority and material matter. A detailed explanation of the Group's performance with respect to each capital is provided and also gives the reader a sense of how each capital will create value.

10 Truworths International Ltd

Truworths' report has an introductory double page spread, which gives the reader a high level overview of the current year and outlook for the following year. We particularly liked the presentation of the Group's value-creating business model, which included appropriate references to where more detail could be found on various aspects of the business. For each capital inputs, impacts, key outcomes and an explanation of the actions that will be taken to enhance or mitigate the various outcomes are presented. The connectivity within the report is high and the summary of the material issues, risks and opportunities, together with descriptions of the related performance measures and challenges, is excellent. This summary is enhanced with more detail on each material issue provided later in the report. The governance section includes some useful disclosures relating to board deliberations and a summary of the measurements that the board uses to assess whether the activities of the Group have created value for the various stakeholder groups.

Overall impressions

At a glance



Positive Trends

- 01 Improved **governance disclosures**
- 02 Better **integration of financial information** with the **value creation narrative**
- 03 General improvement in **risk disclosures** with more specific information being presented and an increased focus on the **related opportunities**
- 04 Improved disclosure of **outputs and outcomes** within the business model
- 05 Increased usage of the **United Nations Sustainability Development Goals**

Negative Trends

- 01 Insufficient linkage between **key performance indicators** and how **the business is managed**
- 02 More clarity is required as to how **remuneration** information is **linked to future value creation**
- 03 Insufficient information on how **key board deliberations** link to **strategy**
- 04 Lack of **reporting negative outcomes** and **trade-offs** leading to less balanced reporting
- 05 Insufficient emphasis of how the **environment impacts the business** and how the business impacts the environment

Adjudicators' observations and overall performance

By Mark Graham, Associate Professor, University of Cape Town

Companies included in the survey

- ▶ Top 100 Johannesburg Stock Exchange ("JSE") Limited **listed companies**, selected on the basis of their market capitalisation as at 31 December 2018.
- ▶ Integrated report or annual report for **year-ended on or before 31st December 2018**.
- ▶ **Largest in survey** - Anheuser-Busch InBev NV/SA (market capitalisation of R1.7t).
- ▶ **Smallest in survey** - Oceana Group Ltd (market capitalisation of R10.0b).
- ▶ The 100 companies in the survey account for **93% of the market capitalisation** of the JSE at 31 December 2018.

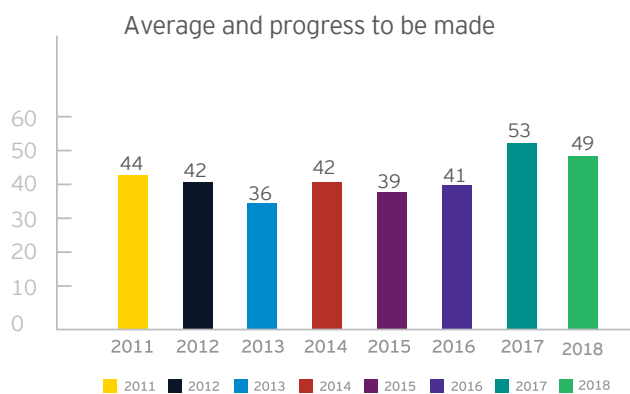
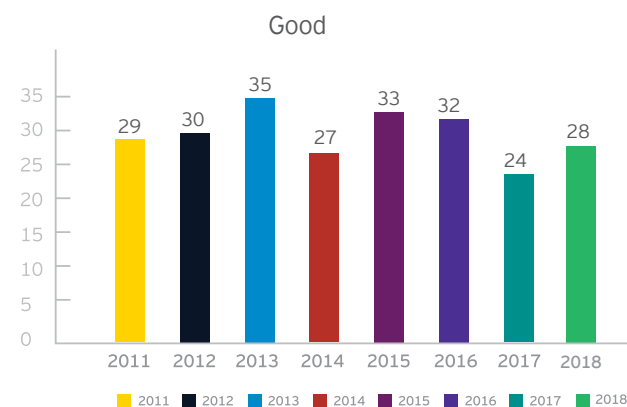
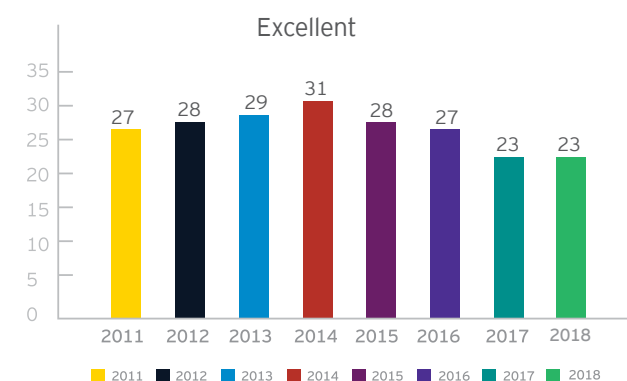
Changes to the top 100

