How can business bridge financial and sustainability reporting to drive value?

Excellence in Integrated Reporting 2024

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Building a better working world

EY Excellence in Integrated Reporting Awards 2023

Nedbank Group Ltd - 2023 Winner
From left: Ajen Sita and Alfred Visagie

Redefine Properties Ltd - 2023 Runner Up
From left: Ajen Sita and Ntobeko Nyawo

Kumba Iron Ore Ltd - 2023 Third Place
From left: Ajen Sita, Leandra Matthews and Nadia Schoeman

Absa Group Ltd - 2023 Top 10
From left: Ajen Sita and Leonie Meyer

Vodacom Group Ltd - 2023 Top 10
From left: Ajen Sita, Violet Letsoalo, Raisibe Morathi and JP Davids

Sasol Ltd - 2023 'Excellent' Ranking
From left: Stephen Ntsoane and Johan Thyse

EY Excellence in Integrated Reporting team 2023
From left: Clémence McNulty, Alex Watson, Abigail Paulus, Mark Graham, Larissa Clark, Goolam Modack and Alexi Colyvas

MTN Group Ltd - 'Excellent' Ranking
From left: Sugen Perumal, Luyanda Mbeki, Lauren Gray, Thato Motlanthe and Zihle Nonganga

EY Corporate reporting team with guest speaker Busisiwe Mavuso (CEO, Business Leadership South Africa) and Ajen Sita (EY Africa CEO)

Purpose of the 2024 EY Excellence in Integrated Reporting survey

The purpose of the survey is to encourage and benchmark the quality of integrated reports published by listed companies in South Africa. The aim is to continuously improve the quality of the reports to meet the increasing demands of shareholders for decision-useful information.

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

Since 2010, all companies with a primary listing on the Johannesburg Stock Exchange (JSE) have been required to produce an integrated report in line with King III and subsequently King IV. Those companies with a secondary listing on the JSE are not required to produce an integrated report. EY has commissioned the Excellence in Integrated Reporting survey for the last 13 years in order to encourage excellence in the quality of integrated reporting to investors and other stakeholders by South Africa's top companies.

Contact

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

Disclaimer

The survey findings and rankings of the integrated reports have been independently prepared by the three adjudicators with affiliations to the University of Cape Town (UCT), 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 2024 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;
- Unpack the recent international sustainability reporting developments and what this means for South African reporters; and
- Discuss the accounting implications of sustainability related commitments and the impact of such commitments on financial statements.

Date: Wednesday 18 September @ 9am.

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

For more information, please visit:
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Introduction

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

Sustainability reporting is (finally) having its moment. The sustainability landscape has experienced a rapid transformation over the last 3 years. Investors and society have demanded more accurate and detailed non-financial information. Standard setters and policy makers have worked at a dizzying pace to meet these demands. Companies across the globe have made huge strides to meet these needs. South African reporters have also embraced the focus from investors and regulators on ESG by providing more comprehensive disclosures on sustainability measures and metrics. Perhaps that isn't surprising given that South African companies have a long history of high-quality financial reports, often viewed as best in class.

Financial reporting and sustainability reporting are two sides of the same coin; two lenses of looking at the same business. Do the financial and sustainability reports' stories complement each other, or do they tell a different story? And do these reports tell the whole story? Do we read a coherent story about the climate commitments made? And has the impact of this on the financial position of the entity been considered? What impact does a cyber-attack have on the trust in a company's brand and products. What impact does the way an entity treats its employees and interacts with communities have on its value?

Over the next few years, reporters will be challenged to make the link between the story they tell in their financial disclosures and the one in their sustainability reports. The strategic business decisions made by companies will not only drive its profitability but also its long-term sustainability. And similarly, making sustainable business choices will in turn result in increased enterprise value. Making this link will go a long way to bridge the gap between the short-term results companies are currently reporting on and users' expectations of the long-term value that should be created.

The integrated report provides the ideal platform to tell the whole story and to make these important links. Once again, in this year's Excellence in Integrated Reporting Awards we celebrate the achievements of South African reporters who make these connections and tell their long-term value creation story particularly well. It is our great pleasure to congratulate Nedbank Group for achieving first place in our 2024 awards. The adjudicators felt Nedbank's report has a clear emphasis on value creation and strategy. It is well laid out, easy to read and good use is made of infographics to summarise complex information in a way that is easily understandable.

We also congratulate Redefine Properties and Absa Group on achieving second and third place respectively. Our congratulations are extended to all of the entities included in the Top 10 for their outstanding reports. It has been great to see a significant shift in the rankings of the Top 10 this year, an indication of the improvements made by many and the fierce competition for the top accolades. We also commend the entities that achieved the rankings of "Excellent" and "Good" for their efforts and the examples they have set.

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 journey by professors associated with the University of Cape Town's College of Accounting. This survey is made possible by the continued involvement and dedicated efforts of Professors Alex Watson, Mark Graham and Goolam Modack, the panel of independent adjudicators.

For more details on how the companies were selected, the mark plan and the adjudicators, please refer to pages 29 - 32.

How does enhancing accountability bolster trust within the financial ecosystem?

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

Financial markets rely on confidence. Recent scandals involving Steinhoff, VBS Bank, and Tongaat Hulett, along with widespread public sector corruption, have damaged trust among investors and stakeholders. The roles of board directors, auditors, and regulators are crucial in capital markets. Significant reforms are needed in the coming years to strengthen financial governance, encourage resilience, and foster innovation in boardrooms. This requires a clear vision of an inclusive economy that generates jobs and security for all in South Africa, underpinned by robust, sustainable, and reliable businesses.

The evolution of corporate reporting

A key change needed is the advancement of corporate reporting and independent oversight of companies, directors, and auditors. Traditional financial reporting no longer fully captures a company's future potential. With the growing recognition of Environmental, Social, and Governance (ESG) factors, companies must redefine and measure their value creation, integrating sustainability into their strategies. This reveals associated risks and opportunities.

In the short term, businesses must align their reporting with shareholder and stakeholder expectations, showing the ESG impact of their operations. This will involve overhauling reporting systems. In the medium term, sustainability disclosures will likely require verification, necessitating robust internal controls and governance, similar to financial reporting.

Linking financial disclosures with sustainability reports is challenging but necessary. For example, a company's climate commitments, like a net-zero pledge, may need to be accounted for on the balance sheet. An integrated report is the ideal tool to present a comprehensive narrative and make these connections.

Greater management and board accountability

The accountability of management and boards is also under scrutiny. Boards are responsible for leading and overseeing the organization, ensuring values align with business strategy, culture, and purpose. They manage strategy, risk, talent, and culture. Diverse and experienced board appointments enhance effectiveness. South Africa's King Code of Corporate Governance has embedded effective governance processes, which are primarily managed by senior management and overseen by the board to prevent fraud. Internal audit plays a role in assessing internal controls and risks, and a combined assurance model, where internal and external audits collaborate, offers clear advantages.

Independent regulation that scrutinises companies, directors and auditors

Comprehensive independent regulation is essential for financial ecosystem reform. It should oversee company processes and systems, as well as auditor reviews. The roles of key entities like the Johannesburg Stock Exchange (JSE), the South African Institute of Chartered Accountants (SAICA), and the Independent Regulatory Board for Auditors (IRBA) need clearer definition. In the event of corporate failures, their coordinated response is vital for market integrity. The JSE proactively monitors financial statements for compliance, aligning reviews with global best practices. The IRBA has also enhanced its review of auditors and firms, sanctioning those not meeting standards.

The effectiveness of these measures is under debate. Is it enough to drive the necessary change, or is more action required? A thorough review of regulatory oversight processes is needed to ensure focus on the most significant risks and to close any regulatory gaps.

Building a bridge toward excellent financial and sustainability reporting

By **Abigail Paulus**, Corporate reporting associate partner, and **Larissa Clark**, Corporate reporting leader, EY Africa

Many of the world's longest and most needed bridges took time, not only to build but also to convince others of the benefits and connections that they would bring. In the world of reporting, the foundations have been laid for financial and sustainability reporting, but to make sense of the story, links needs to be made. A bridge between financial and sustainability reporting is needed.

Over the last 3 years we have seen the publication of the International Sustainability Standards Board's (ISSB) standards, the European Sustainability Reporting Standards requirements as well as the JSE Sustainability Disclosure Guidance, enabling a better understanding of what could and should be included in sustainability reports. During the same period, South African listed companies have been revisiting their approach to preparing and presenting their sustainability or ESG information. The sustainability information is however often provided on its own, separate from the financial information or the value creation disclosures in the integrated report. In addition, companies often make climate commitments to the financial markets, without considering the implications of this on their financial position.

