How can business work for sustainability and sustainability work for business?

Excellence in Integrated Reporting 2022

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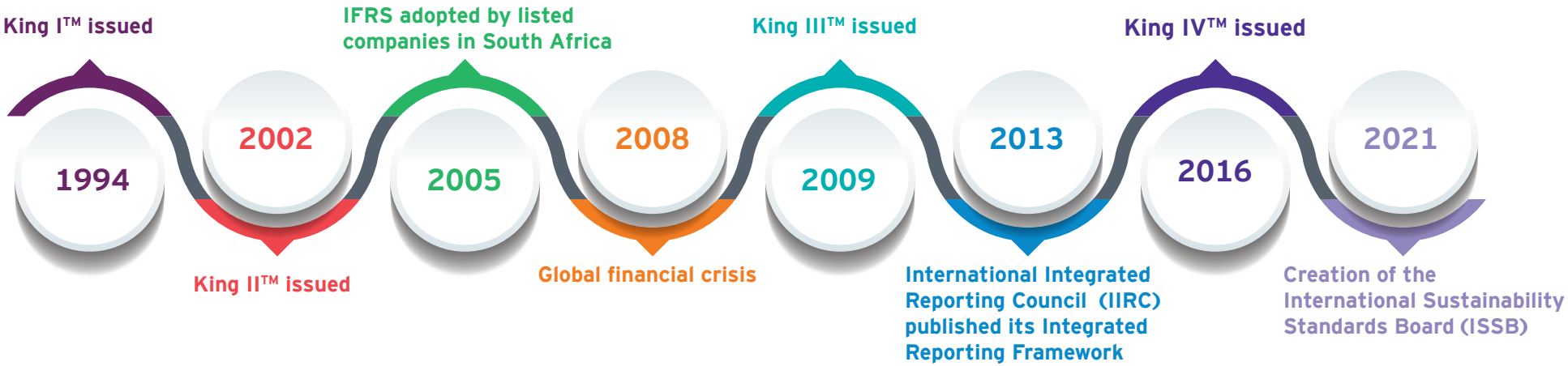
Building a better working world

25 Years of Excellence in Reporting

Reporting milestones through the years



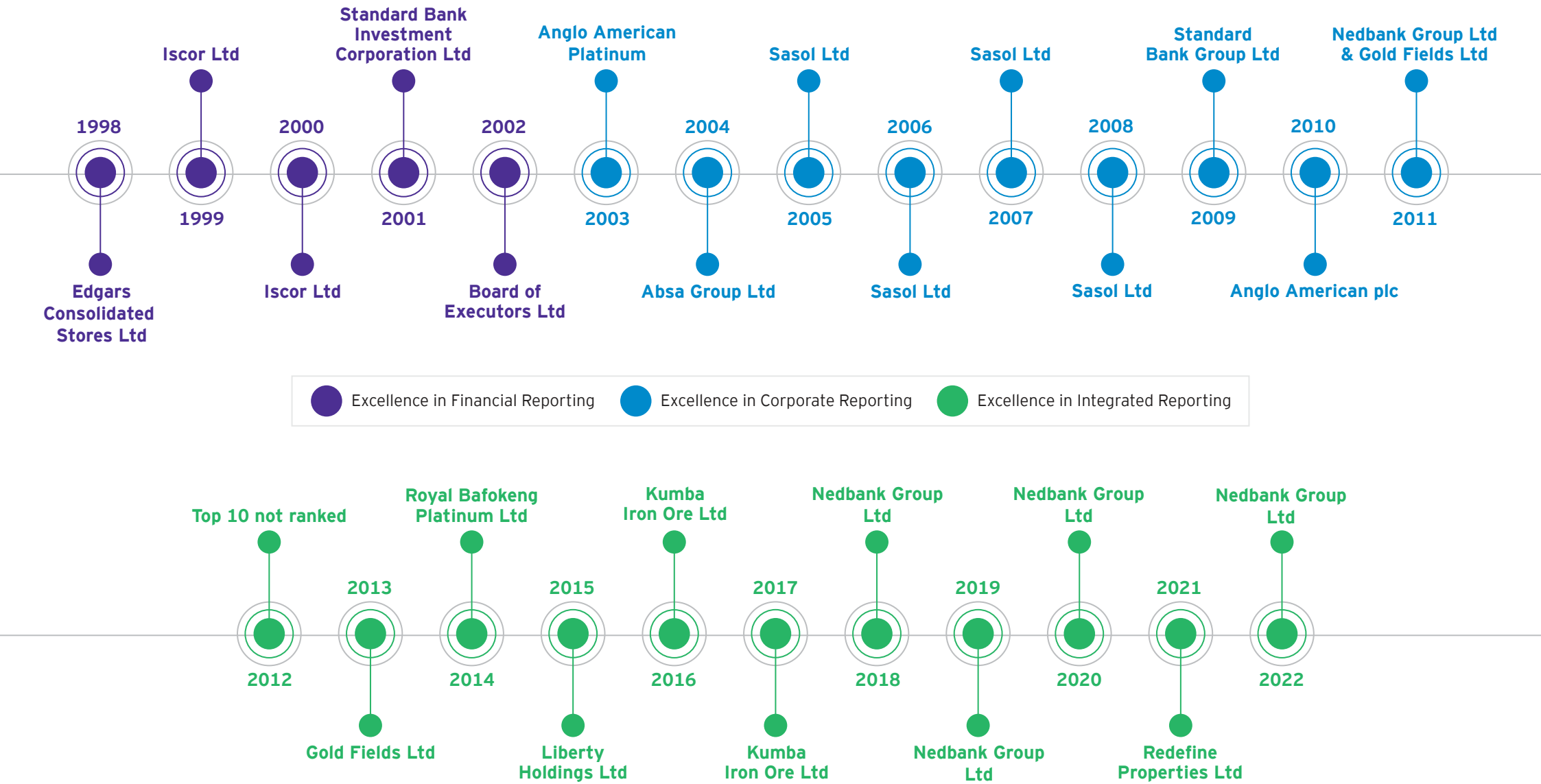
1998 – 2002 Excellence in Financial Reporting: Focus on financial disclosures in accordance with accounting standards

2003 – 2011 Excellence in Corporate Reporting: Focus on financial reporting incorporating non-financial measures and information about strategy

2005 – 2011 Excellence in Sustainability Reporting: Focus on sustainability report dealing with environmental, social and governance issues

2012 – 2022: Excellence in Integrated Reporting: Focus on integrated reports

Celebrating past winners



Purpose of the 2022 EY Excellence in Integrated Reporting survey

The purpose of the survey is to encourage and benchmark standards of excellence in the quality of integrated reporting to investors and other stakeholders in South Africa's listed company sector. Over the years it became clear that financial statements on their own did not tell the whole story of a company's performance. Companies therefore started reporting on their environmental impacts,employee-related 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 11 years in order to encourage excellence in the quality of integrated reporting to investors and other stakeholders by South Africa's top companies.

Contact

For more information on this survey, contact Abigail Paulus,
Associate Partner, IFRS Desk, EY Africa on Abigail.Paulus@za.ey.com

Disclaimer

The survey findings and rankings of the integrated reports have been independently prepared by the three adjudicators with affiliations to the University of Cape Town (UCT), comprising Professors Alexandra Watson (Emeritus Professor), Goolam Modack (College of Accounting) and Mark Graham (Emeritus Associate Professor). Accordingly, the survey findings and ranking of the integrated reports are the views of the adjudicators. The other material has been prepared for general information purposes only and is not intended to be relied on as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

Virtual workshop

The Excellence in Integrated Reporting workshop will be held as a virtual event.
During the workshop we will:

- Provide an overview of the 2022 EY Excellence in Integrated Reporting survey results;
- Discuss positive and negative trends in integrated reporting;
- Highlight examples of leading practice, to assist companies to prepare their next integrated report;
- Reflect on what reporters and companies should focus on next in terms of the developing sustainability reporting landscape;
- Consider the requirements of the ISSB exposure drafts.

Date: Wednesday 28 September @ 9am

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

For more information, please visit:

ey.com/ZA

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The international developments in the ESG reporting landscape over the last year have been unprecedented.

Larissa Clark
IFRS Desk Leader, EY Africa

Introduction

By Larissa Clark, EY IFRS Desk Leader

One of the green shoots of the Covid-19 pandemic has undoubtedly been the recognition of the importance of environmental, societal and governance (ESG) issues. The international developments in the ESG reporting landscape over the last year have been unprecedented. Sustainability reporting is not a new concept, but the sustainability reporting landscape has been fragmented, inconsistent and reporting has mostly been done on a voluntary basis. But not any more – sustainability reporting is receiving a huge amount of attention and consequently been placed firmly on the main agenda of listed companies across the globe.

In November 2021 at COP26, the UN global summit to address climate change, the formation of the International Sustainability Standards Board (ISSB) was announced. The aim of the ISSB is to develop a comprehensive global baseline of high-quality disclosure standards to meet investors' needs for far more extensive non-financial disclosure on a regular basis. In addition, the Value Reporting Foundation (VRF), which houses the Integrated Reporting Framework and the Sustainability Accounting Standards Board (SASB) Standards as well as the Climate Disclosure Standards Board (CDSB) have been merged into the IFRS Foundation.