- ▶ Nine companies that appeared in the 2018 survey are no longer regarded as being eligible as result of falling out of the Top 100 due to relative changes in market capitalisation or other corporate activity.
- ▶ New / returning in the 2019 survey:
 - ▶ Pepkor Holdings Ltd
 - ▶ Quilter plc
 - ▶ Harmony Gold Mining Company Ltd
 - ▶ Sirius Real Estate Ltd
 - ▶ Montauk Holdings Ltd
 - ▶ Adcock Ingram Holdings Ltd
 - ▶ Transaction Capital Ltd
 - ▶ Trustco Group Holdings Ltd
 - ▶ Vivo Energy plc

Key observations

- ▶ The **quality** of "Excellent" integrated reports **continues to improve**.
- ▶ **"Excellent"** integrated reports have:
 - ▶ a clear **strategic focus**
 - ▶ an **emphasis on value creation**
 - ▶ a high level of **connectivity** between the **various elements** presented and consequently have a coherent value creation narrative.
- ▶ Very **little improvement** in those integrated reports ranked as **"Average"** or **"Progress to be made"**.
- ▶ Some **improvements** observed in the **governance disclosures** with less generic information being presented and in some cases governance disclosures integrated with the value creation process.
- ▶ More companies **integrating financial information** within the **value creation narrative** and increased use of annotations to explain items within the financial statements.
- ▶ Improved disclosure of **outputs and outcomes** within the business model.
- ▶ General improvement in **risk disclosures** with more specific information being presented and an increased focus on the **related opportunities**.
- ▶ Increased **usage** of the **United Nation's Sustainability Development Goals (SDGs)** to enhance the explanation of value created for others.
- ▶ Better use of **graphics/ tables/ infographics** to achieve conciseness and more effective communication.

Trends in the rankings



Areas for improvement

- ▶ **Remuneration disclosures** are still excessive. Need to make this information more understandable and provide information that is related to future value creation. The reader needs to see more information on why the remuneration policy is appropriate for value creation.
- ▶ Information on **key board deliberations** and link this to **strategy**.
- ▶ Many reports need to improve the explanation of how **outcomes** with respect to the various capitals or stakeholder **impact on future value creation**. In other words, more emphasis on how the environment impacts the business; with more detailed information on how the business impacts the environment included in the sustainability report.
- ▶ Limit the number of **key performance indicators** and other measures and provide information on why these indicators or measures are important, how they are measured and what the scope is for improvement.
- ▶ The **linkage** between the **key performance indicators** and the explanations of **how the business is being managed**.
- ▶ Increasing the emphasis on balanced reporting by including **negative outcomes** and **trade-offs**.
- ▶ Explaining the **value** that the **business wishes to create** for itself and others **early-on in the report**.
- ▶ More specific and less generic explanations of the **various trade-offs** and **improve the linkage** of these trade-offs to **strategy**.
- ▶ Information on the quality of the **relationships** with the **various stakeholder groups**.

Rankings

- ▶ **51 of the 100** integrated / annual reports reviewed this year were ranked as **"Good"** or **"Excellent"**.
- ▶ **49** companies **are not making a serious attempt** to produce an integrated report that complies with the International Integrated Reporting Council's <IR> Framework.

