SG-TS CSSA/JSE INTEGRATED REPORTING AWARDS





Karen Sadie, Stephen Sadie and Mervyn King.

Awards recognise achievement

 Corporate reporting is an integral part of good corporate governance

he Chartered Secretaries Southern Africa Johannesburg Stock Exchange (JSE) Integrated Reporting Awards, which took

awards in SA and have recognised the importance of good corporate reporting since 1956 when JL Hullet & Sons won the place at the Montecasino ballroom on Wednesday, November first award. We have come a 17, celebrated its 60th anniverlong way since then. There are sary with 420 guests from some companies such as Edgars organisations across southern Consolidated Stores, SABMiller Africa attending the gala dinner. and Barloworld, which have "The CSSA/JSE Integrated won awards 20 times, 16 times

longest-standing

and 10 times respectively," says

Stephen Sadie, CEO of CSSA. reporting The JSE Ltd has been an important co-host of the awards for the past 21 years. Sadie says as an independent

professional body with an interest in good corporate governance CSSA is committed to promoting reporting excellence in southern Africa and the Integrated Reporting Awards contribute to the learning process.

The awards offer entrant companies an opportunity for peer-on-peer comparison of their reports, which is important as the International (IR) Frame-

work is barely three years old "The best way for organisations to become skilled at integrated reporting is to be compared with and learn from their peers," says Sadie. "One of the hallmarks of the awards is that

King 4

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King 3 has

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they cover 10 categories from the Top 40 to NGOs. This means that companies compete against their equals and learn from them, because apples are compared with apples.

"Likewise, the judging process is not only important from an awards perspective, but also from an educational perspective and improving the standard of integrated reporting."





"Sea Rescue prides ourselves on good governance and as such our financials are open for scrutiny. What makes us particularly proud is the fact that our Integrated Reports are produced in-house by our brand and communications team. No outside agency is commissioned." said NSRI CEO, Dr Cleeve Robertson.

To view the report visit our website www.searescue.org.za and select the PUBLICATIONS tab.

Quality data critical for investment decision making

The importance of integrated reporting is growing in the economic community and particularly in capital markets because investors want a holistic perspective of companies and how the business and the risks and opportunities of the business relate to the six capitals, according to Corli le Roux, head of sustainability at the JSE.

The JSE believes it is important to promote integrated reporting, because investors do need to understand the broader picture of the companies that they invest in, she says.

"We believe that if we can boost transparency across the range of issues concerning financial and sustainability information it will have a big impact on how investors decide to channel their money.

Reporting Awards are the

"One of the main roles of an exchange as an intermediary is to make sure that we can facilitate the availability of information for proper investment decision making. Obviously if investors have confidence, not only in the quantity or coverage of information, but also in the quality of information, then it will improve decision making."

The fact that SA is a leader in the global integrated reporting environment can be attributed to King 3 and the fact that many

local companies had started to do integrated reporting before the international framework was developed, Le Roux says.

So by the time the framework was published there were already a number of South African companies that could be held up as examples of how to produce an integrated report, which still holds true

"The Integrated Reporting Committee of SA also does a lot of work giving companies guidance and examples of how to do integrated reporting, which is quite extensively referred to in an international context relative to the International (IR) Framework

that companies are using. "The fact that quite a lot of

nonlisted entities, from small companies and NGOs to state-owned enterprises, are starting to feature in the integrated reporting awards underlines the impact integrated reporting is having on how organisations approach their reporting and think of their operations."

Le Roux expects the recently released King 4 report to build on and cement what King 3 has established with regard to integrated reporting.

"King 4 underscores the importance of integrated thinking for successful integrated reporting, because it is about how companies see the operation and administration of their entire business and not merely about the reporting process at the end of the line.

"King 4 also emphasises the need for a greater focus on an outcomes-focused strategic approach as opposed to merely ticking boxes.

"This is to facilitate a process in which company boards and directors can apply their mind to all aspects of managing the business and how they express that to stakeholders in the integrated report, especially regarding merging silos within businesses and helping companies to gain cross-over perspectives," Le Roux says.