"We want to be 'net zero' by 2050", "Our goal is to reduce the carbon emissions by 50% by 2030" or "We aim to reduce our carbon emissions through a reduction of plastic usage by 90%" are commitments that we often see made during analyst presentations and in sustainability reports. In April 2024, the IFRS Interpretations Committee (IFRS IC) was asked to consider how companies should account for climate commitments made in their financial statements. Their response indicated that the normal IFRS Accounting Standards' provisioning guidance should be used.

The IFRS IC confirmed that where entities have made a commitment to reduce or offset greenhouse gasses and such greenhouse gasses have already been emitted, the entity should recognise a financial provision for the costs to be incurred to fulfil such a commitment. This interpretation underscores the importance of building the bridge between the sustainability and financial reports.

The integrated report provides the ideal platform to make these important connections for stakeholders. ESG information should be linked to the future value creation and the business model and not simply added as a separate section of the report. The world has many challenges, and good reporting is required to clearly connect and communicate the risks that are faced by companies. Excellent reporting not only provides insights into the broad categories of risk such as financial, economic, environmental, geopolitical, societal and technological risk, but joins the dots between these and highlights the specific risks that need to be managed to ensure the success of that entity. Integrated thinking can be leveraged off to prepare sustainability disclosures, which will go a long way in building that bridge to unlock stakeholder value.

Top reporters locally and globally are looking at how they can provide further connections through assurance over the sustainability information they are reporting on. The International Auditing and Assurance Standards Board has proposed an International Standard on Sustainability Assurance (ISSA) 5000, which can be applied to information covering all sustainability topics (including those arising from IFRS Sustainability Standards S1 and S2). We expect ISSA 5000 to be issued before the end of 2024.

It is critical that entities start building a bridge between their financial and sustainability reporting. In fact, there is no better time to start this journey towards excellent integrated and sustainability reporting than right now.

2024 Survey at a glance

24 Companies ranked "**Excellent**" (2022: 22, 2021: 20)

Increased disclosure of **ESG information**

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

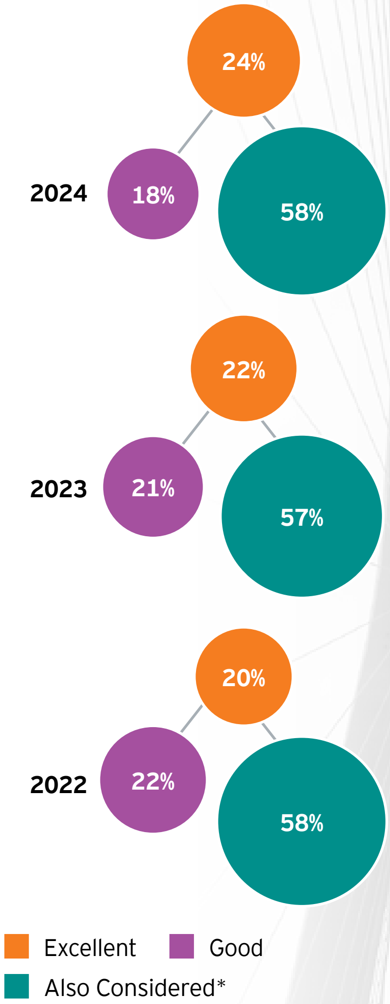
"**Excellent**" reports:
- clear strategic focus
- emphasise value creation
- high level of connectivity
- coherent value creation narrative

18 Companies ranked "**Good**" (2022: 21, 2021: 22)

Some reports **not integrating financial** and **sustainability** issues

Little improvement in those reports not ranked as **"Excellent" and "Good"**

Overall impressions at a glance



* Previously categorised as "Average" and "Progress to be made"

2024 Awards

2024 Rankings

Top 10 Rankings

1. Nedbank Group Ltd
2. Redefine Properties Ltd
3. Absa Group Ltd
4. Vodacom Group Ltd
5. Kumba Iron Ore Ltd
6. Netcare Ltd
7. Truworths International Ltd
8. Anglo American Platinum Ltd
9. Woolworths Holdings Ltd
10. Harmony Gold Mining Company 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[1]
(which includes the Top 10 positions)

Absa Group Ltd
Anglo American Platinum Ltd
Aspen Pharmacare Holdings Ltd
DRDGOLD Ltd
Exxaro Resources Ltd
Harmony Gold Mining Company Ltd
Impala Platinum Holdings Ltd
Kumba Iron Ore Ltd
Life Healthcare Group Holdings Ltd
Momentum Metropolitan Holdings Ltd
MTN Group Ltd
MultiChoice Group Ltd
Nedbank Group Ltd
Netcare Ltd
Oceana Group Ltd
Pick n Pay Stores Ltd
Redefine Properties Ltd
Sappi Ltd
Sasol Ltd
Standard Bank Group Ltd
Telkom SA SOC Ltd
Truworths International Ltd
Vodacom Group Ltd
Woolworths Holdings Ltd

Good[1]

ADvTECH Ltd
AECI Ltd
Afrimat Ltd
Anglo American plc[3]
Bid Corporation Ltd
Coronation Fund Managers Ltd
Discovery Ltd
Gold Fields Ltd
Growthpoint Properties Ltd
Mondi plc[3]
Mr Price Group Ltd
Old Mutual Ltd
Omnia Holdings Ltd
Sanlam Ltd
Shoprite Holdings Ltd
Sibanye Stillwater Ltd
The Foschini Group Ltd
Tiger Brands Ltd

Also considered[1, 2]

Adcock Ingram Holdings Ltd
African Rainbow Minerals Ltd
Alexander Forbes Group Holdings Ltd
Alphamin Resources Corp[3]
AngloGold Ashanti plc[3]
Anheuser-Busch InBev SA/NV[3]
AVI Ltd
Barloworld Ltd
BHP Group Ltd[3]
British American Tobacco plc[3]
Bytes Technology Group plc[3]
Capitec Bank Holdings Ltd
Castleview Property Fund Ltd
Clicks Group Ltd
Compagnie Financière Richemont SA[3]
Datatec Ltd
Dis-Chem Pharmacies Ltd
Equites Property Fund Ltd
FirstRand Ltd
Fortress REIT Ltd
Glencore plc[3]
Globe Trade Centre SA[3]
Hammerson plc[3]
Hosken Consolidated Investments Ltd
Hyprop Investments Ltd
Investec Ltd
Italtile Ltd
Karooooo Ltd[3]
Lighthouse Properties plc
MAS plc
Montauk Renewables Inc[3]
Motus Holdings Ltd
Naspers Ltd
NEPI Rockcastle NV[3]
Ninety One Group
Northam Platinum Holdings Ltd
OUTsurance Group Ltd
Pepkor Holdings Ltd
Premier Group Ltd
Primary Health Properties plc[3]
Prosus NV[3]
PSG Konsult Ltd
Quilter plc[3]
Reinet Investments SCA[3]
Remgro Ltd
Resilient REIT Ltd
Reunert Ltd
Santam Ltd
Shaftesbury Capital plc[3]
Sirius Real Estate Ltd
South32 Ltd[3]
Sun International Ltd
Super Group Ltd
The Bidvest Group Ltd
The SPAR Group Ltd
Thungela Resources Ltd
Tsogo Sun Gaming Ltd
Vukile Property Fund Ltd

[1] Not ranked within categories
[2] Previously categorised as "Average" and "Progress to be made"
[3] These companies do not have their primary listing on the JSE and are not required to prepare an integrated report

2024 Top ten reports

1 Nedbank Group Ltd

Nedbank's report has a clear emphasis on value creation and strategy. It is well laid out, easy to read and good use is made of infographics to summarise complex information in a way that is easily understandable. The introductory pages clearly outline the group's purpose, vision, values, strategy, and targets. They set the scene for the detailed information that follows. We particularly liked the infographic that shows the value that the group strives to create for its various stakeholders. The group's material matters are highly contextualised, detailed, forward looking and a clear link is made between these matters and strategy, risks and opportunities. The explanation of the group's strategy is detailed and the presentation of the strategic trade-offs that have been made to create and protect value is excellent. The governance disclosures that show the key board focus areas and the way in which board oversight and strategy are linked can be considered best practice.

2 Redefine Properties Ltd

Redefine's report has a sensible layout that contains a wealth of useful, well contextualised, and clearly explained data which makes the value creation narrative easy to follow. We particularly liked the 'big picture' infographic that shows the group's integrated approach to value creation, and which provides useful context for the detailed information that follows. Governance disclosures are both innovative and practical and show the group's value-creating governance approach in action. The strategic overview, the integrated stakeholder engagement, and the use of capitals to explain the group's value creation story are examples of excellent disclosures that demonstrate integrated thinking within the group. The materiality determination process is clearly explained, and the outcome of this process is presented in a way that shows how material matters have been grouped into five material themes. The way in which remuneration practices have been summarised onto one page is excellent.