Honours awards

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

Title of the report

- ▶ **17 of the 100** companies in the survey do not produce an integrated report.
- ▶ **16 of these 17** companies have their primary listings on stock exchanges other than the JSE.
- ▶ **10** of these companies have their primary listing on the London Stock Exchange.
- ▶ **6** companies that do not have their primary listing on the JSE produce a report that is titled an integrated report.

Endorsement by the directors

- ▶ **75 of the 100** companies in the survey include a specific acknowledgement that the report is endorsed by the directors.
- ▶ **57** of these endorsements were **signed** by the directors.

Audience of integrated reports

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

Length of integrated reports

- ▶ **Average length** of reports in this year's survey is **157 pages** (2017: 149 pages).
- ▶ Average length of the reports that are titled an integrated report is **149 pages**.
- ▶ **Shortest** integrated report is **62 pages**.
- ▶ **Longest** integrated report is **363 pages**.

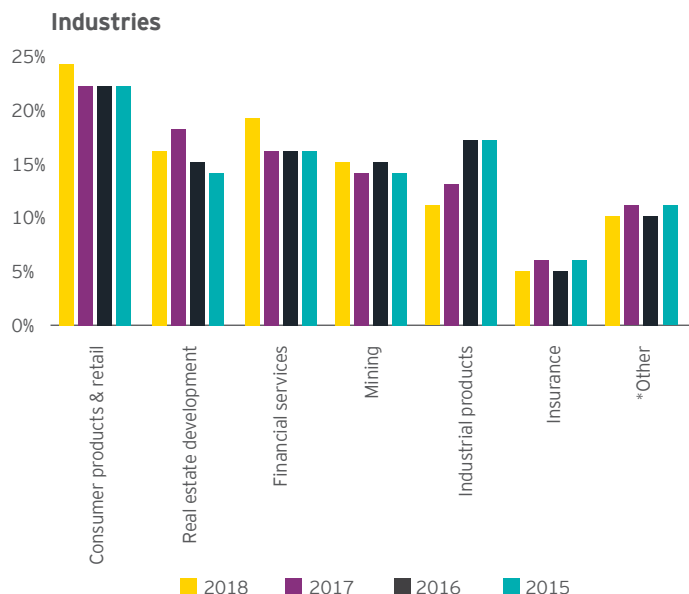
Style of financial statements

- ▶ **Average length** of financial statements within the reports is **40 pages**.
- ▶ Average length of the financial statements within reports that are titled an integrated report is **33 pages**.
- ▶ **43 companies** in the survey included **full financial statements** in their report.
- ▶ **23 companies** in the survey include **IAS 34⁴ financial statements** within their report.
- ▶ **67 companies** included their financial statements at the **end of the report**.
- ▶ **23 companies** include **extracts** of their financial statements within their financial review.

⁴International Accounting Standard 34 - Interim financial reporting ("IAS 34")

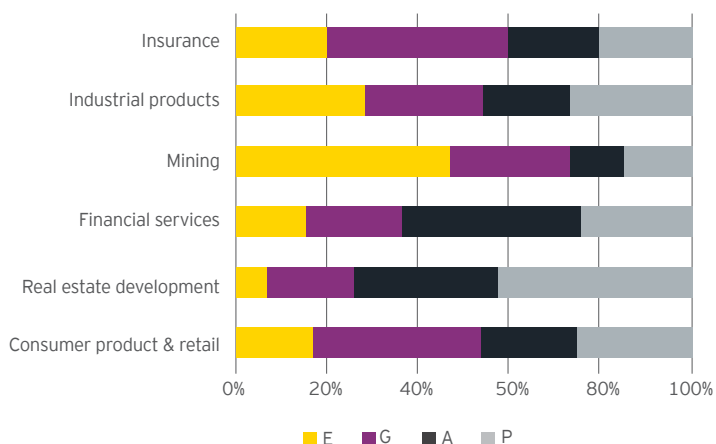
Industries included in the survey

- Close to 25% of the companies included in the 2019 survey operate in the **consumer products and retail sector**, whilst almost 20% of the companies are in the **financial services sector**. These upward trends are coupled with downward trends for the number of companies in both the **real estate development sector** and the **industrial products sector**. The number of companies in the **mining sector** and the **insurance sector** have remained fairly consistent to prior years, at approximately 15% and 5% respectively.