Winners celebrate reporting excellence

The winners of the CSSA/JSE Integrated Reporting Awards 2016 in the various categories are as

Overall Winner: Vodacom Group

Top 40 Winner: Nedbank Group; Merit: Sasol – The judges said this category has again produced an excellent selection of reports. There was very little to choose between the top five companies. The integration of the reports and the discussion on the capitals has significantly

• Midcap Winner: Liberty Holdings; Merit: Reunert

• Small Cap Winner: **ArcelorMittal South Africa**; Merit: Royal Bafokeng Platinum • AltX and Fledgling Winner: **York Timbers Holdings**; Merit: Basil Read Holdings

• Large State-Owned Winner: **Transnet SOC**; Merit: Airports Company SA

• Small State-Owned Winner: Sasria SOC; Merit: Development Bank of Southern Africa

• Regional Winner: **Swaziland Sugar Association**; Merit: Wilderness Holdings • Nonlisted Winner: **Foskor**; Merit: Waco International Holdings

Public Sector Winner: Gautrain Management Agency; Merit: Competition Tribunal of SA

NPO/NGO Winner: CANSA; Merit: Cotlands



BusinessDay www.businessday.co.za Wednesday 30 November 2016

INSIGHTS: CSSA/JSE Integrated Reporting Awards

Reports follow upward course

Awards reveal an increase in framework use

n the three years since the International Integrated Reporting Council officially launched its international integrated reporting framework, significant strides have been made in reporting, says Zubair Wadee, convener of judges for the CSSA/JSE Integrated Reporting Awards and director at PwC.

Wadee, who has been involved in judging the awards for the past seven years, says SA has been at the forefront of these developments, which are reflected in the changes that have been made to the judging criteria of the awards.

CHANGES

"The changes in the judging criteria to become more principle- and substance-based mirrored the impact of King 3 and the guidance provided by the Integrated Reporting Committee of SA's framework that fed into the development of the international framework released by the International Integrated Reporting Council in 2013," says Wadee.

"This year's Integrated Reporting Awards highlight just how much progress has been made by reporters in the past seven years since the release of the King 3 report in 2009. A



Zubair Wadee ... progress.

quick glance at this year's reports reveals that most have used the framework as a base for reporting.

"That is encouraging, yet year-on-year improvements have not necessarily been as fundamental or revolutionary as may have been expected.

"Many reporters appear to be in a period of consolidation, rather than aiming for significant improvements to their reports.

However, Wadee says there has been improvement on last year's, and that "more entities than ever before are using the content prescribed by the framework to determine what

to include in their reports". He says reports across the board include "good discussions on strategy, the business model, and risks at a level of maturity we have not seen in the past'

"Interestingly, in following the approach of ensuring that the content is as prescribed by the framework, some companies appear to have come undone," Wadee says.

He says many reporters are still struggling to apply the interplay between the content suggested by the framework and the key principles that should guide the preparation of the integrated report.

These principles include ensuring the information is well connected and tells a holistic story, deciding what information is material and what is not, as well as being concerned with conciseness and reliability.

However, while there have been improvements and a certain level of standardisation in terms of the content, Wadee says there is still room for improvement in applying the underlying principles.

"It is when entities begin applying the guiding principles that they will be able to produce truly integrated reports. There is



Mervyn King presents the overall winner award to Sandi Linford from Vodacom Group

evidence of this in the reports by the winners.

"Another area that has seen improvement has been around the reporting on strategy, and showing that the strategy takes into account more than just financial considerations but embraces the broader capitals

REPORTERS HAVE MADE EFFORTS TO ENSURE THAT THE STRUCTURE OF THE REPORT IS APPROPRIATE FOR THE ENTITY

of, for example, social and human capital

"It has also been encouraging to see that more entities are starting to align the reporting on strategy to the key performance indicators, and in some more progressive

reporters, this is linked all the way through to remuneration of

the key executives," he says. Wadee says he is encouraged by the way reporters are starting to use their business model to tell the story of how they create value.

OUTCOMES

He says companies have clearly put more effort into making the depiction of the business model more concise and easily understandable. This is true for the inputs into the business model, the process of value creation and the outputs.