3 Absa Group Ltd

Absa's report includes a clear focus on strategy and the factors that are relevant to its future value creation. The introduction to the report makes it immediately clear as to the audience of the integrated report and in which other reports further information can be found. Key findings with respect to the quality of the group's relationship with its stakeholders are presented together with indices that show performance relative to its peers. Material matters are explained in detail and a clear connection is made between these matters and what they mean for the group in terms of risks, opportunities, business impacts, effects on capitals, and which metrics may be affected. We particularly liked the finance director's report and the inclusion of notable reporting items, separation of short-term and medium-term targets, peer comparisons and the infographic that showed 'finances at a glance'. The section that deals specifically with the outlook for the group is excellent.

4 Vodacom Group Ltd

Vodacom's report is crisp, concise, attractive, and is easy to read. It makes excellent use of icons to link sections and guide the reader. It has a strong focus on both strategy and value creation and includes detailed reporting on each of the six capitals. We particularly liked the detail presented with respect to the group's strategic ambitions that includes both short-term and medium-term priorities as well as linkages to material matters and the capitals. Targets for each strategic ambition are presented together with three years of actual performance data. The group's risks and opportunities are clearly presented and the way in which these are linked to value creation and the strategic pillars, and the six capitals are an indication of integrated thinking within the group. The disclosures of how the group is responding to 'hot topics' on a macro, industry, and company level and how these topics have changed year-on-year is excellent.

5 Kumba Iron Ore Ltd

Kumba's report has an excellent strategic focus with the appropriate amount of detail being provided. The explanation of the group's business model is comprehensive and in addition to inputs, activities, outputs, and outcomes shows useful detail about revenue and cost drivers. Further detailed information is provided on each of the capitals and in particular the actions undertaken to enhance each capital as well as the impacts of the group's activities on these capitals. We particularly liked the explanations of the trends in the group's operating environment and the way in which a strategic response and an explanation of the value implication for each trend is given. The report includes a comprehensive explanation of the group's strategy together with clear disclosure of how the group has performed against each strategic initiative. The explanation of the key financial risks affecting performance and the way in which this information is linked to other areas within the report is excellent.

6 Netcare Ltd

Netcare's report is well laid out, with a structure that is easy to follow and navigate. The report starts with a value creation model that includes cross-references to where more detail on each aspect within the model can be found. We particularly liked the way in which the group's material matters were tabled early-on together with a clear indication of the coverage of these matters within the group's suite of reports. Within the governance section of the report, key Board activities and decisions relating to each material matter are presented, further enhancing the integrated nature of this report. The inclusion of 'key takeaways' in explaining the operating environment is innovative and helpful. The detail provided on each of the group's capitals, especially relationship capital, is comprehensive and clearly explains how sustainable value will be created. The disclosures relating to outlook and key strategic trade-offs are excellent.

7 Truworths International Ltd

Truworths' report has a clear strategic focus with an emphasis on value creation both for itself and for other stakeholders. We particularly liked the emphasis on providing information that is specific to the group rather than mere generic or boilerplate disclosures. Furthermore, the report is easy to navigate, avoids the use of jargon and is written using language that is clear and concise. The explanation of the group's business model is sufficiently detailed to get a good understanding of how the group will create value for its stakeholders. The 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 is excellent. Governance disclosures focus on value creation and appropriate detail is provided with respect to board deliberations.

8 Anglo American Platinum Ltd

Amplats' report is forward-looking with an appropriate emphasis on strategy. We particularly liked the explanation of the group's approach to reporting and the graphic that is used to illustrate this explanation. The sections that outline the group's strategy, business model and the markets within which it operates are particularly helpful in setting out the context for the group's value creation story. The group's risks are clearly presented, appropriately integrated with strategy, and illustrated with a heat map that shows the likelihood and consequence of each risk. The inclusion of emerging risks further enhances these disclosures. The reporting is balanced and the explanation of the group's trade-offs and the way in which they are managed is excellent. Disclosure of the group's revenue and cost drivers as well as the group's sensitivity to price, volume, and exchange rates enhance the presentation of the business model.

9 Woolworths Holdings Ltd

Woolworths' report has a sensible layout which makes the value creation narrative easy to follow. The report starts with an explanation of the group's reporting universe, together with a clear guide on how to navigate the report. Governance is introduced early-on with an appropriate and detailed focus on key governance issues and explanations of those areas on which the board has been focussed. We particularly liked the presentation of the group's business model and the way in which sustainability issues are integrated into the explanation of how value is created. The group's material matters and group's response to each matter is comprehensively explained. The presentation of the group's strategic framework and the detail provided within each strategic theme is excellent. Comprehensive and clearly defined key performance indicators to measure strategic performance are presented.

10 Harmony Gold Mining Company Ltd

Harmony's report focusses on value creation and contains an appropriate mix of forward-looking information and performance disclosures. The report shows how the group's integrated approach to sustainable mining delivers long-term value creation for all its stakeholders. There is a detailed explanation of the group's strategy, and we particularly liked the way in which strategic performance and future focus is presented for each strategic pillar. The external operating environment within which the group operates is particularly well explained and supported by useful detail on market volatility. In addition to the risk disclosures, the group's top strategy opportunities are discussed in detail. A useful materiality matrix is used to group material matters into material themes and to show how these matters impact on business cash flows. The overall connectivity of information within this report is excellent.

2024 Adjudicators' observations and overall performance

Key Observations

- Our overall observations this year are much the same as in previous years.
- The **quality** of "Excellent" and "Good" reports **continues to improve**.
- "Excellent" reports have; **a clear strategic focus**, an emphasis on **value creation** and a **high level of connectivity** between the various elements presented and consequently have a **coherent value creation narrative**.
- "Excellent" and "Good" reports include **all the content elements** required by the Integrated Reporting Framework in a way that is **easily understood** by the reader.
- There is **increasing divergence** amongst the more **highly ranked reports** in the way in which the value **creation, preservation and erosion** 'story' is being told. This positive trend indicates that companies are telling their 'story' in a way that is **relevant to their specific business**.
- There is **increased disclosure of ESG information**. However, these disclosures are often not integrated into the value creation narrative.
- There is very **little improvement** observed in those **reports not ranked as "Excellent" and "Good"**.
- The **gap between** those reports ranked as **"Excellent" or "Good"** and the other reports that were reviewed **continues to increase**.
- Overall, there are **better disclosures** about the **process used to identify material items**.
- More reports refer to **double materiality** in their materiality determination process, with some clarifying that the **integrated report** includes items **relevant to enterprise value or financial materiality**, whilst other reports are using a **double materiality lens** to determine what **matters to include in the integrated report**. In some cases, it is not clear what lens is being used.
- Some reports are still **not integrating financial and sustainability issues**.

Companies included in the 2024 survey

- Top 100 Johannesburg Stock Exchange (JSE) Limited listed companies selected based on their **market capitalisation as at 31 December 2023.**
- **Integrated report or annual report** for year-ended on or before **31 December 2023.**
- **Largest in survey: BHP Group plc** with a market capitalisation of **R3.2 trillion.**
- **Smallest in survey: Premier Group Ltd** with a market capitalisation of **R8.1 billion.**
- The 100 companies in the survey account for 94% of the market capitalisation of the JSE at 31 December 2023.

Changes to the Top 100

Nine companies that appeared in the 2023 survey are no longer included in the Top 100 due to relative declining market capitalisation or other corporate activity.