- A further analysis of the companies per industry included in the 2019 survey, illustrates that over 70% of the **mining companies** are included in the “Excellent” and “Good” categories. This is followed by the **consumer products and retail sector** and the **industrial products sector**, which both have approximately 55% of the companies included in the survey included in the “Excellent” and “Good” categories. Whilst over 35% of the companies the **Financial services sector** are included in the “Excellent” and “Good” categories.

2018 rating per Industry



*Industries included in other: education, healthcare, media and entertainment, travel and leisure, renewable energy and telecommunication.

The mark plan - at a glance

Overview of the mark plan:

The mark plan is based on the <IR> Frameworks⁵ seven Guiding Principles and the eight Content Elements. In addition, consideration is given to the Framework's Fundamental Concepts.

Companies included in the 2019 EY Excellence in Integrated Reporting Awards:

- ▶ Top 100 JSE-listed companies
- ▶ Based on market capitalisation as at 31 December 2018
- ▶ Pure holding companies are excluded
- ▶ Dual-listed entities are included
- ▶ Integrated report for year-ended on or before 31 December 2018

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

The Content Elements

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

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

Further details of the mark plan and adjudication process can be found on our website ey.com/za/integratedreporting

⁵International Integrated Reporting Council's <IR> Framework, issued in December 2013.

About the adjudicators

Mark Graham

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



Associate Professor Mark Graham
College of Accounting, UCT

Alexandra Watson

Until March 2018, Alex was the Richard Sonnenberg Professor of Accounting in the College of Accounting at the University of Cape Town. She is a past member of the South African Integrated Reporting Committee Working Group, vice chair 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 non-executive director of two listed 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.



Professor Alex Watson
Independent non-executive director

Goolam Modack

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



Associate Professor Goolam Modack
Head: College of Accounting, UCT

How can EY help?

Service	Contact person	
<ul style="list-style-type: none"> King IV briefings, gap analyses and assistance with implementation 	<p>Joanne Henstock (011) 502 0364 joanne.henstock@za.ey.com</p>	<p>Luveshan Naiker (011) 502 0526 luveshan.naiker@z5a.ey.com</p>
<ul style="list-style-type: none"> Excellence in Integrated Reporting Awards benchmark report (including in-person consultation with one of the awards' adjudicators) 	<p>Larissa Clark (011) 772 3094 larissa.clark@za.ey.com</p>	
<ul style="list-style-type: none"> Implementation of integrated reporting and integrated thinking: On-site briefings to assist with the adoption and implementation of the International Integrated Reporting Council's <IR> Framework 	<p>Joanne Henstock (011) 502 0364 joanne.henstock@za.ey.com</p>	
<p>Maturity assessments of the application of sustainability and sustainable development strategy and sustainability performance against relevant frameworks, standards and guidelines (including industry benchmarking):</p> <ul style="list-style-type: none"> Materiality assessments <IR> Framework GRI Standards United Nations Sustainability Development Goals FSB Task Force on Climate Related Financial Disclosures Carbon emissions reporting Carbon disclosure project reporting UN global compact reporting Health and safety strategy and performance reporting 	<p>Joanne Henstock (011) 502 0364 joanne.henstock@za.ey.com</p> <p>Moaaz Mehtar (011) 502 0374 moaaz.mehtar@za.ey.com</p>	
<p>Assistance with development of internal assurance for integrated reporting</p>	<p>Jarred Bell (011) 502 0374 Jarred.m.bell@za.ey.com</p>	
<p>Assurance readiness assessments and assurance engagements for sustainability, sustainable development and integrated reporting</p>	<p>Jarred Bell (011) 502 0374 Jarred.m.bell@za.ey.com</p>	<p>Moaaz Mehtar (011) 502 0374 moaaz.mehtar@za.ey.com</p>

About EY

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Building a better
working world

In this data-driven
world, is trust the
hardest thing
to build?

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The better the question. The better the answer.
The better the world works.