However, most reporters still appear to grapple with identifying what the outcomes, based on the six capitals, of

their business activity were. "It is therefore often difficult to understand what the broader impact of the entity's operations on the six capitals was.

"This may well be due to the absence of this information within internal reporting, and

entities will need to consider this going forward." He says the recently launched King 4 embraces integrated reporting, integrated thinking. and a holistic approach to decision making.

"It is clear, when comparing reports from three years ago at the time of the launch of the framework, to today's reports, the quality of integrated reports has improved significantly.

"Reporters have made efforts to ensure that the structure of the report is appropriate for the entity and that the key content pillars are in place," says Wadee.

REWARD

"What remains is for entities to embrace the spirit of integrated reporting by applying the underlying principles that guide it, and to embed this holistic thinking into their decision making. The reward for doing so will be reporting that is insightful and meaningful," says

The judging panel, which spent long hours reviewing the reports, consisted of Wadee: Johann Neethling, director at **Chartered Secretaries Southern** Africa; Leigh Roberts, CEO at the Integrated Reporting Committee of SA; Prof John Ford from the Gordon Institute of Business Science; Tania Wimberley, head of financial reporting and issuer regulation at the JSE; Joanne Matisonn, head of corporate governance at TMF Group; Pieter Conradie, programme director for integrated reporting at the Albert Luthuli Centre for Responsible Leadership at the University of Pretoria; and Jonathan Streng, senior accountancy lecturer at the University of Johannesburg.



and stakeholder

engagement as

key elements of our

reporting approach.

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Telling a clear and concise story

The Integrated Reporting Committee (IRC) of SA explains that first there was financial reporting, then sustainability reporting, now it's the turn of integrated reporting, set to become the way companies report their performance.

"The aim of the integrated

report is to clearly and concisely tell the story of the company, who it is and what it does and how it creates value, its strategy, opportunities and risks, its business model and governance, and the performance against its

strategic objectives in a way

BUILDING A STRONGER

SOUTH AFRICA

INTERNAL AUDIT PLAYS A

VITAL ROLE IN THE INTEGRATED

REPORTING PROCESS

Integrated Reporting with all its facets, can only succeed if the leadership has a deep understanding of the principles and are truly committed to applying those principles. Internal audit is ideally placed to be an Integrated Reporting agent as it touches every aspect of the organisation and plays both an assurance and advisory role in the organisation. In its assurance role, internal audit should be able to give the leadership a view on the Integrated Reporting processes in the organisation as well as the accuracy and completeness of the information in the Integrated Report.

For more information on internal audit's role in Integrated Reporting, join our free Stakeholder Network on our website: www.iiasa.org.za

Alternatively you can contact us on: Tel: +27 11 450 1040 | E-mail: customerservices@iiasa.org.za

that gives stakeholders a holistic view of the company and its future," says the IRC.

"Importantly, IR includes forward-looking information to allow stakeholders to make a more informed assessment of the future value creation ability of the organisation."







INSIGHTS: CSSA/JSE Integrated Reporting Awards

Sasria SOC Ltd is proud to have won the Integrated Reporting Award 2016 in the small state owned company category. Our commitment to good governance, effective stakeholder management and transparent reporting has resulted in us remaining solid in times of turmoil. Sasria offers short term insurance cover against strikes, riots, terrorism, civil commotion and public disorder to corporate and commercial clients as well as infulvidual policy holders.

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Why SA is king of integrated reporting

New approach to corporate governance has become a global success

A was the first country in the world to have a code adopting integrated reporting as a result of the 2009 King Code of Governance Principles and the King Report on Governance (King 3), says Prof Mervyn King, internationally recognised expert on corporate governance and sustainability.

The professor was also the chairman of the King Committee, Integrated Reporting Committee of SA, and the International Integrated Reporting Council.

He says the Integrated Reporting Committee of SA issued the first framework on how to produce an integrated report and how to think in an integrated manner, which changed corporate behaviour.

This template was used by the International Integrated Reporting Council, which was formed in 2010, to issue the international framework in December 2013.

King says 71 institutional bodies from across the world are on the international council, and that integrated reporting has been adopted globally.

The International Federation of Accountants, for example, has accepted that financial reporting on its own does not account for the true state of play inside a company.