The ISSB published two exposure drafts this year, the first dealing with the general requirements for the disclosure of sustainability related financial information and the second dealing with climate related disclosures. The comment period for these 2 exposure drafts ended at the end of July and over 1500 comment letters were received. Similarly, several countries across the world have published ESG reporting guidelines, modelled in part on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, including the United States of America, Canada, Brazil, the United Kingdom, Australia and Japan.

In my own financial reporting world, I have seen a significant shift towards the better understanding and appreciation of the complex sustainability reporting landscape. I recently had the rare and unexpected privilege of spending an afternoon talking to Andreas Barckow, the current chair of the International Accounting Standards Board (IASB) about financial reporting matters. We spent the first half hour talking about all the work that they are doing around the formation of the ISSB and the practical challenges of creating a suite of high-quality standards that is universally applicable to a range of reporters, operating in various jurisdictions. Through the course of the afternoon, the discussion time and time again returned to the changing needs of the investors and how this can be addressed. We are excited to include a Q&A (see page 11) with Sue Lloyd, vice chair of the ISSB, on the work being done by the ISSB, what the future of reporting will look like and what this means for South African reporters.

As businesses work towards sustainability, it's important to remember that sustainability works for businesses as well. When sustainability is embedded in a company's strategy, it can become a key differentiator in the market. In an article included in this brochure, Ajen Sita, our Africa CEO, writes about the opportunities for investors in Africa to make a positive environmental and social impact, using the impetus created by the move to a more sustainable world.

Investors are increasingly attaching greater importance to corporates' ESG performance, when making investment decisions. Stephen Ntsoane and Abigail Paulus unpack these trends in their article 'Sustainability reporting - A changing landscape' on page 9. Clémence NcNulty, our EY sustainability and climate change leader unpacks the concept of double materiality and why this will result in a two-pillar reporting architecture (see page 16). Understanding double materiality and how this frames what information is presented in which report, will form the cornerstone of reporting suites in the future. Alex Watson, Emeritus Professor, University of Cape Town, shares her perspective on this on page 14.

This is the eleventh year that we have commissioned the Excellence in Integrated Reporting survey and the twenty fifth year since this programme's inception in 1998 as 'Excellence in Financial Reporting' awards. As we have tracked and evaluated the efforts by the Top 100 JSE-listed companies to report in a clear, crisp and transparent manner, we have been joined on this critical journey by the University of Cape Town's College of Accounting. This survey is made possible by the continued involvement and dedicated efforts of Professors Alex Watson, Mark Graham and Goolam Modack, the panel of independent adjudicators associated with the College of Accounting at the University of Cape Town.

It is our great pleasure to congratulate Nedbank Group for achieving first place in our 2022 awards. As you will read further on in this report, the judges felt Nedbank's report is well laid out, easy to read and good use has been made of infographics. The report also has a discernible focus on value creation, preservation and erosion. We also congratulate Redefine Properties and Netcare on achieving second and third place respectively. Our congratulations are extended to all the entities included in the Top 10 for their outstanding reports. We commend the entities that achieved the rankings of "Excellent" and "Good" for their efforts and the examples they have set.

For more details on how the companies were selected, the mark plan and the adjudicators, please refer to page 29.

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When sustainability is embedded in a company’s strategy, it can become a key differentiator in the market.

Ajen Sita
Chief Executive Officer, EY Africa

Business must work for sustainability because sustainability works for business

By Ajen Sita, Chief Executive Officer, EY Africa

When markets are distressed politically, societally, and economically, CEOs can see this as a time of challenge or opportunity. The pandemic has been a wake-up call for many CEOs, and the transformation imperative is now clearer than ever. Many are actively reconfiguring their companies for resilience and investing for growth.

Heightened geopolitical tensions, volatile domestic politics and dramatic shifts in regulatory environments will continue to challenge businesses in 2022. Global operations and supply chain disruptions will persist – and so too will human capital challenges and an increased focus on ESG and sustainability. But what does that really mean for businesses? Too often our sustainability conversations are focused on the output, which is the reporting, and not the input, which includes a change in strategy.

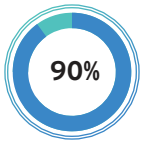
When sustainability is embedded in a company's strategy, it can be a strategic differentiator in the market. And, frankly, it's not only a differentiator on the customer side, but also a differentiator when it comes to financial institutions and corporates looking for liquidity. More and more investors and bankers are viewing sustainability and meeting ESG metrics as an important factor when making investment decisions, simply because their funds are also equally restricted. So if companies are not putting sustainability at the top of their strategic agenda, they may find that they will be continually under pressure over the next few years. This is not different for us in Africa. In fact there are more opportunities here for investors to make a positive environmental or social impact than in any other region in the world. When we talk about ESG with a focus on the African continent, we can say that ESG has tended to emphasise environment and governance while playing down the impact on communities and broader social issues. Energy transition is firmly underway. Migration to renewable energy sources has profound social and economic consequences for any country or region, perhaps nowhere more so than in Africa. The continent has contributed less than 3% to historical carbon emissions, which is unsurprising given almost half of its 1.4 billion residents do not have access to electricity. If its plentiful resources can be harnessed rapidly, the adoption of clean energy could transform Africa's economies, not only benefitting millions of lives, through access to cheap, renewable power, but also giving its governments the revenue needed to effect climate adaptation. As businesses focus more attention on communities and the societies that they operate in, there is much that can be done. We need inclusive financial systems, healthcare systems and community resourcing support to make a noticeable difference. Business should actively work to reduce income inequality and increase gender equality, whilst finding ways to nurture emerging talent and creating inclusive growth opportunities.

As businesses work towards sustainability, it's important to remember that sustainability works for businesses as well. Today's successful companies thrive because their leaders understand that investing in a broader set of stakeholder considerations affects their ability to attract capital, draw top talent, and future-proof their businesses. The challenge is to move beyond the short-term financial reporting bias towards drivers of long-term value.

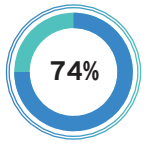
Sustainability reporting - a changing landscape

By Abigail Paulus, Associate Partner, IFRS Desk

There is an increased focus on the impression companies make around their sustainability goals, their climate change journey, their ability to be future-proof, and to ensure that these are not just for appearance but are based on fact. According to EY's Sixth Global Institutional Investors Survey[1] (Nov 2021), 90% of 320 investors surveyed said they now attached greater importance to environmental, social, and corporate governance (ESG) metrics post-pandemic, while 74% of those surveyed are now more likely to divest based on poor ESG performance.



of investors surveyed said that, since the COVID-19 pandemic, they attach greater importance to corporates' ESG performance when it comes to their investment strategy and decision-making.



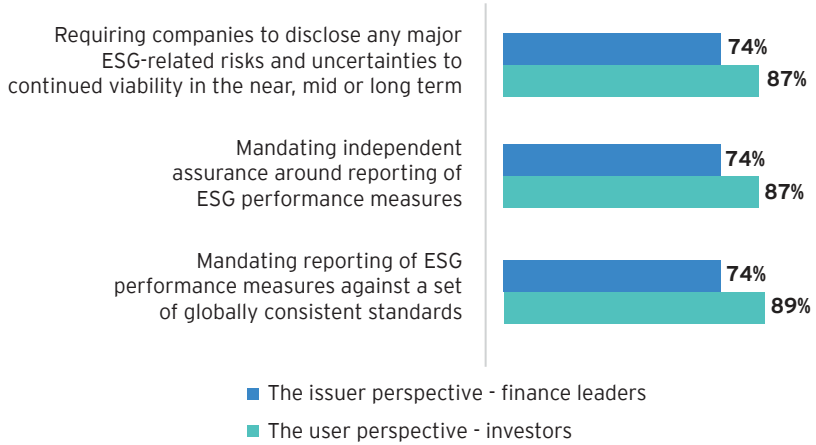
of investors surveyed said they are more likely now to divest based on poor ESG performance than prior to the COVID-19 pandemic.

Stakeholder expectations

A global pandemic has been a catalyst which, coupled with the heightened awareness around sustainability and the impact of climate change, pivots the expectations of corporate stakeholders. Recently activist investors have stopped the approval of the financial statements or have not given their consent for directors' remuneration because of a lack of focus and insufficient disclosure, on climate change. In addition, there have been cases of large corporates being taken to court and sued by investors for not taking the due care and skill expected in dealing with climate change in its operations. There are increasing expectations not only from investors, but other stakeholders such as employees and consumers who want to be part of the narrative as well.

Standard setters and government regulators are important contributors to this conversation, as they will need to provide the tools to steer corporates to meet the targets that have been set globally. 89% of investors surveyed believe that mandating reporting of ESG performance measures against a set of globally consistent standards is imperative, which aligned with the expectation of 74% of the issuers. This shows however that there is still work to be done to close the gap between the expectations of users and issuers.

Percentage of respondents who think the following actions by policy makers, regulators and standard-setters would be helpful



[1]EY Institutional Investor Survey November 2021

Transparency in reporting

When it comes to sustainability reporting, it is clear that investors are looking for not only an improved focus on sustainability reporting but also better quality disclosures. 78% of investors surveyed said they conduct a structured and methodical evaluation of ESG disclosures – compared with three years ago, where only 32% used such an approach.