New / returning in 2024 survey:

- Adcock Ingram Ltd
- Alexander Forbes Group Holdings Ltd
- Afrimat Ltd
- Castleview Property Fund Ltd
- Datatec Ltd
- Oceana Group Ltd
- Premier Group Ltd
- Primary Health Prop plc
- Reunert Ltd

Examples of best practice observed within those reports ranked as "Excellent" or "Good"

- An explanation of the **purpose of the report**.
- A detailed explanation of the **materiality determination process** presented within the first few pages of the report.
- Use of the **double materiality concept** in identifying potentially material item and **clarity on materiality lens** used to identify where material items are reported.
- An early-on **high level overview** of the way in which the **value creation narrative is structured**.
- Use of **other reports** to present **important additional information** with clear identification in the **integrated report** of what is available and where.
- Use of **graphs/tables/infographics and icons** to achieve conciseness, integration, and more effective communication.
- An **endorsement of the report** by all directors **acknowledging their obligation** to ensure the integrity of the report and their opinion on the extent to which it is prepared in terms of the Integrated Reporting Framework.
- Clarity of the **extent to** which the report has been **assured**.
- **Governance disclosures** focusing on matters that are of **interest to investors**, often combined with separate governance reports containing the detailed compliance issues.
- **Detailed governance disclosures** addressing issues specific to the business, and which focus on value creation.
- Disclosure of **innovation within the business**, especially with respect to **technology** and how that interacts with the **risks and opportunities** of the entity.
- The inclusion of **entity specific inputs, outputs, and outcomes** in the business model in line with the requirements of the Integrated Reporting Framework and which **highlight any constraints and challenges** for future value creation.
- **Comprehensive explanations** of the group's **stakeholders**, their **legitimate needs and concerns** and how the entity has responded, together with an indication of the **quality of relationship** with each stakeholder group.
- Disclosure of the group's **risks and opportunities**, supported **by 'heat maps', time frames**, an indication of the **velocity of risks**, a **distinction between short and long-term risks** and **disclosure of emerging risks**.
- The separation of **forward-looking strategic information** from reviews of past performance.
- Detailed **explanations of the strategy** that will be used to achieve strategic objectives, with a **clear distinction** between **short, medium, and long-term strategies**.
- Disclosure of **future financial capital allocation priorities**, using informative infographics.
- Disclosure of **key performance indicators** linked to previous **strategic objectives and targets**.
- Explicit links between **key performance indicators** and **executive remuneration**.
- Link between **environmental and social issues** and **future value creation**.

Areas for improvement

- Include an **explicit statement** on the **purpose and audience** of the integrated report and how this informs the **approach to materiality** and the **interaction with other parts** of the reporting suite.
- Clearly identify those **material matters** that may 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, other challenges**, and the **challenging decisions** on trade-offs between different capitals.
- Provide **more information** that is **specific to the business** and less that is generic.
- Expand the **explanation of challenges and disappointments**. For example, if staff retention decreases or water usage increases, this requires some explanation.
- Explain **how business outcomes could be improved** to create future value, and **what the trade-offs are**.
- Consider placing **more emphasis on future value creation potential** rather than current year performance.
- Clearly articulate how the **continued availability, quality and affordability of significant capitals contribute to the organisation's ability** to achieve its strategic objectives in the future and thereby create value.
- **Improve the structure of the strategy disclosures** by making it clear how strategic objectives, goals, pillars, etc. are interrelated and how they relate to the performance measures that are disclosed.
- Provide more **detail on the actual strategies that will be used** in the short, medium, and long-term to **achieve the businesses strategy objectives**.
- Include **information on key board deliberations** and link this to **strategy and value creation and preservation**.
- **ESG information** should be **linked to the business model and future value creation** and not simply added as a separate section of the report.
- Need for **more reflection** on what was said in prior reports and disclosure of **progress against previously disclosed objectives and targets**.
- **Exclude regulatory and compliance detail**, especially excessive remuneration disclosures, which 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 Integrated Reporting Framework.

Title of report

19 of the **100** companies in the survey do not produce an integrated report as they have their primary listings on stock exchanges other than the JSE.

2 of the **100** companies in the survey that have their primary listings on stock exchanges other than the JSE produce an integrated report.

Endorsement by directors

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

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

Other reports issued by the 24 companies ranked as 'Excellent'

12 **issue a sustainability report** in addition to their integrated report.

11 **issue an ESG report** in addition to their integrated report.

11 **issue a separate report** on climate related matters.

5 issue **a separate remuneration report**.

6 issue **a separate governance report**.

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.
- **38 of the integrated reports** clearly state that their integrated reports are aimed primarily at providers of capital.
- **32 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 **163 pages**.
- **Average length of the reports** that are titled an integrated report is **149 pages.**
- **Shortest** integrated report is **60 pages**.
- **Longest** integrated report is **346 pages**.

Style of financial statements

- Average length of **financial statements** within the reports is **50 pages**.
- Average length of the **financial statements** (full or summarised) within reports **that are titled an integrated report** is **40 pages**.
- **33 companies** in the survey included **full financial statements** in their report.
- **14 reports** that are titled an **integrated report** include full financial statements in their report.
- **10 companies** in the survey include **IAS 34[4] financial statements** within their report.
- **51 companies** included their financial statements **at the end of the report**.
- **37 companies** include **extracts of their financial statements** within their financial review or discussion of financial capital.

Industries included in the survey

For the seventh consecutive year, more than **20%** of the companies included in the 2024 survey operate in the **consumer products and retail sector**, making this the largest group of companies in a single sector featured in the survey.

The **financial services sector** makes up approximately **13%** of the total number of companies featured in the survey this year, a slight increase from **12%** last year.

The number of companies operating in the **mining and industrial goods & services sectors**, and featured in the survey, has decreased in comparison to the prior year.

The **real estate & development** sector showed an increased representation when compared to the prior year's survey, increasing to the levels last seen in 2021.

For the third consecutive year, the survey has featured a company operating in the **alternative energy sector** which has been included in the "Other" category.

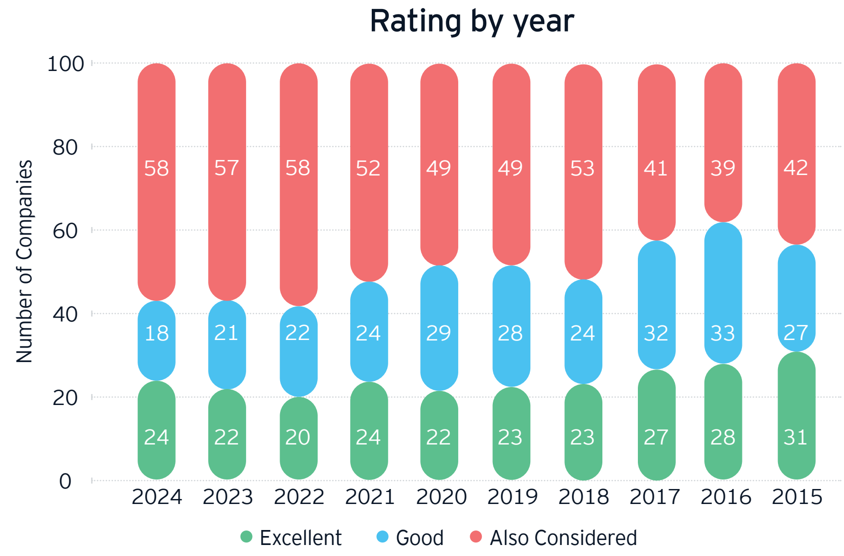
A further analysis of companies by industry included in the 2024 survey indicates that **over 55% of mining sector** companies are included in the **"Excellent"** and **"Good"** categories.

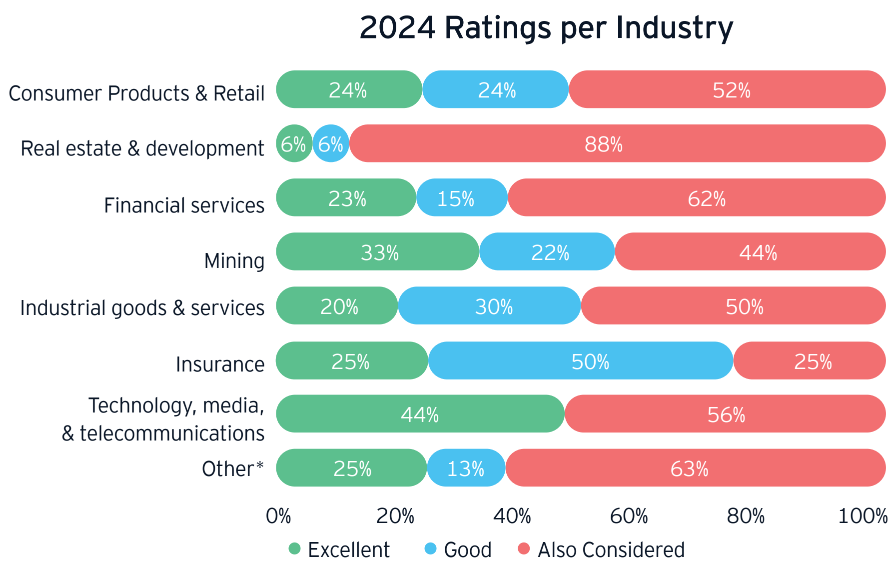
45% of all companies classified as **"Good"** or **"Excellent"** operate in the **technology, media and telecommunications, financial services**, and **consumer products and retail sectors**.

75% of companies featured in the survey and operating within the **insurance industry** are included in the **"Excellent"** or **"Good"** categories.

Lastly, **38%** of the companies included in the **"Other"** category were awarded an **"Excellent"** and **"Good"** ranking. The "Other" industry ranking includes companies within alternative energy, healthcare, logistics, entertainment, educational services and travel & leisure.