Research has shown that up to 70% of market capitalisation is not reflected as additives in a balance sheet, according to

financial reporting standards. "This meant that the financial report only reflected about 30% of value in a company, which shows that intangible assets were making up 70% of value," says King.

was the long-term strategy of a company such that a stakeholder could reasonably infer whether the business of the company would maintain value creation in a sustainable manner in our resourcedeprived world?

"This begged the question:

"Long-term strategy became a huge value-add. Furthermore, we had reached the point that we were using natural assets faster than nature was regenerating them, which was not sustainable and, quite clearly, we could not carry on business as usual. Nor could we continue reporting as usual — just doing the financials, because we were only communicating 30% of the state of play inside a company," he explains.

King says although there was progression with sustainability reports in addition to financial reports, the reports were in silos, which was not reflective of how the business of a company is actually run.

"Companies are run with an integration of financial capital, human capital, social capital and intellectual capital. There is a symphony of sources of value creation and an ongoing relationship between the company and stakeholders 24-

7, therefore reporting should also be done on that basis.

"This resulted in the integrated reporting movement sweeping around the globe, because sustainability reporting was critical but not sufficient, as financial reporting was critical but not sufficient.

"The solution was to report in a manner that was reflective

TODAY, RESPONSIBLE INVESTORS WANT TO KNOW WHAT IS HAPPENING IN THE SUPPLY CHAIN BEFORE PROVIDING CAPITAL

of the way in which companies actually operate. This is how we arrived at integrated thinking and producing an integrated report that has to be communicated in clear, concise and understandable language.

"These are the principles of integrated reporting, which is now a global phenomenon, of which South Africa is a leader and the first country to institute integrated reporting as a requirement for listing on the stock exchange," says King.

He says capital providers are supporting integrated reporting by applying the principles of responsible investment, which necessitates knowing what is happening in the supply chain of a company in whose equity

they are going to invest their beneficiary money.

"Today, responsible investors want to know what is happening in the supply chain before providing capital, because labour or environmental abuses can result in a huge adverse impact

on market value."

King says that King 4 arose because of various changes in the financial and economic landscape, such as SA's new Companies Act. However, the new iteration has also reduced the 75 principles in King 3 to 17 basic principles, one of which only applies to institutional investors, so 16 of the principles can be applied by any organisation and all are required to explain how they

are achieving those principles. "We have explicitly said that while any organisation can use the basic principles, King 4 has moved from 'apply or explain' to 'apply and explain', so that the reader can make an informed decision as to whether or not the organisation is achieving good governance through the following four outcomes: ethical and effective leadership; adequate and effective control and oversight; value creation in a sustainable manner; and trust and confidence, good reputation and legitimacy of operations.

He says in this way, "we have moved from an almost mindless check-list approach to governance to a mindful application of basic principles".

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BusinessDay www.businessday.co.za Wednesday 30 November 2016

INSIGHTS: CSSA/JSE Integrated Reporting Awards

Resisting change could result in a bumpy ride

Reporting is about communicating to those affected by our business

ainting a picture of the future is one of the challenges that many corporates face compiling an integrated report, according to Corli le Roux, head of sustainability at the JSE.

Delivering the keynote address at the annual CSSA/JSE Integrated Reporting Awards, Le Roux reminded the audience that interest in the future is reflected in the fact that futures studies (or futurology) has emerged out of what was mostly considered science fiction to being a legitimate academic interdisciplinary science, having been integrated into business schools and research institutes worldwide.

She said people want to know the future because it helps them deal with change.

"People at their core resist change because they would like to avoid uncertainty and be able to make better decisions.

"However, if resistance to change is truly at the core of wanting to have a view on the future, then I fear we are in for a bumpy ride, because in the words of the Greek philosopher Heraclitus: 'Change is the only constant in life'," said Le Roux.

She argued that change and constancy are two sides of the same coin, which we are rarely taught to see as a whole that contains two aspects, one of unchanging persistence, the

other of incessant change. Le Roux reported that in 1970, the late Alvin Toffler, in his first book Future Shock, had already been musing about the death of permanence and the accelerating speed of change.