Investor concerns about quality of disclosures also include the need for transparency and a focus on materiality. 50% of investors surveyed said they are concerned about a lack of focus on material issues – an increase from 37% in 2020.

More financially relevant ESG reporting can assist an entity to deliver change and share a clear vision of its long-term value. For some time, as is reflected in the survey, investors have been calling for a common narrative and global baseline for reporting. There is a steady increase in sustainability reporting activities from several regulators and standard setters around the world, with 2021 and 2022 seeing a flurry of regulations and guidance being urgently drafted and discussed. These more formalised approaches to sustainability disclosures will assist entities across all industries to come closer to consistency in reporting, providing investors with an improved reporting landscape on which to make investment decisions.

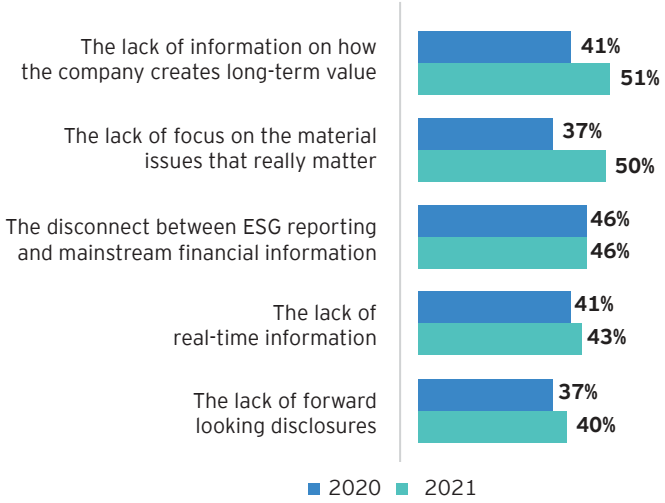
With the advent of the International Sustainability Standards Board (ISSB), it is anticipated that investors and preparers of reports will soon have further tools to achieve quality and transparency in sustainability reporting. Locally, the JSE released its Sustainability and Climate Disclosure Guidance mid-June 2022 to provide a steer toward transparency and good governance, and guide listed companies on best practice in ESG disclosure. The steps being taken by the ISSB and the JSE are significant landmarks on the sustainability reporting landscape.

Words and actions

Whilst there is currently variety in sustainability reporting disclosures, and use of a number of reporting frameworks, there is an urgent need to ensure entities' sustainability reporting processes are updated to tackle today's ESG realities*. We are at a significant crossroad in the sustainability reporting landscape and look forward to tackling the reporting challenges that lie ahead.

*ey.com/en_gl/public-policy/five-priorities-to-build-trust-in-esg

Percentage of respondents who think the following issues compromise the usefulness of ESG disclosures



In conversation with Sue Lloyd

Extract from a discussion between Sue Lloyd, vice-chair of the International Sustainability Standards Board (ISSB)[1] and Michiel van der Lof, EY Global IFRS leader

In April 2021, the trustees of the IFRS foundation published a proposal to accommodate the formation of an international sustainability standards board. Since then, we've seen the formation of the International Sustainability Standards Board (ISSB) in November last year, as well as the issue of the first two exposure drafts on sustainability reporting. In your view, why is the development of the ISSB such an important milestone in our collective reporting journey?

It is so important because we are seeing increased interest from investors for high quality information about both the effects of sustainability risks and opportunities, but also businesses' plans on how they will deal with them going forward. There is a real demand for information of high quality, and there's an increasing demand for comparable information. That is where the ISSB comes in – to provide that global baseline of high quality,

[1]The full interview can be watched on ey.com/en_za/assurance/excellence-in-integrated-reporting

transparent information to meet investors' information needs. It is a game changer in terms of global comparability.

We are setting ourselves up in a way where you do not have to choose whether you are interested in information for investors or for others, because we are working in partnership with others. And, if I am talking to an integrated reporting audience, it is a fantastic opportunity to have the ISSB in the same organization as the International Accounting Standards Board. That gives us the unique ability to look at the combination of information that is provided collectively, to meet investor information needs, which is a really powerful part of the establishment of the new Board.

What is the most common concern that you come across in discussing changing sustainability reporting?

I think the speed of change. People want it (sustainability reporting), but I think it is also a challenge for those who are looking down the barrel and getting ready for it.

The other thing that I hear often when I am talking to stakeholders; and it is very clear from the nearly 1,500 comment letters that we've received; is a call for this to be a global baseline, which can be used by a range of different entities around the world. And that it is fit for purpose, not just for the largest, most sophisticated companies, but it is also something that will work for smaller companies, and for companies in emerging markets. This question of so-called proportionality is one of the key things that I hear.

The other key message I hear at a strategic level, is to make sure that we work closely with others so that we have interoperability between the work that we are doing and the things that are happening in different jurisdictions.

Enterprise value reporting is the focus of the Value Reporting Foundation (VRF), which has been formed by combining the International Accounting Standards Board (IIRC) and the Sustainability Accounting Standards Board (SASB). Their emphasis is on enterprise value reporting and how it is created preserved or eroded over time. Since then, the VRF has been incorporated into the ISSB. Similarly, the focus of the ISSB is also on enterprise value. Why has the ISSB decided on enterprise value as a focus?

It is certainly investors that the ISSB is focused on. The IFRS Foundation is all about meeting the needs of investors – that is: creditors and equity investors. It is a natural extension of the mandate of the IFRS foundation to provide information to meet investor needs from a new perspective – sustainability risks and opportunities.

We know from COP26 and other places that there's a real desire for sustainability information to be provided, that affects the important capital allocation decisions, for example to support the move to net zero. So, there is a real need for capital market information.

What is important to me is we should try to resist this continued debate about what the right focus is. There are many legitimate information needs around sustainability. Investors have really important information needs, but others do as well. I think what is key for us is resisting the temptation to say, this is right, and this is wrong. Rather, we want to work in partnership with others, whether it is jurisdictions like Europe, where we have a double materiality focus; or whether it is with GRI, who we are working with in partnership. We really want to be part of an efficient reporting system.

A global baseline of information to meet investor needs – that is our primary focus - and creating a real awareness of how that will link to reporting that meets the broader information needs. I would be very disappointed as a Board member if we were to end up with a situation where a company has two parallel disconnected streams of reporting to do – one for investors and a totally separate exercise to meet broader information needs. I think it is incumbent on us to work with others, to have a base that is built on, which is why you will often hear us talking about a building blocks approach. So, we are all about investor focus, but we are very aware of broader information needs.

Since 2010, all South African listed companies have been required to prepare an integrated report. With the incorporation of the VRF into the ISSB, South African reporters are uncertain of the future direction of integrated reporting. How do you think integrated reporting will look like in the future?

We were really thrilled at the end of May that the chair of the IASB, Andreas Barckow, and the chair of the ISSB, Emmanuel Faber, issued a public statement about the future of the Integrated Reporting Framework, as a result of the VRF consolidation. We support the Integrated Reporting Framework and we want to continue to encourage people to use it; and to continue to adopt it for those who have not. Please continue the great work; those of you using that framework.

Then we want to build on the Integrated Reporting Framework - it is a fantastic piece of intellectual property. We really believe in the idea of the connection of the reported information. We said in the May statement that both Boards commit to work together and to work with the Integrated Reporting Framework.

We do not see immediate changes to the framework in the near term; it is not so long since some limited amendments were made to it.

Looking forward, we are going to look for opportunities to take inspiration from the Integrated Reporting Framework in our standard setting activities. We have said that our long-term vision is to develop a corporate reporting framework that the two boards would stand behind, building on the Integrated Reporting Framework, thinking about the management commentary and explaining to stakeholders how to pull it together.

The current fast-changing reporting landscape for reporters can also be confusing, as traditional financial reporting specialists need to start understanding a complex suite of sustainability matters. What do you think is the critical ingredient for companies to get right in order to meet the changing needs of investors and users?

Engaging in our proposals is important, because that is already giving us a good steer for what is coming ahead. Thank you to everybody who wrote in, including many in South Africa, who have contributed.

Also, continuing to use the Integrated Reporting Framework and existing standards, like the SASB standards and the TCFD materials. They are appropriate building blocks, because we are working from those materials.

If I was in a company looking at this now, I think it is important to make sure that the discussion about sustainability reporting is being discussed at the highest levels of the organization. It is very tempting to just focus on the disclosures and the investor needs, but my secret hope is that one of the benefits of our standards is making sure that companies' boards are talking about how to manage these risks and planning for things like climate change. It is important to have those conversations at board level, which will in turn inform the whole discussion inside an organization and what needs to be done to support the report.

I know that in South Africa, you have the Integrated Reporting Committee, which facilitates very active forums. I think is a really good way of understanding what people are interested in and what direction reporting is going in. I think it really needs to be a very collective effort. We are all in this together. It is not company by company. It is an ecosystem.

Double materiality: financial materiality vs impact materiality

By Alex Watson, Emeritus Professor, University of Cape Town

'Double materiality' is a corporate reporting term that may be relatively new but is gaining traction fast. Understanding what it means, and why it is important, is helpful in navigating your way through the many recent local and global developments in corporate reporting and to producing reports that serve their intended purpose.