[4] IAS 34 Interim Financial Reporting





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

Continued evolution of sustainability reporting in South Africa

By **Clémence McNulty**, Climate Change and Sustainability Services Partner and **Mohsin Yahya Nana,** Climate Change and Sustainability Services Associate Partner, EY Africa

Since the release of the first International Sustainability Standards Board's (ISSB) standards in June 2023, discussions on their adoption have been ongoing across the globe. In South Africa, there is a growing expectation for companies to align with the ISSB standards, potentially through amendments to the Companies Act. Consequently, many South African companies are exploring voluntary early adoption or aligning their reporting with these emerging best practices.

This trend highlights the growing need for more credible and useful sustainability data and reporting. This is supported by findings from the EY Global Institutional Investor Survey[1], which reveals that nearly all investors incorporate Environmental, Social, & Governance (ESG) data into their decision-making processes. However, approximately three-quarters of these investors express significant concerns about the quality of the data they receive and the selective nature of companies' reporting. This underscores a critical issue in the reliability and transparency of ESG disclosures, highlighting the importance of robust and consistent application of reporting standards as companies move toward greater alignment with global best practices.

In recognition of the growing emphasis on financial and sustainability reporting globally, EY South Africa hosts the annual Excellence in Integrated Reporting (EIR) Awards to honour top performers in integrated reporting. A desktop analysis of the Johannesburg Stock Exchange's (JSE) top 100[2] listed companies' published reporting suites, which included integrated reports (IR) and sustainability reports, was performed. Additionally, 42 companies included in the "Top 10" and "Excellent" categories of the 2024 Excellence in Integrated Reporting survey participated in a survey to provide deeper insights into their approach to sustainability reporting, referred to as "Top Integrated Reporters".

The results of this survey, which builds on the previous year's assessment, offers valuable insights into current trends[3], viewpoints on sustainability reporting and its connection to integrated reporting.

[1]https://www.ey.com/en_gl/insights/climate-change-sustainability-services/how-can-better-sustainability-reporting-mobilize-companies-and-capital
[2]Selected based on their market capitalisation on the last trading day of the calendar year
[3]A year-on-year comparison was included, where possible

Reporting standards and practices currently being applied in South Africa

Most of the top 100 JSE listed companies still refer to a wide range of frameworks (Graph 1), highlighting a lack of application of a universal standard for sustainability reporting and indicating a fragmented approach where companies choose different frameworks that best suit their needs. This leads to inconsistency as well as a lack of comparability and transparency in sustainability disclosures. The Global Reporting Initiative (GRI) and Task Force on Climate-Related Financial Disclosures (TCFD) frameworks are the most widely used by South African companies. The Taskforce on Nature-related Financial Disclosures (TNFD) appears to be gaining traction since its market launch in September 2023 as a full framework for adoption. It is important to note that while references to the TCFD framework have increased, the recommendations of this framework are fully incorporated into the ISSB standards.

Since ISSB standards were issued in June 2023, the alignment thereto by South African companies has more than doubled from 9% in 2023 to 22% in 2024. This could be attributed to the expected adoption of the ISSB standards in South Africa and a growing emphasis on sustainability reporting to meet investor and stakeholder demands. In line with this, the Prudential Authority issued guidance to banks and insurers for climate disclosures and risk management which is broadly aligned to the ISSB standards.

Although the JSE Guidance is voluntary, we have seen a year-on-year increase in the number of companies making reference to the JSE Guidance, from 31 companies in 2023 to 44 companies in 2024 referring to the JSE Sustainability Disclosure Guidance, and from 17 companies in 2023 to 23 companies in 2024 referring to the JSE Climate Change Disclosure Guidance.

The rapid alignment to the ISSB standards, along with the evolving landscape of other reporting frameworks, will play a pivotal role in shaping the future of corporate sustainability reporting. Although the TCFD recommendations are incorporated into the ISSB standards, companies will need to navigate additional disclosure requirements to ensure compliance with these standards. Staying informed about these developments will offer valuable insights into how swiftly companies are aligning with global best practices, enhancing the consistency and comparability of their ESG disclosures.

Graph 1

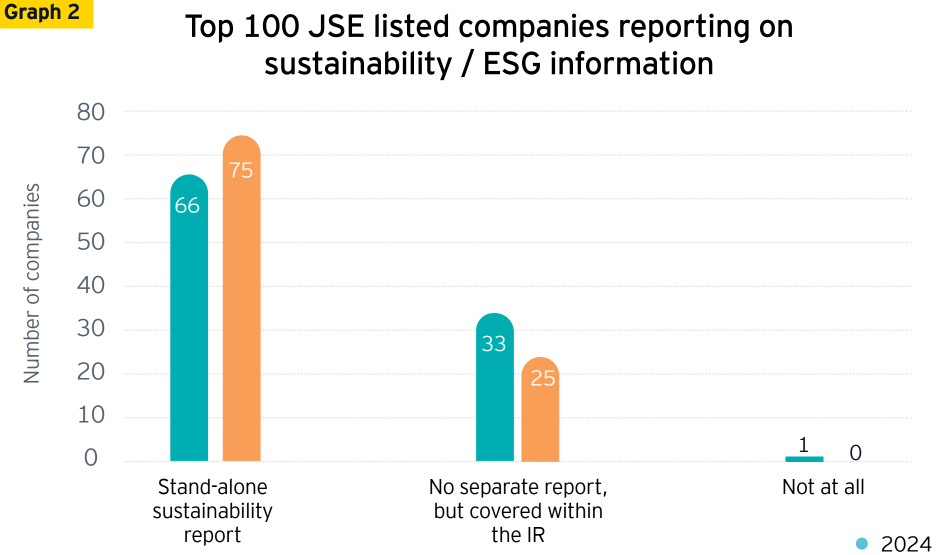
Top 100 JSE listed companies: Frameworks guiding their sustainability reporting

100 Respondents, multiple selections per respondent

In South Africa, while many companies continue to produce stand-alone sustainability reports, there has been a notable shift towards integrating sustainability into their broader reporting suite. The number of companies issuing stand-alone sustainability reports has dropped from 79 in 2023 to 66 in 2024 (Graph 2). In contrast, companies incorporating sustainability within their integrated reports has increased from 25 to 33 over the same period. This trend indicates that some of the top 100 companies are opting to present a more comprehensive view of their performance by embedding sustainability into their integrated reports.

This approach not only provides a holistic perspective on both financial and non-financial aspects but could also streamline reporting processes, reduce redundancy, and enable alignment across reports. It is important to note that while this integrated approach can offer valuable insights into issues with financial impact, it may not fully align with the intention of integrated reporting to focus specifically on material issues for capital providers. This approach emphasises providing detailed information on sustainability risks and opportunities that might not meet the financial materiality threshold but could still have significant societal impacts.

Graph 2



100 Respondents, one selection per respondent

The majority (85%) of the top 100 JSE companies apply a "double materiality" lens in their sustainability reporting, considering both the financial impacts of sustainability issues on the company and the company's impacts on society and the environment (Graph 3). Our survey of Top Integrated Reporters results further confirm this trend, revealing that a significant majority (83%) of reporters intend to prioritize a "double materiality" approach in their sustainability reporting. This indicates a strong awareness of the complex landscape of sustainability reporting and the broad expectations of stakeholders (see Graph 4).

This is consistent with the fact that the majority of the top 100 JSE companies make use of the GRI/JSE/EU frameworks which propose/suggests a "double materiality" lens in sustainability reporting. With the JSE encouraging companies to adopt the double materiality approach, one can expect a greater emphasis on double materiality in sustainability reporting, where companies will increasingly consider both the financial impact of sustainability issues on their operations and their broader environmental and social impacts. This shift will be driven by regulatory changes, stakeholder demands for more comprehensive and transparent reporting, and the adoption of global standards like those from the ISSB.

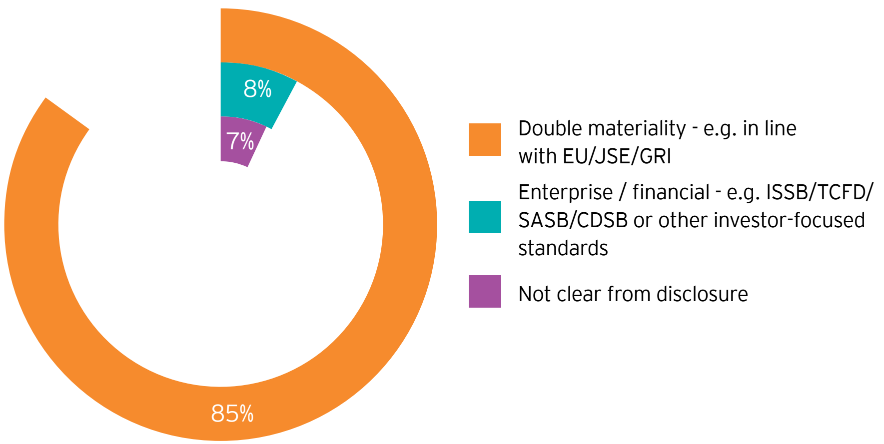
This trend highlights a move towards more integrated and accountable reporting, positioning companies to better manage risks and opportunities in a rapidly evolving sustainability landscape.