"Today, of course, we stand on the brink of the Fourth Industrial Revolution, which according to the World Economic Forum 'is evolving at an exponential rather than a linear pace'.

GLOBAL VILLAGE

"John Naisbitt, writing about 10 megatrends, said the shift from industrial to information society suggests that the real importance of the Sputnik launch in 1957 was not that it began the space age, but that it introduced the era of global satellite communications transforming the earth into a global village.

Le Roux said that, today, we live in a world where every single day 500-million Tweets are sent and 40-million shared;



more than 4-million hours of content is uploaded to Youtube: there are 3,6-billion Instagram likes, 4,3-billion Facebook messages, and 5,75-billion Facebook likes; 6-billion Google searches are conducted; and

205-billion e-mails are sent. Le Roux says we have, unfortunately, also realised the forecast that we would be drowning in information but starved for knowledge.

She said both Toffler and Naisbitt argue for integration. They offer a solution

another shift is needed - from supply of information to selection thereof, which sounds logical, but is one of integrated reporting's greatest challenges. "Jopie Coetzee in his book The Social Contract with Business concurs that in

'today's world of information overload, it is difficult to listen'. He says to hear and reflect on

communicating to those who are affected by our business and who may have the ability to impact on us "It is about the longer-term Corli le Roux .. we stand on

Industrial

the actual message amid a

cacophony of noise is nearly

we integrate or synthesise?'

asked Le Roux.

impossible - we are simply too

busy being busy. Then how do

As a solution she offered

Naisbitt's second megatrend,

modern version of the ancient

which states that the great

lesson we must learn is a

Greek ideal - balance. The

notion is that whenever new

must be a counterbalancing

human response, or else the

Le Roux argued that

suffering its own hi-tech

technology is rejected.

technology is introduced, there

similarly, integrated reporting is

a response to achieve balance.

"The reporting world is

challenges – we are drowning

in the alphabet soup of tools

and guidelines at our disposal.

"At its very heart, integrated

reporting is not about imparting

value we create for others by exercising the good the brink of governance, ethical leadership and accountability that the King the Fourth Code has talked about for more Revolution. than a decade."

information in a particular

manner, it is about

The last of Naisbitt's megatrends concerned the shift from short term to long term, which is also mirrored in integrated reporting. "In 1981, of nearly 1,000 top executives surveyed in the US, 76% said there is too much focus on short-term financial goals.

"While in many respects we have succeeded in achieving a long-term perspective through inculcating a culture of lifelong learning into businesses, as well as strategic planning, in other respects we seem to have perpetuated the talk about long term without really doing the walk. But integrated reporting is

calling us to task on this." Le Roux argued that when it comes to the journey towards integrated thinking and integrated reporting, understanding the dualities of short term and long term, and change and constancy will help us to see our own future paths.

The most impressive development in the Chartered Secretaries Southern Africa (CSSA)/Johannesburg Stock Exchange (JSE) Integrated Reporting Awards is the

professionalism of the judging panel, who, today, are all reporting experts and academics, according to Rob Furney, past CSSA president who has been associated with CSSA for 40 years. Furney, who also served as

chairman of the committee for the Annual Reporting Awards, which was the predecessor of the Integrated Reporting Awards, says the growth in expertise of the judging panel mirrors the transformation of reporting from purely financial to an integrated model that reports on all six capitals, communicates an understanding of their interdependencies, and examines the full range of factors that affect the ability of an organisation to create value over time.

He says another impressive development is the growth in number of Integrated Reporting Awards categories.

CATEGORIES

"If you go back even as recently as 2000 there were only four categories. Today, there are 10 categories, including stateowned companies, the public sector, NGOs and companies from southern Africa.

"Furthermore, as the JSE evolved and changed its sectors the awards had to keep pace. All these changes have levelled



the playing fields with similar companies now competing against each other, unlike previously it is not only the large corporates that are

Altering the way organisations

think – and how they operate

winning the awards." Furney says the growth in numbers of companies competing for awards and the range of type of organisations reflects the growing importance in which reporting and corporate governance is viewed, together with legislative and regulatory compliance, and ethical and responsible business practices.