The information about a company that is relevant, or material, to a particular user depends on what their particular interest is in that company. A current or potential investor is likely to be most interested in how current activities could impact the future value ofthe entity itself. On the other hand, organisations that monitor environmental, social, or other impacts are more likely to be interested in understanding what impact the company's current activities are having on the environment, people and the economy.

Given the two different perspectives identified above i.e. the inward looking investor focus and the outward looking impact focus, it is not surprising that different materiality approaches need to be considered. The decision on what to include in a report to financial capital providers to enable them to assess the potential future value of the company (often referred to as enterprise value) would be based on financial materiality. Issues that impact the environment, people or the economy are of interest to a broader group of stakeholders – decisions on what to include in a report aimed at them would be considered from the perspective of impact materiality. Double materiality applies where a report includes both items that are material to investors or other financial capital providers (financial materiality) and impacts on people, the planet and profit (impact materiality).

Reports aimed at investors and prepared in terms of the proposed capital market standards of the IFRS Foundation's International Sustainability Standards Board (ISSB) (which incorporate and build on the earlier work of the International Integrated Reporting Council (IIRC), Climate Disclosure Standards Board (CDSB), Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD)) will use financial materiality to determine what to include in the report. Reports aimed at multi-stakeholders (increasingly including investors) are likely to be prepared in terms of the Global Reporting Initiative (GRI) Standards which uses an impact materiality approach and are often called a sustainability report. Double materiality is the approach adopted in the draft European Sustainability Reporting Standards, which require that a matter should be included in a sustainability report if "if it is material from either the impact perspective or the financial perspective or both perspectives".

The definition of financial materiality is broader than many expect, particularly those who are familiar with the materiality threshold that is used to decide whether an item needs to be included in a set of financial statements. In the recent ISSB Exposure Draft IFRS S1, the definition of materiality is "Sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity."

The inclusion of 'Financial Information' in the title of [Draft] IFRS S1 makes the financial materiality focus of the ISSB and the IFRS Foundation clear. This is consistent with the stated goal of the IFRS Foundation to create the ISSB to develop a "comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs" and the reference to 'the primary users of general-purpose financial reporting' i.e. existing and potential investors, lenders and other creditors.

A single financial materiality lens implies that an impact only becomes material when it has the potential to affect a business's enterprise value, either positively or negatively. There is a link between negative climate impacts and enterprise value, in the form of carbon taxes, reduction in prices of greener energy sources, reputational risk etc. For some businesses, such as an air conditioner manufacturer, the operations of that entity may contribute negatively to global warming while creating a positive business opportunity. An impact materiality approach would require reporting on the negative environmental impacts, whereas a financial materiality approach would report a positive opportunity. Double materiality would require disclosure of both the negative environmental impact and the positive financial opportunity.

While there may often be a link between climate impacts and enterprise value, the link between other sustainability issues such as biodiversity loss or human rights issues and enterprise value may be less obvious. Where there is no link, a report prepared using a financial materiality approach would not require disclosure of those impacts.

Examples like this highlight why some critics of the single financial materiality approach of the IFRS Foundation's ISSB believe that the organisation should not have the name 'sustainability' in its title, as its focus is on the sustainability of the business as opposed to sustainability of the broader environment.

A South African perspective – link to Integrated Reporting

South African reporters are familiar with the requirements of integrated reporting and are likely to be aware that there is an International Integrated Reporting Framework that was revised in January 2021. That framework makes it clear that the primary purpose of an integrated report is to explain to providers of financial capital how an organization creates, preserves, or erodes value over time. As the primary intended audience of an integrated report is providers of financial capital, it suggests a financial materiality approach. In addition, the inclusion of "When these are material to the organization's ability to create value for itself, they are included in the integrated report" in the discussion on value creation in the fundamental concepts section of the Integrated Reporting Framework, makes the financial materiality focus clear.

Given the investor focus and financial materiality approach of the Integrated Reporting Framework, the merger of the International IIRC and the SASB into the Value Reporting Foundation (VRF) and the recent consolidation of the VRF into the IFRS Foundation has aligned reporting organizations on the basis of their intended audience and materiality approach.

There has been some debate in South Africa about whether it is necessary to identify the intended audience of an integrated report. As global developments in corporate reporting have highlighted the link between the intended audience of a report and the appropriate materiality approach, reporting companies need to ensure that there is consistency between the intended audience of each report produced and the materiality approach used, and where the report is prepared in terms of a particular framework or standard, that that approach is consistent with the requirements of that framework or standard.

One of the specific requirements of the Integrated Reporting Framework is that "those charged with governance" should make a statement that includes "their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the Integrated Reporting Framework. The King Code of Corporate Reporting requires companies to prepare an integrated report but does not specifically require it to be done in terms of the Integrated Reporting Framework. It does however require the governing body to approve management's determination of the reporting frameworks to be used, taking into account legal requirements and the intended audience and purpose of each report as well as to approve management's bases for determining materiality for the purpose of deciding which information should be included in reports.

For corporate reports to meet users' requirements, there needs to be clarity on the purpose of each report, and how to identify what to include in that report i.e. the appropriate materiality approach. For those companies who wish to prepare their integrated report in terms of the Integrated Reporting Framework, this may identify gaps in the information available to their broader stakeholder groups and the need to produce additional impact-based sustainability information. The JSE's Sustainability Disclosure Guidance, published in June 2022, provides a clear summary of global reporting developments, as well as clear and practical guidance of how to report on sustainability issues in a South African context. This is a really useful resource for both preparers of reports and board members who need to satisfy themselves that management have selected an appropriate reporting framework, basis for determining materiality and that all stakeholders have the information that they need to make their assessments.

Towards a two-pillar corporate reporting architecture

By Clémence NcNulty, EY Sustainability and Climate Change Leader

Across the world, countries and trading blocs are rolling out policy measures to enable the transition to low carbon economies, with a general goal for no net emissions of greenhouse gases by 2050. The private sector has a key role to play in this just transition to a net-zero economy – and most businesses are already moving quickly to reframe how they approach sustainability and adopt strong environmental, social and governance (ESG) practices. In line with this, we have seen companies set science-based decarbonisation targets; invest in renewable energy integration; and enhance their efficient use of resources such as energy and water. At the same time entities have deployed initiatives to enable fairer societies through improved diversity and inclusion, decent work and the provision of sustainable products and services. As companies focus their actions to deliver more sustainable outcomes, both minimising the impacts of their activities on society and the environment and enhancing long term stakeholder value, the importance of communicating on these efforts to multiple stakeholders continues to escalate.

We're increasingly hearing the term 'double materiality', which recognises that a company's impact on the world goes beyond financial considerations, particularly with regard to climate change and other environmental impacts. More than that, though, double materiality means companies must publicly disclose adequate information about the way they are addressing the sustainability risks and opportunities they face, as well as the impacts they have on people and the environment.

The European Union (EU) has put in place a new Corporate Sustainability Reporting Directive (CSRD), which requires all large and listed EU companies to disclose mandatory sustainability information, including providing external assurance over this information. It's a step-change in reporting and in the assurance of non-financial information. While sustainability reporting is not yet mandatory in South Africa, the recent guidance published by the JSE on sustainability and climate change reporting is firmly anchored around the concept of double materiality and transparency in reporting.

This means that companies will have to change the way they report information to a two-pillar approach. One pillar is financial reporting, in which organisations present their financial performance to the markets. The second pillar will see them report to a broad range of stakeholders on their impact on society, the environment, and economies.

Even before the EU's new directive, there had already been an increased interest in non-financial reporting on the part of investment professionals in recent years, with disclosures contributing more to decision-making. This reflects the fact that ESG analysis provides an additional lens for reviewing and evaluating companies and assets. These factors help in identifying new opportunities and managing long-term investment risks, ultimately avoiding poor performance that can result from weak ESG practices.

To date there has been little consistency and convergence in reporting on sustainability, ESG and climate change information. Whilst this is changing, with some of the convergence in standards emerging, the expectations from stakeholders for expanded information on these aspects is not slowing down. Evolving reporting towards unified and consistent standards that can enable meaningful comparisons and transparency to understand performance will be critical to moving forward on climate change and sustainability. Though it should be acknowledged that as trade-offs and varied approaches to ESG will remain and the pathway to unified global standards will take time, action should not be delayed.

In light of this changing landscape, reporters are going to have to evolve their management and reporting on sustainability. They will need to critically assess their reporting suite to understand how they meet the evolving standard requirements and most importantly their stakeholders' expectations. Companies that lead in this space will recognise that any approach to double materiality must be intrinsically dynamic. Stakeholder expectations will continue to evolve and issues that may not have been directly financially material could become so very quickly, whilst societies will continue to demand greater responsibility from the organizations they work for, buy from and invest in. A two-pillar reporting structure, with unified reporting standards, will be key to move the needle on the sustainability conversation. Companies that start moving towards this type of reporting approach now will have a clear advantage over their peers when more robust reporting standards are introduced.

Top performers over the past 25 years

- **Nedbank Group Ltd** has been in the Top 10 for **9 years** of Excellence in Integrated reporting and Top 10 for **5 years** of Excellence in Corporate Reporting. **Nedbank Group Ltd** has also been in the Top 3 for **5 consecutive years** of Excellence in Integrated Reporting.