The implication for listed companies in South Africa is twofold. First, there is an increased expectation for companies to deliver more nuanced and comprehensive sustainability reports that reflect their broader impact. This shift will likely enhance transparency and improve stakeholder trust. Second, while the double materiality approach aligns companies with international best practices, it may also pose challenges in determining which information to include and how to balance extensive reporting with regulatory compliance. Companies will need to navigate these complexities to effectively meet both global standards and local expectations, ensuring their sustainability reporting is both robust and relevant.

Integrating sustainability reporting with financial reporting is crucial for listed companies as it enhances transparency, aligns sustainability efforts with business strategy, and provides investors with a comprehensive view of financial and non-financial performance, ultimately driving better decision-making and risk management. When asked about the degree of linkage between the companies' sustainability reporting and financial reporting, just 8% of companies in the Top Integrated Reporters noted that they have mature and sophisticated systems with automated integration (Graph 5). However, 83% of the companies stated that insufficient attention is currently being given to integration and consistency with financial information.

Graph 3

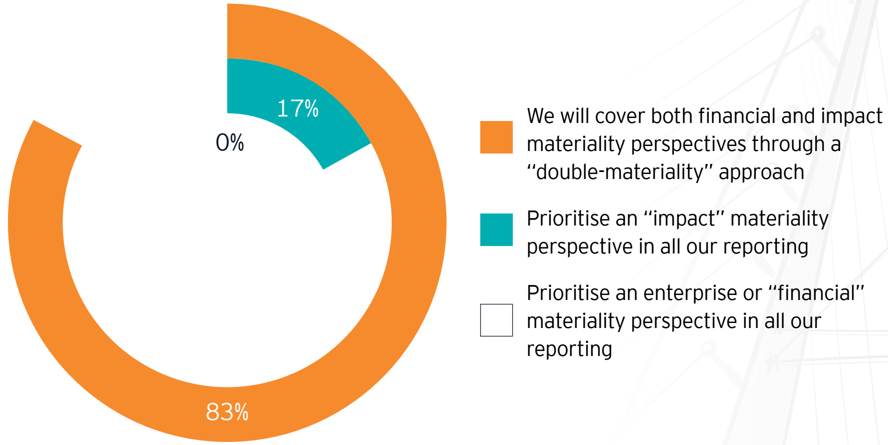
Top 100 JSE listed companies: Approach to materiality



100 Respondents, one selection per respondent

Graph 4

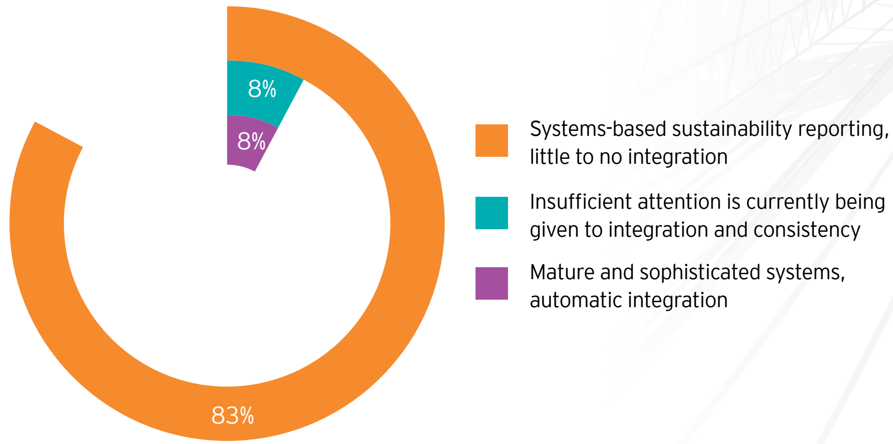
Top Integrated Reporters: Reconsidering the organisational materiality approach to sustainability reporting



12 Respondents, one selection per respondent
*One of the 13 respondents provided no response to this question

Graph 5

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



12 Respondents*, one selection per respondent
*One of the 13 respondents provided no response to this question

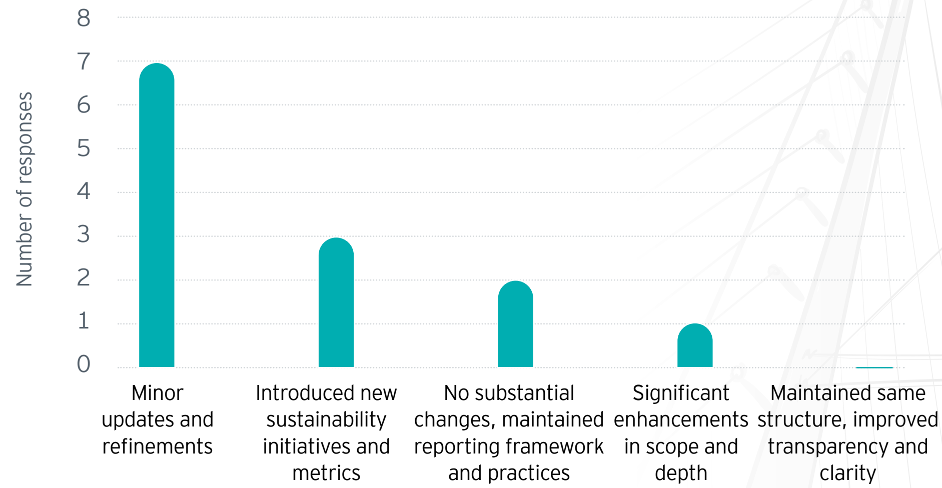
Maturity of sustainability reporting processes and the link to integrated reporting

Among the Top Integrated Reporters featured in the EY Integrated Reporting survey, 13 out of 42 responded to additional questions about their sustainability reporting practices. These companies demonstrate ongoing evolution in their reporting processes, although the changes are often incremental rather than transformative. Notably, 54% of respondents reported making minor updates and refinements to existing metrics and practices, reflecting a mature approach to sustainability reporting (Graph 6).

This maturity is further highlighted by their responses to inquiries about the value derived from continued investment in sustainability reporting. The Top Integrated Reporters anticipate benefits such as enhanced reputation (22%), regulatory compliance (22%), investor confidence (22%), operational insights (18%), and improved stakeholder engagement (16%) (Graph 7). This highlights their recognition of the strategic significance of sustainability, their understanding of the broader impacts of their operations, and their commitment to transparent, comprehensive reporting that aligns with stakeholder expectations.

Graph 6

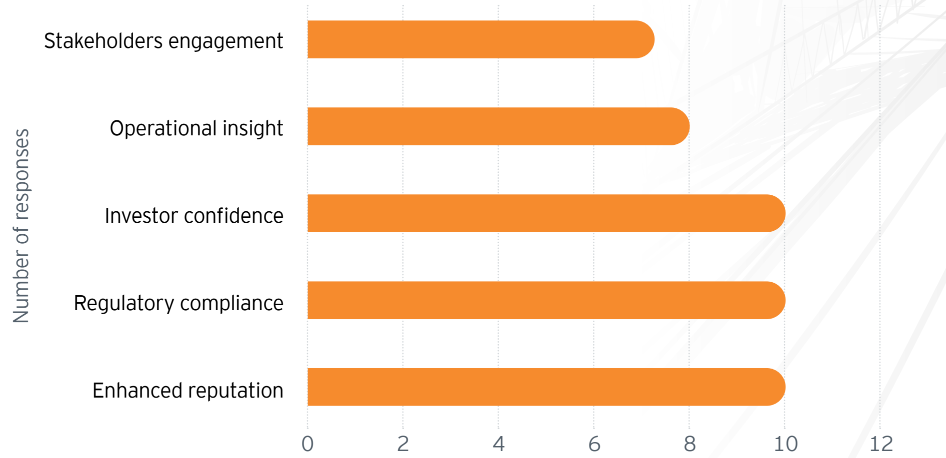
Top Integrated Reporters: Sustainability disclosures evolution/changes between 2023 and 2024



13 Respondents, one selection per respondent

Graph 7

Top Integrated Reporters: Value expected from continued investments in sustainability reporting



13 Respondents, multiple selections per respondent

Assurance

The global landscape of sustainability reporting is undergoing a significant transformation, with a marked shift from voluntary to mandatory assurance over sustainability disclosures. This change is driven by a recognition of the critical importance of ESG factors in corporate performance and risk management and the importance of quality information for stakeholders. In Europe, the Corporate Sustainability Reporting Directive (CSRD) is setting a new precedent by requiring large and listed companies to obtain limited assurance on their sustainability disclosures, with an eventual progression towards reasonable assurance. Similarly, the U.S. Securities and Exchange Commission (SEC) has mandated limited assurance for listed companies, underscoring the growing regulatory emphasis on ESG transparency and accountability. In contrast, South Africa currently maintains a voluntary approach to assurance, which may contribute to a lower rate of adoption. The voluntary nature of adopting ISSB standards in the country further reflects this non-mandatory stance.