"I believe the development

of integrated reporting is contributing to changing the way in which organisations think, not only about their reports, but about the way in which they operate their organisations.

"This is supported by organisations measuring themselves against their peers." Furney says in the same

way that the awards have

Fledgling AltX winner — Rob Furney presents the award to Sue Hsieh from York Timbers.

transformed, so has the CSSA as an organisation. having become the premier formal professional institute in the country for the enabling of corporate governance and development of company secretaries

SKILLS

NEDBANK

"The recent changes to our curriculum have emphasised the development of corporate governance knowledge and skills rather than accounting, which has been concurrent with the rise in importance of compliance with environmental, social and governance regulations in business.

"Our CEO, Stephen Sadie, has also been highly effective in keeping the organisation relevant in the educational sector," says Furney.

King 4 shifts focus to outcomes, accessibility



Some 420 guests from organisations across southern Africa attended the gala dinner.

The King 4 Report on Corporate mainstream component of Governance (King 4) was launched on November 1 2016 by the King Committee and the Institute of Directors in Southern Africa (IoDSA). The King Reports, of which this is the fourth iteration, contain the philosophy, principles and leading practices for corporate governance in SA.

"The overarching objective of King 4 is to make corporate governance more accessible and relevant to a wider range of organisations, and to be the catalyst for a shift from a compliance-based mind-set to one that sees corporate governance as a lever for value creation," says Prof Mervyn King, chair of the King Committee on Corporate Governance in SA.

WELCOMED The International Integrated

Reporting Council (IIRC) has welcomed the publication of King 4, which it says is the first outcomes-based governance code in the world and modelled on the International (IR) Framework.

IIRC says corporate reporting is an essential and inseparable part of corporate governance— it is the outcome of a corporate governance process – grounded in the purpose, values and activities of the business and reflecting on the behaviours, from the board and management team, through the business.

"SA is the first country in the world to adopt IR as a

corporate governance. An increasing body of evidence from the five-year take-up of integrated reporting demonstrates an integrated and inclusive corporate governance system delivers practical benefits to businesses and investors, such as improved share price performance. Integrated reporting is fast becoming the information architecture that connects corporate governance and investment stewardship."

GUIDANCE

King 4 also provides guidance on how to apply its practices proportionally, in line with an individual organisation's size and resources, and the extent and complexity of its activities. At a deeper level, King 4 has

taken the decisive step of focusing on outcomes as a way of driving acceptance of corporate governance as integral to value creation by organisations characterised by an ethical culture, good performance, effective control and legitimacy.

Linking governance to outcomes should result in organisations practising quality governance. In this spirit, King 4

KING 4 BELONGS TO ALL SOUTH AFRICANS TO WHOM GOOD **GOVERNANCE MATTERS**

emphasises not what practices have been implemented but rather what their impact has been on achieving its 16 principles. King 4 has moved the regimen of "apply or explain" to "apply and explain".

"Apply and explain" introduces a qualitative approach to the implementation of King 4's recommendations. Governing bodies now have greater flexibility in how they implement the recommended practices to achieve the goals articulated in the principles, but they have to be transparent about how they did so. The intent is for the reader of the explanation to be able to make an informed decision about whether the organisation has or has not achieved the principles and realised the outcomes of ethical culture, performance in a sustainable manner, effective controls and legitimacy.

CONSULTATION

"King 4 is the product of wide consultation, and belongs to all South Africans – organisations and individuals – to whom good governance matters," says Ansie Ramalho, King 4 Report project lead for the IoDSA.

"The wish of the King Committee and the IoDSA is that King 4 be welcomed as making it easier to understand what the purpose of corporate governance is, and to apply it to achieve the creation of value. King 4 aims to make corporate governance understandable beyond just consultants, technicians and academics.

DEMONSTRATING VALUE FOR OUR STAKEHOLDERS THROUGH EXCELLENCE IN INTEGRATED REPORTING

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Our integrated report reflects how we use our financial expertise to do good. For us, it's more than just reporting, it's the way we communicate how our strategy creates value for our stakeholders.

*Including Winner, Chartered Secretaries SA Integrated Reporting Awards 2016 Top 40.

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