- **Kumba Iron Ore Ltd** and **Redefine Properties Ltd** have both been in the Top 3 for **6 consecutive years** of Excellence in Integrated Reporting. Kumba Iron Ore Ltd has been in the Top 10 for **9 years** of Excellence in Integrated Reporting.

- **Sasol Ltd** has been in the Top 10 for **9 years** of Excellence in Integrated Reporting, and Top 10 for all **9 years** of Excellence in Corporate Reporting. **Sasol Ltd** Report was ranked **number one for 4 consecutive years** from 2005 – 2008 for Excellence in Corporate Reporting.

- **Truworths International Ltd** has been in the Top 10 for all **11 years** of Excellence in Integrated Reporting and top 10 for **5 years** of Excellence in Corporate Reporting.

- **Vodacom Group Ltd** have been in the Top 10 for **9 years** of Excellence in Integrated Reporting and in the top 10 for all **9 years** of Excellence in Corporate Reporting.

- **Standard Bank Group Ltd** been in the Top 10 for **8 years** of Excellence in Integrated Reporting.

- **Liberty Holdings Ltd** and **Absa Group Ltd** (previously called Barclays Africa Group Ltd) have both been in the Top 10 for **6 years** of Excellence in Integrated Reporting.

- **"Honours"** were awarded to 19 companies over the past 6 years, with **Kumba Iron Ore Ltd** earning "honours" for all **6 consecutive years**, whilst **Nedbank Group Ltd** and **Redefine Properties Ltd** have both earned "honours" for the **5 past consecutive years** respectively.

2022 Survey at a glance

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

Improved value creation, preservation & erosion "story" told

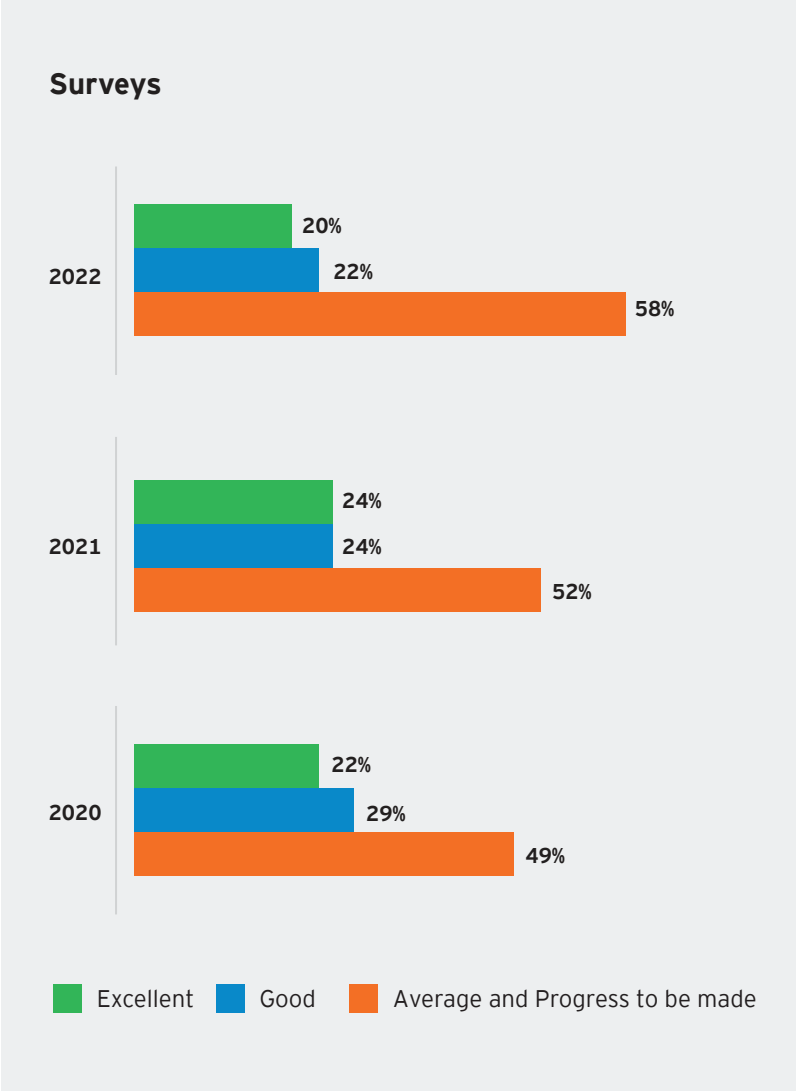
Little improvement in those reports ranked as "Average" and "Progress to be made"

The integration of sustainability issues into the report is improving

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

22 Companies ranked "Good" (2021: 24, 2020: 29)

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



2022 Rankings

Top 10 rankings

1. Nedbank Group Ltd
2. Redefine Properties Ltd
3. Netcare Ltd
4. Vodacom Group Ltd
5. Exxaro Resources Ltd
6. Kumba Iron Ore Ltd
7. Transaction Capital Ltd
8. Truworths International Ltd
9. Aspen Pharmacare Holdings Ltd
10. Impala Platinum Holdings Ltd

The adjudication process ranks entities in the following categories:

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

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

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

African Rainbow Minerals Ltd
Anglo American plc
Bid Corporation Ltd
Coronation Fund Managers Ltd
Discovery Ltd
Gold Fields Ltd
Growthpoint Properties Ltd
Harmony Gold Mining Company Ltd
Life Healthcare Group Holdings Ltd
Mediclinic International plc
Momentum Metropolitan
Holdings Ltd
Mondi Plc
Mr Price Group Ltd
Multichoice Group Ltd
Old Mutual Ltd
RCL Foods Ltd
Royal Bafokeng Platinum Ltd
Shoprite Holdings Ltd
Sibanye Stillwater Ltd
The Foschini Group Ltd
Tiger Brands Ltd
Woolworths Holdings Ltd

AECI Ltd
Barloworld Ltd
BHP Group plc
British American Tobacco plc
Capital & Counties Properties plc
Clicks Group Ltd
Dis-Chem Pharmacies Ltd
Distell Group Holdings Ltd
Equites Property Fund Ltd
FirstRand Ltd
Fortress REIT Ltd
Glencore plc
Hammerson plc
Hyprop Investments Ltd
Imperial Logistics Ltd
Industrials REIT Ltd
Investec plc
Italtile Ltd
KAP Industrial Holdings Ltd
Massmart Holdings Ltd
Motus Holdings Ltd
Naspers Ltd
Northam Platinum Ltd
Pepkor Holdings Ltd
Prosus NV
PSG Konsult Ltd
Quilter plc
Remgro Ltd
Resilient REIT Ltd
Sanlam Ltd
Sirius Real Estate Ltd
The SPAR Group Ltd
Thungela Resources Ltd
Tsogo Sun Gaming Ltd
Vivo Energy plc
Vukile Property Fund Ltd

Alphamin Resources Corp
Anheuser-Busch InBev SA/NV AVI Ltd
Bytes Technology Group plc
Capitec Bank Holdings Ltd
Compagnie Financiere Richemont SA
Irongate Group
Karooooo Ltd
Lighthouse Properties plc
MAS plc
Montauk Renewables Inc
NEPI Rockcastle plc
Ninety One plc
PSG Group Ltd
Rand Merchant Investment Holdings Ltd
Reinet Investments SCA
South32 Ltd
Steinhoff International Holdings NV
Super Group Ltd
Textainer Group Holdings Ltd
The Bidvest Group Ltd

* Not ranked within categories

2022 Top ten reports

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

1

Nedbank Group Ltd

Nedbank's report is well laid out, easy to read and good use is made of infographics to summarise complex information in a way that is understandable. The report has a discernible focus on value creation, preservation, and erosion. We particularly liked the way in which the governance disclosures are introduced early in the report. These governance disclosures link board oversight to the content elements and give a clear sense of what the board considers to be most important now and in the future. The group's outcomes are detailed and supported by meaningful hard data. The report has a strategic focus that is detailed and the disclosure of strategic key performance indicators that includes targets, the outlook for the medium and long term, as well as linkage to executive remuneration is excellent. The presentation of key strategic trade-offs demonstrates the way which the group assesses the availability and quality of capital inputs and balances in the short and long term to make decisions.

2

Redefine Properties Ltd

Redefine's report is crisp, concise and has a narrative flow that is easy to follow. Good use is made of icons to make the necessary links between the various content elements to tell an integrated story. The explanation of the value that the group is attempting to create is clearer than most and there is consistency between the report's multi-stakeholder audience and the detailed reporting on outcomes per stakeholder group. The report has a strong future focus, particularly in relation to value creation which is presented on a capital-by-capital basis. We particularly liked the detailed and understandable explanation of the group's business model that clearly shows inputs, business activities, outputs, and outcomes. The introductory summary of the group's integrated approach to business and value creation, which provides useful context for what is to follow, is excellent. The materiality determination process is explained in detail and a helpful matrix is included to show the prioritisation of material matters.