Within this context, we still see the majority (45% and 35% respectively) of South African listed companies having opted for limited assurance or no assurance at all (Graph 8). Our survey results paint a positive picture as we have seen a decrease in the number of companies receiving no assurance and a relative increase in those that now do opt for limited assurance.

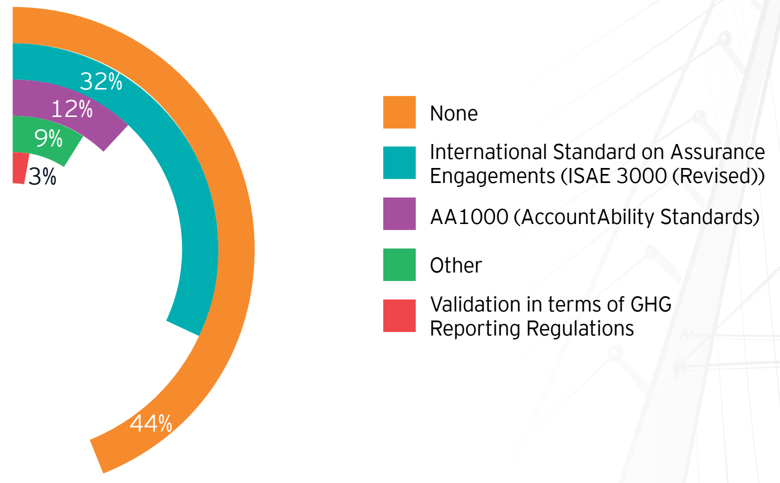
We see an increase in the number of companies (from 6% in 2023 to 9% in 2024) opting for reasonable assurance and a slight decrease in companies opting for a mix of reasonable and limited assurance (from 12% in 2023 to 11% in 2024) which suggests that these companies are actively investing in measures to ensure the accuracy and reliability of their disclosed sustainability information. Amongst those companies who do obtain some form of assurance, there continues to be inconsistency in the assurance standards applied (Graph 9). However, with the expected finalisation of the new International Standard on Sustainability Assurance (ISSA) 5000 standard by the last quarter of 2024, as well as the ongoing dialogue with key stakeholders regarding ISSB adoption, a proactive shift in mindset is essential for entities to understand the evolving role of assurance.

A significant number (35%) of companies have chosen not to provide any form of assurance. Although this has reduced from 2023 (41%), it does indicate a need for raising awareness about the benefits of independent assurance in improving stakeholders' trust and confidence in sustainability disclosures.

As the regulatory environment continues to evolve, the transition from voluntary to mandatory assurance will likely accelerate, making it imperative for companies to stay ahead of the curve. By embracing this shift early on, entities can demonstrate their commitment to sustainability and integrity, ultimately contributing to a more resilient and transparent corporate ecosystem.

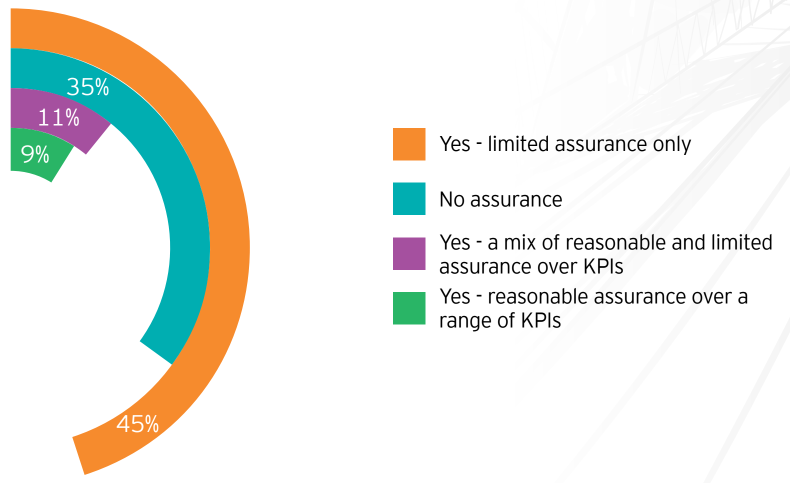
Graph 9

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



Graph 8

Top 100 JSE listed companies: External assurance over sustainability disclosures



Challenges to be overcome and key changes expected

The Top Integrated Reporters were asked to rate what they expect to be the biggest challenges to overcome as further progress is made in sustainability reporting. Navigating the complexity of new reporting standards and time/costs are the leading concerns from the surveyed respondents (Graph 10). Quality of data, capacity and skills, and the emergence of new areas/ topics to be reported on, also scored highly.

The respondents further provided their views on what key changes they are likely to implement in response to the new reporting environment, with enhanced data accuracy, followed by adopting new frameworks and finance functions, and expanding the scope of sustainability reporting emerging as the focus areas (Graph 11).

These trends indicate that listed companies in South Africa will require substantial effort and investment to overcome these anticipated challenges. Also, companies should prioritise enhancing data accuracy, aligning to new frameworks, and broadening their sustainability reporting scope to keep pace with evolving expectations. The emphasis on integrating sustainability reporting with financial reporting is particularly crucial. Companies that fail to develop sophisticated, automated integration systems risk falling behind in transparency and strategic alignment.

Companies that successfully address these challenges and integrate their reporting processes will not only enhance their transparency and strategic alignment but also provide investors with a more comprehensive view of their performance. This, in turn, will facilitate better decision-making and risk management, positioning these companies to better meet regulatory requirements and stakeholder expectations.

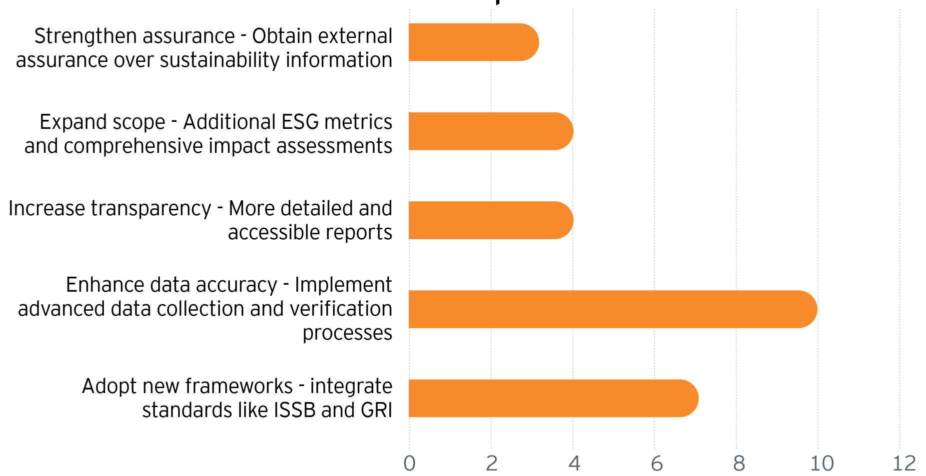
Graph 10

Top Integrated Reporters:
Challenges in sustainability reporting journey

13 Respondents, multiple selections per respondent

Graph 11

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



13 Respondents, multiple selections per respondent

The mark plan at a glance

Overview of the mark plan

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

The Fundamental Concepts

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

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

The Guiding Principles

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

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

The Content Elements

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

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

[1] Integrated Reporting Framework, revised January 2021

Integrated reporting and adjudication process FAQs

What is an integrated report?

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

Who should prepare an integrated report in SA?

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

Is a sustainability report the same as an integrated report?

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

How are companies chosen for inclusion in the Awards?

These are the top 100 companies listed on the JSE, selected based on their market capitalisation on the last trading day of the calendar year. This is usually the 31st of December. All companies are regarded as being eligible to be included in the survey. The final top 100 includes the full range of listed companies on the JSE, from resources to industrials, retailers and financial institutions and includes several companies with dual listings. In the case of those companies which operate through a dual listing structure, only the combined group is included in the survey.