3

Netcare Ltd

Netcare's report has a sensible structure that commences with a brief overview of the business and its strategy to create value - this is followed by the necessary detail. We particularly liked the clear and comprehensive explanation of the group's strategy and the way in which potential solutions to industry problems were presented. The inclusion of 'key takeaways' in explaining the operating environment is innovative and helpful. The disclosure of the group's risks and opportunities that includes the risk management framework, an explanation of how the top business risks have been identified, a risk exposure heat map, and a comprehensive and integrated disclosure of each risk is excellent. The presentation of performance against each of the group's strategic initiatives is sufficiently detailed and appropriately linked to the Exco scorecard. The group's outcomes, by stakeholder group, are comprehensive and show whether value has been created, will be created in the future, preserved, or destroyed.

4

Vodacom Group Ltd

Vodacom's report is easy to navigate and makes excellent use of icons to link sections and guide the reader. The report is crisp, concise, attractive, and uses language that is easy to read. We particularly liked the section that outlines how the group operates and what they need to do to achieve their purpose. Revenue and cost differentiators are unpacked in detail and show how the group generates financial profit. The outline of how the group is responding to its external operating environment and to stakeholder 'hot topics' is excellent. Within the risk report we found the inclusion of an infographic showing the speed of impact of the various risks and the separation of external versus internal risks to be innovative and helpful. The detail provided in respect of the group's stakeholders' needs and expectations, the strategic response to these needs and expectations, and the indication of the current quality of each relationship is beneficial to the reader.

5

Exxaro Resources Ltd

Exxaro's report has a clear future focus on sustainable growth. Furthermore, the Sustainability Development Goals that the group prioritises are sensibly embedded within the report. The report usefully outlines the double materiality lens that is used within the materiality determination process. The operating context is well explained and forms the basis for the explanation of the plans to transition the business to ensure resilience and long-term relevance. There is detailed disclosure of the group's strategy within clear timeframes as well as a detailed dashboard of the actual and future KPI's that measure strategic performance. The integration of risk, opportunities, and strategic objectives is excellent. We particularly liked the specific focus within the report on business reliance and how the group uses its intellectual capital to enable its responses to challenges in the market. The report provides a detailed assurance review that includes a summary of the sources, level and focus areas of the combined assurance process.

6

Kumba Iron Ore Ltd

Kumba's report has a clear strategic focus with an emphasis on value creation both for itself and for other stakeholders, together with relevant information on how the value that is created is measured. The report starts with a simple, yet clear explanation of how the group creates value, the key issues that have the greatest impact on the value-creation potential, and how this translates into the group's business strategy. We particularly liked the way in which the group's strategy is presented – this starts with an overview of the group's strategic ambitions followed by comprehensive reporting on each strategic ambition area. The group's risks and opportunities are clearly presented and the way in which they are linked to the relevant 'value pillar' is an indication of integrated thinking within the group. Climate change disclosures are sensibly included in the report by providing a table that offers guidance on where to find information relating to each of the TCFD's recommendations.

7

Transaction Capital Ltd

Transaction Capital's report has a clear emphasis on value creation and strategy. The narrative is crisp, and an enormous amount of relevant data is presented in a way that does not overwhelm the reader. Value is clearly defined, and the report starts with a useful discussion of how value is considered against each of the capitals, together with a summary of the value proposition for each of the key stakeholder groups. We particularly liked the way in which the business model is presented on a single page with a surprising amount of appropriate detail provided. The group's strategy is well articulated and provides an overview of the strategic levers for growth and a summary of the performance and focus areas for each of the group's key strategic enablers. The granularity of the disclosures within the divisional reviews is excellent. The focus within the governance section on the key issues considered by the Board, with references to where more information can be found on each issue, is best practice.

8

Truworths International Ltd

Truworths' report is easy to navigate, avoids the use of jargon and is written using language that is clear and concise. The emphasis on providing information that is specific to the group rather than mere generic or boilerplate disclosures is excellent. The report includes a clear description of how value is created for each stakeholder group and how this value is measured. The group's strategic objectives are clearly set out together with the detailed strategies to achieve these objectives. We particularly liked the detailed and integrated disclosure of each material issue that incorporates performance against objectives and targets, challenges encountered, future objectives and plans, risks and opportunities as well as achieved and target key performance measures. The level of detail provided for each of the two operating companies is appropriate and provides useful insight into the business. The governance disclosures are compact and provided a good overview of the board's deliberations.

9

Aspen Pharmacare Holdings Ltd

Aspen's report focusses on value creation and contains an appropriate mix of forward-looking information and performance disclosures. A wealth of useful, well contextualised, and clearly explained data is provided within the report and we particularly liked the extensive use of cross referencing which makes the report easy to navigate. An infographic depicting the value creation process introduces a detailed explanation of the value creation process. A thorough explanation of the operating context within which the group operates is provided. The group's strategic objectives together with the relevant focus areas and KPI's are introduced early-on and provide the backbone for the rest of the report. Performance against each of the strategic objectives is detailed and includes a discussion of challenges experienced and a near to medium term outlook for each objective. The comprehensive reporting on the six capitals and in particular the level of detail provided with respect to intellectual and manufactured capital is excellent.

10

Impala Platinum Holdings Ltd

Impala Platinum's report is structured to provide the reader with a good sense of how the group creates value. The report starts with a succinct explanation of the group's reporting boundary and materiality determination process. We particularly liked the level of detail provided within the description of the operating context within which the group operates and the implications for value that arises from each aspect of the environment. The group's risks are clearly presented, appropriately integrated with strategy, and include useful disclosures of the risk determination process. The detail provided within each divisional review is excellent and provides suitable granularity with respect to material matters, risks and opportunities, strategy, and performance. The report exhibited a few innovative examples of disclosure which enhance the connectedness of the report. For example, Sustainability Development Goals are included together with the discussion of relevant stakeholder material matters and trade-offs are included within the governance section.

2022 Adjudicator's observations and overall performance

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

Companies included in the 2022 survey

- **Top 100** Johannesburg Stock Exchange (JSE) Limited listed companies selected based on their market capitalisation as at 31 December 2021.
- Integrated report or annual report for **year-ended on or before 31 December 2021.**
- **Largest in survey**: Prosus N.V. with a market capitalisation of R2.7 trillion.
- **Smallest in survey**: KAP Industrial Holdings with a market capitalisation of R11.1 billion.
- The 100 companies in the survey account for **96% of the market capitalisation** of the JSE as at 31 December 2021.

Changes to the Top 100

Eight companies that appeared in the 2021 survey are no longer regarded as being eligible as a result of falling out of the Top 100 due to relative changes in market capitalisation or other corporate activity.

New / returning in 2022 survey:

- Alphamin Resources Corp
- Bytes Technology Group plc
- Hyprop Investments Ltd
- Imperial Logistics Ltd
- Montauk Renewables Inc
- Steinhoff International Holdings NV
- Thungela Resources Ltd
- Tsogo Sun Gaming Ltd

Key observations

- The **quality** of "Excellent" and "Good" reports **continues to improve**.
- Excellent reports have:
  - a clear **strategic focus**
  - an emphasis on **value creation**
  - a high level of **connectivity** between the various elements presented
  - have a **coherent value creation narrative**.
- **Very little improvement** in those reports ranked as **"Average"** and **"Progress to be made"**.
- The narrative within the better reports now increasingly provides **evidence of integrated thinking**.
- A general improvement in the way in which the **value creation, preservation and erosion** 'story' is told.
- Continued improvements in the use of **graphs/tables/infographics** and icons to **achieve conciseness**, integration, and more effective communication.
- The integration of **sustainability issues** into the report is improving.
- There is now considerably more discussion on the **process of preparing** the integrated report.
- Many more reports now including an **endorsement** signed by **all directors**.
- Evidence of a better understanding of the **distinction** between **outputs and outcomes**.
- Improved disclosure of **inputs and outputs** by a meaningful number of companies.
- More companies are now producing more focussed and less compliance driven governance statements – with a number specifically **linking governance disclosures** and **value creation**.
- The frequency of appropriately **annotated financial statements** being used to explain financial performance has increased.
- Disclosures on **business context** and how organisations have responded to these have improved.
- More reports **now including risks** that are specific to their circumstances.

Areas for improvement

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

Rankings

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

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

Title of report

23 of the 100 companies in the survey do not produce an integrated report.

22 of these 23 companies have their primary listings on stock exchanges other than the JSE.

Endorsement by directors

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

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

25 endorsements were signed by all of the directors.

Audience of the integrated reports

The Integrated Reporting Framework clearly states that the primary purpose of the integrated report is to explain to providers of financial capital how an organisation creates value for itself.

30 of the integrated reports clearly state that their integrated reports are primarily aimed at providers of capital.

28 of the integrated reports state that their integrated reports are aimed at a variety of stakeholders.

Length of integrated reports

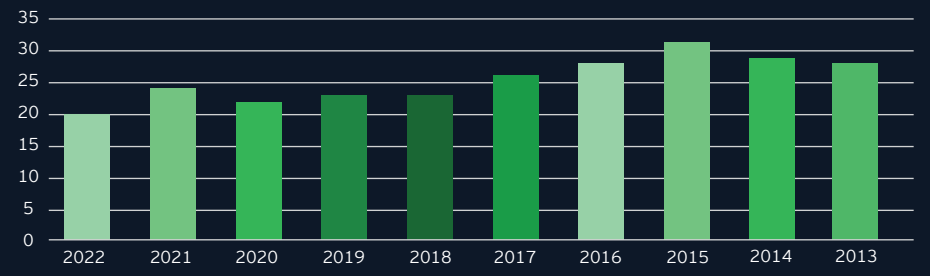
Average length of reports in this year's survey is **160** pages.

Average length of the reports that are titled an integrated report is **151** pages.

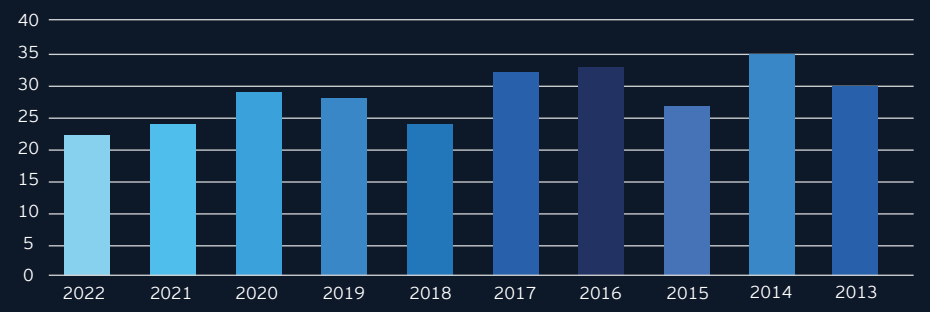
Shortest integrated report is **52** pages.

Longest integrated report is **286** pages.

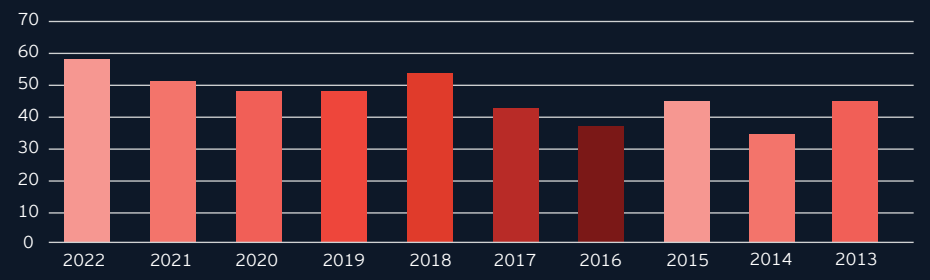
Excellent



Good



Average and progress to be made



Style of financial statements

Average length of financial statements within the reports is **29** pages.

Average length of the financial statements within reports that are titled an integrated report is **18** pages.

38 companies in the survey included full financial statements in their report.

13 companies in the survey include IAS 34 financial statements within their report.

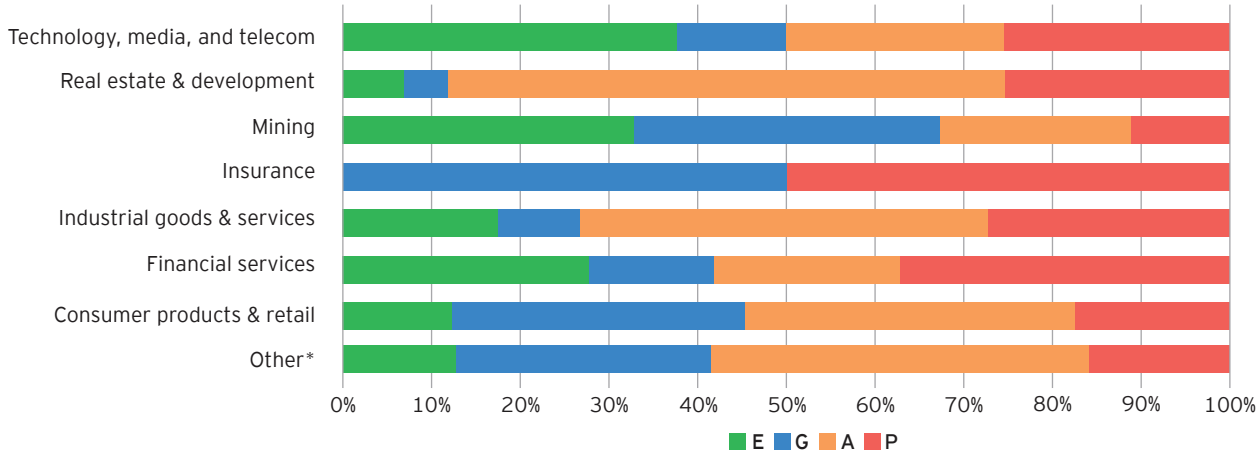
52 companies included their financial statements at the end of the report.

35 companies include extracts of their financial statements within their financial review or discussion of financial capital.

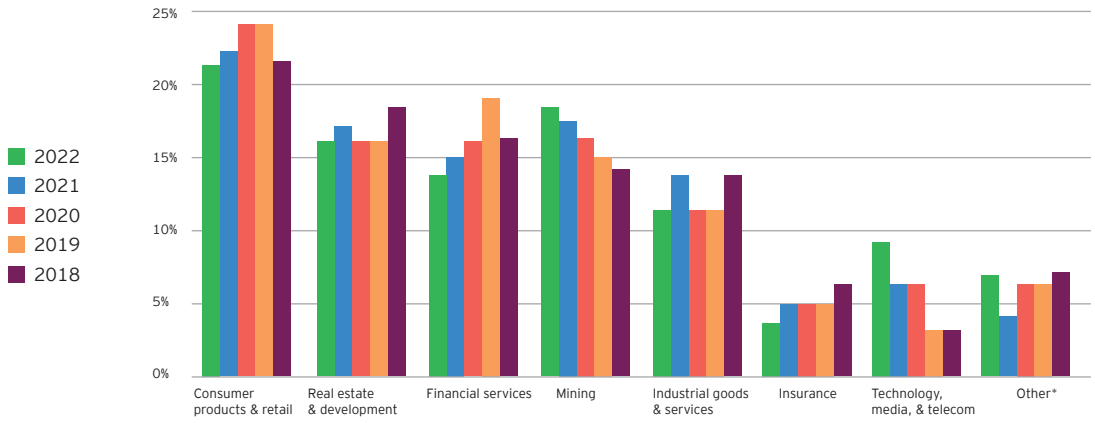
Industries included in the survey

- For the fifth consecutive year, more than 20% of the companies included in the 2022 survey operate in the consumer products and retail sector, making this the largest group of companies in a single sector featured in the survey.
- Financial services sector makes up approximately 14% of the total number of companies featured in the survey this year, a slight decrease from 15% last year.
- Real estate development, industrial products and insurance sectors have decreased slightly in comparison to the prior year.
- The mining sector saw an increase in the number of companies that featured in the survey this year.
- A new company featured in the survey this year was from the alternative energy sector which has been included in the "other" category.
- A further analysis of companies by industry included in the 2022 survey indicates that close to 60% of mining sector companies are included in the "Excellent" and "Good" categories. The insurance sector has 50% of the companies within the "Good" category. The consumer product and retail as well as the technology, media and telecom sectors where over 40% of the companies within these sectors are included in the "Excellent" and "Good" categories.

2022 Ratings per Industry



Industries over the years

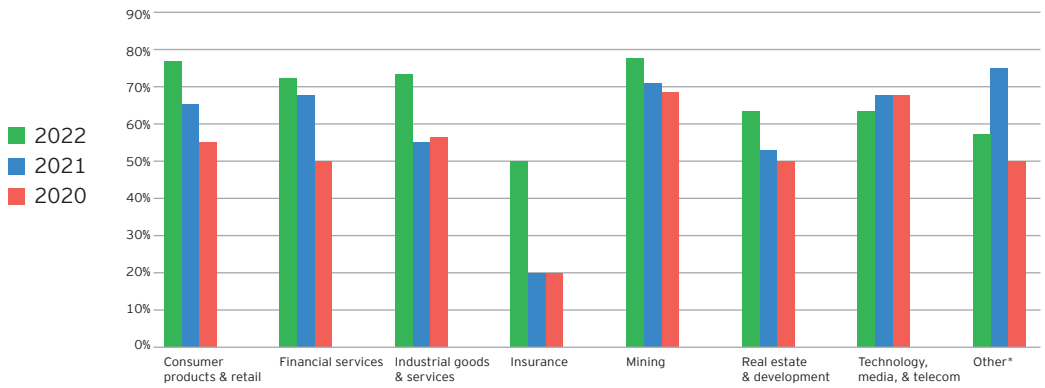


*Industries included in other: Alternative energy, healthcare, logistics, travel & leisure

Transition to sustainability reporting

An assessment was performed of the companies included in the Excellence in Integrated Reporting survey to determine how many companies were already preparing a separate sustainability report, whether the companies preparing the separate sustainability reports were ranked as "excellent", "good", "average" or progress to be made", and whether there were specific trends within certain industries of companies preparing these reports.