How is the mark plan developed?

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

What is included in the mark plan?

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

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

The adjudicators believe that an explanation of how a business creates, preserves or erodes value with respect to the six capitals is a particularly suitable way for most companies to present much of the content that needs to be presented within its integrated report. Furthermore, an explanation of how value is created, preserved or eroded within an organisation can sensibly be structured around how value is embodied in the capitals that it uses. Doing this should also give the report a more logical flow. So, whilst the adjudicators do not expect companies to explicitly structure their report around the six capitals, or indeed use this specific terminology, they would certainly look for disclosures relating to the stock and flow of the capitals (i.e., financial, manufactured, etc.) and the extent to which trade-offs between different capitals may influence the organisation's strategy.

Which document is adjudicated?

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

Are separate sustainability reports or other reports reviewed?

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

Who actually adjudicates the integrated reports?

After an initial screening of the reports by the Chair of the adjudication panel to eliminate those reports which clearly do not comply with the requirements of the Framework, the remaining reports are separately adjudicated by each of the three adjudicators using the pre-agreed mark plan.

Is this simply a box ticking exercise?

No, absolutely not. Much more emphasis is placed on the quality of information presented – the relevance, understandability, accessibility and connectedness of that information; whether users of the integrated reports would have a reasonable sense of the issues that are core to the operations of each of the companies and whether companies have dealt with the issues that users would have expected. This implies that much more credit is given for crisply presented information that highlights relevant facts compared to the same information needing to be extracted from less relevant information. Furthermore, once the marking process is complete, the scores for the seven guiding principles, the eight content elements and for adherence to the fundamental concepts and individual members' recommended rankings are collated, resulting in a final ranking being awarded. The final ranking is therefore based on a combination of the average of these scores, overall perceptions and extensive discussions surrounding the final rankings for each company. This ranking process is particularly important as the scoring process is subjective and scores may differ, based on the adjudicators' impressions at the time.

Do the adjudicators attempt to achieve consensus on the scores?

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

Is there an overriding objective to the ranking?

Yes, absolutely. The overriding objective in ranking the integrated report is the extent to which it complies with the spirit of integrated reporting as defined by the Framework as being "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation, preservation or erosion of value over the short, medium, and long term". The adjudication process results in each of the 100 companies being ranked "Excellent "or "Good". Those companies whose reports are reviewed, and which are not classified as "Excellent" or "Good" are listed as "Also considered".

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

There are three specific areas which are believed to be crucial to excellence in integrated reporting. These are:

- the extent to which the report has a clear strategic focus,
- an emphasis on value creation, preservation or erosion, and
- a high level of connectivity between the various elements presented.

These three areas are then used to identify the "Top 10" integrated reports from all amongst those ranked as "Excellent" and to assign them a ranking within the "Top 10".

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

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

About the adjudicators

Mark Graham
Emeritus Associate Professor
Graduate School of Business, UCT

Mark Graham is a University of Cape Town (UCT) Emeritus Associate Professor of Accounting. He is a former Head of the College of Accounting at UCT. During his 27 years at UCT he taught on the CA programme within the College of Accounting, as well as finance, accounting, and integrated reporting on the MBA, EMBA and various Executive programs at the UCT 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 previously been a member of the adjudication panel of the EY Excellence in Integrated Reporting award, and prior EY reporting awards since they were introduced in 1997.

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

Alex Watson is a UCT Emeritus Professor of Accounting. She is a past member of the South African Integrated Reporting Committee Working Group, former vice chairman of the Global Reporting Initiative, current chairman of the Financial Reporting Investigations Panel and former Chairman of the Accounting Practices Committee, the technical accounting committee of SAICA. Alex is an independent director of companies and the WWF-SA.

She has been a member of the adjudicating panel of the EY Excellence in Integrated Reporting award, and prior EY reporting awards since they were introduced in 1997.

Goolam Modack
Associate Professor
College of Accounting, UCT

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

He consults to the accounting profession and serves non-profit organisations in various capacities.

How can EY help?

Area of focus

Integrated report benchmarking

- Excellence in integrated reporting benchmark report (including in-person consultation with one of the Excellence in Integrated Reporting's adjudicators)

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

Development of long-term value focused business strategy

- Strategic ESG risk and opportunity identification, and strategy integration

Development of ESG/ sustainability strategy and responsible business programmes, including climate change and decarbonisation strategies

- Spanning target identification, implementation support and related impact/ outcome measurement and monitoring

ESG/ sustainability data management and systems

- Data mapping and gap assessment
- Systems, controls and processes
- Data visualisation and analysis

Sustainable finance framework development and implementation, incl. application of ICMA green, social and sustainability-linked bond principles

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

Pre-assurance engagements for reporting of material non-financial performance information

Co-sourced internal assurance services to support integrity of your 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

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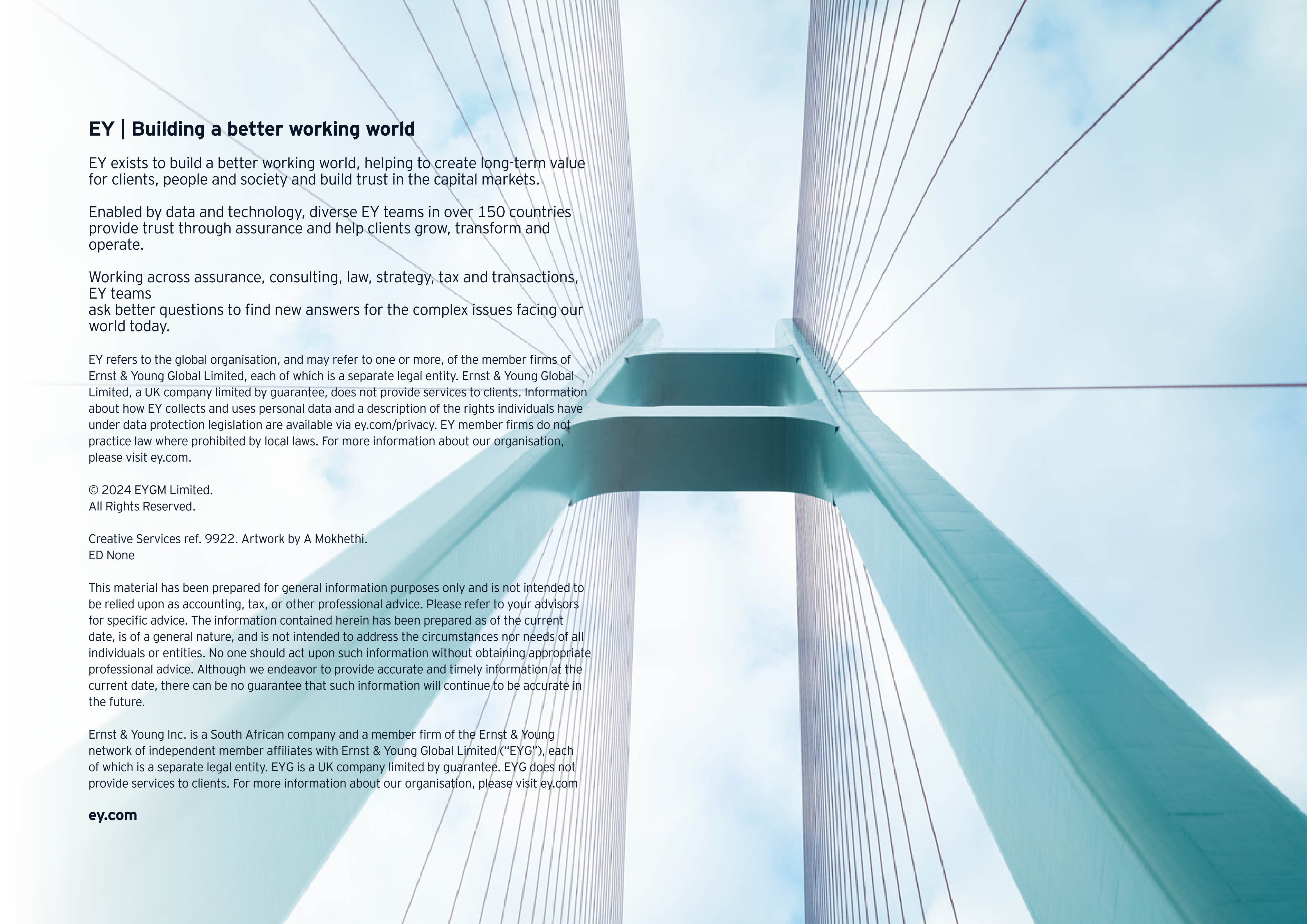

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