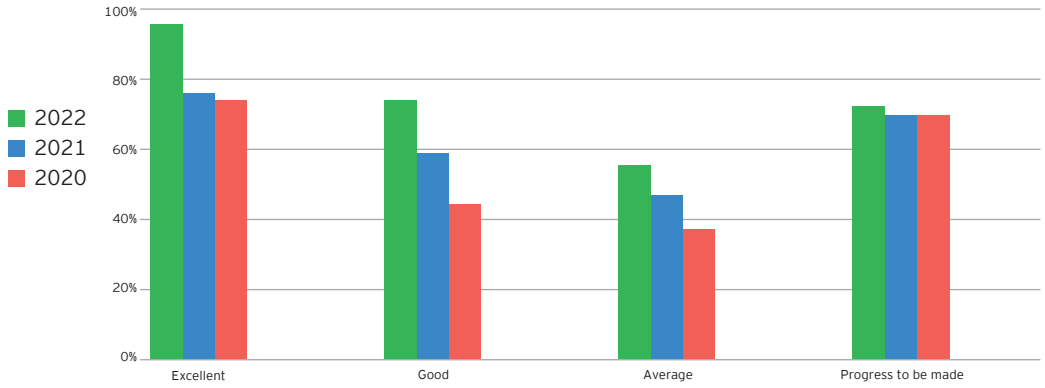
Companies that prepare a separate sustainability report (by industry)



Percentage of companies from Top 100 that prepare sustainability reports presented by industry

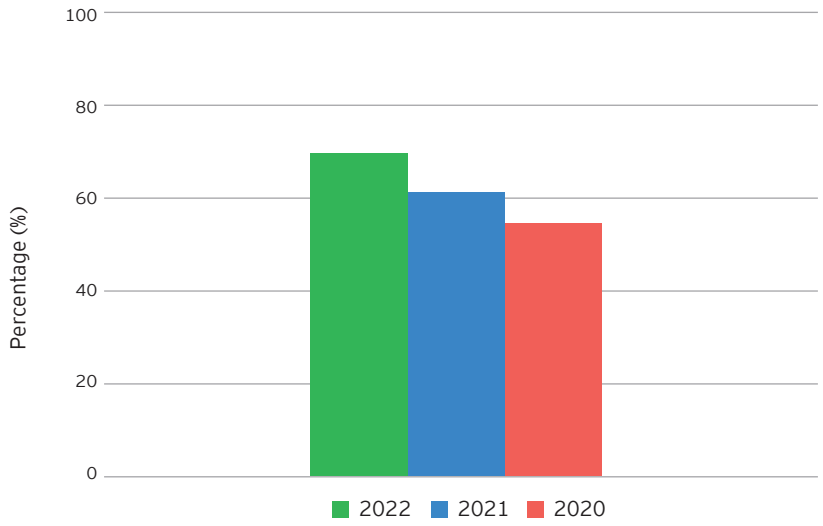
*Industries included in other: Alternative energy, healthcare, logistics, travel & leisure

Companies that prepare a separate sustainability report (by ranking)



Percentage of companies from Top 100 that prepare sustainability reports presented by IR Report rankings

Top 100 companies producing sustainability reports



The mark plan at a glance

Overview of the mark plan

The mark plan is based on the Integrated Reporting Framework's* seven Guiding Principles and the eight content elements. In addition, consideration is given to the Framework's Fundamental Concepts.

The Companies

The companies included in the 2022 EY Excellence in Integrated Reporting Awards:

- Top 100 JSE listed companies
- Based on their market capitalisation as at 31 December 2021
- Pure holding companies are excluded
- Dual listed entities are included
- Integrated report for the year-ended on or before 31 December 2021

The Fundamental Concepts

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

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

The Guiding Principles

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

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

The Content Elements

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

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

*International Integrated Reporting Council's Integrated Reporting Framework, issued January 2021.

The mark plan and adjudication process

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

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

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

How is the mark plan developed?

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

What is included in the mark plan?

The mark plan is quite simple and is based on the guiding principles and content elements that appeared in the International Integrated Reporting Framework (the Framework) that was issued by the International Integrated Reporting Council (IIRC) in December 2013 and updated in January 2021. A mark out of ten is awarded for each of the seven Guiding Principles (i.e. strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and lastly consistency and comparability). Similarly, a mark out of ten is awarded for each of the eight content elements (i.e. organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook and finally basis of presentation and preparation). Marks are also awarded for the extent to which the integrated report incorporates the Framework's fundamental concepts, dealing with how value is created, preserved or eroded with reference to the six 'capitals' where relevant.

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

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

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

Which document is adjudicated?

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

The adjudication is only made on the basis of information presented and there is no validation of the performance or outcomes achieved.

Are separate sustainability reports or other reports reviewed?

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

Who actually adjudicates the integrated reports?

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

Is this simply a box ticking exercise?

No, absolutely not. Much more emphasis is placed on the quality of information presented – the relevance, understandability, accessibility and connectedness of that information; whether users of the integrated reports would have a reasonable sense of the issues that are core to the operations of each of the companies and whether companies have dealt with the issues that users would have expected. This implies that much more credit is given for crisply presented information that highlights relevant facts compared to the same information needing to be extracted from less relevant information. Furthermore, once the marking process is complete, the scores for the seven Guiding Principles, the eight content elements and for adherence to the fundamental concepts and individual members' recommended rankings are collated, resulting in a final ranking

being awarded. The final ranking is therefore based on a combination of the average of these scores, overall perceptions and extensive discussions surrounding the final rankings for each company.

This ranking process is particularly important as the scoring process is subjective and scores may differ, based on the adjudicators' impressions at the time.

Do the adjudicators attempt to achieve consensus on the scores?

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

Is there an overriding objective to the ranking?

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

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

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

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

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

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

About the adjudicators

Mark Graham

Emeritus Associate Professor
Graduate School of Business, UCT

Mark Graham is an University of Cape Town (UCT) Emeritus Associate Professor. He is a former Head of the College of Accounting at UCT. During his 27 years at UCT he taught on the CA programme, as well as finance, accounting, and integrated reporting on the MBA, EMBA and various executive programs at the Graduate School of Business. Mark is the current chair of the adjudicating panel for the annual EY Excellence in Integrated Reporting awards. He has also been a member of the adjudication panel of the "Excellence in Reporting" awards since their inception as Excellence in Financial Reporting 25 years ago, in 1998.

Alexandra Watson

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

Until March 2018, Alex was the Richard Sonnenberg Professor of Accounting in the College of Accounting at UCT. She is a past member of the South African Integrated Reporting Committee Working Group, former vice chairman of the Global Reporting Initiative, current chairman of the Financial Reporting Investigations Panel and former Chairman of the Accounting Practices Committee, the technical accounting committee of SAICA. Alex is an independent director of companies and the WWF-SA. Alex 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 1998.

Goolam Modack

Associate Professor
College of Accounting, UCT

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

How can EY help?

Development of long term value focused business strategy	Contact Person
Strategic ESG risk and opportunity identification, and strategy integration	**Paul O' Flaherty** Sustainable Business Leader Paul.S.OFlaherty@parthenon.ey.com
Sustainable Finance, incl. application of ICMA Green, Social and Sustainability-linked Bond Principles	**Clémence C McNulty** EY Sustainability and Climate Change Leader Clemence.McNulty@za.ey.com
Integrated thinking and Integrated Reporting Framework implementation support ‣ Integrated report health check/ maturity analysis/ peer review – customised services to fine-tune your company's implementation of the Integrated Reporting Framework ‣ Training on Integrated Reporting Framework implementation	
Assistance with development of ESG/ Sustainability Strategy and Responsible Business programmes including related impact/ outcome measurement and monitoring	
Assistance with design and configuration of the external reporting suite aligned to meet investor and stakeholder needs ‣ Materiality assessments, to address dynamic materiality needs for stakeholders ‣ Decision-making on selection of relevant non-financial reporting frameworks and related key performance indicators (KPIs) for inclusion in reports including support for data collection, development of control environment to reenforce reporting quality/ consistency, and alignment of programmes to operational plans ‣ Training and implementation assistance for non-financial reporting frameworks, including: ‣ Climate risk and opportunity analysis leveraging EY Climate Analytics Platform to meet requirements of the TCFD/ ISSB draft exposure standard on Climate Change and other requirements. This also includes baseline, target setting, and decarbonisation strategy development support aligned to Science Based Targets and other Net Zero frameworks ‣ Sustainability Information disclosure frameworks: GRI, WBCSD, CDP/ WDP, UN Global Compact/UN SDGs, Equator Principles ‣ Mining sector-specific Responsible Business/ Responsible Producer frameworks, e.g. World Gold Council Responsible Gold Principles; ICMM Performance Expectations; Copper Mark, IRMALPPM, Extractive Industries Transparency Initiative ‣ Principles for Responsible Banking; Principles for Responsible Investment	
Co-sourced internal assurance services to support integrity of your material non-financial performance information	
Pre-assurance engagements for reporting of material non-financial performance information	
Independent external assurance engagements for sustainability performance reporting/ sustainability indicators ‣ Independent assurance report for sustainability or sustainable development reporting, or for enhancing external credibility of the ESG information content of the integrated report	
Integrated report benchmarking ‣ Excellence in integrated reporting benchmark report (Including in-person consultation with one of the Excellence in Integrated Reporting Awards' adjudicators)	**Abigail M Paulus** Excellence in Integrated Reporting Awards Abigail.Paulus@za.ey.com

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My secret hope is that one of the benefits of our standards is making sure that companies’ boards are talking about how to manage these risks and planning for things like climate change

Sue Lloyd
Vice-chair of the International Sustainability Standards Board (ISSB)

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

Creative Services ref. 7974. Artwork by Khaja AF.

ED None

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