

# CGISA Integrated Reporting Awards 2021

The power of integrated reporting

Judges' report



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## The role of PwC

PwC is a non-monetary sponsor of the Chartered Governance Institute of Southern Africa (CGISA) Integrated Reporting Awards (IR Awards) and acts as convenor of judges during the awards evaluation process. Entries into the different categories are managed by CGISA. The independent judges, who are selected by the CGISA, submit the completed assessments to the convenor of judges for consideration. The convenor of judges, in discussion with the judges, and based on the scores achieved in the assessment, identifies an overall winner for each category, as well as the merit award winner. The convenor also collates comments from the judges, which are summarised and presented in this report, along with key trends that PwC has identified through its active participation in the integrated reporting field. For more information, please refer to the methodology discussed in section five of this report.





# 1 Introduction

The objective of the CGISA IR Awards (since 1956) is to encourage innovation and excellence in integrated reporting in Southern Africa. Our previous report was titled 'The Resilience Test'. While we think that challenges brought about as a result of the COVID-19 global pandemic are not completely over — we consider 2021 to be the year for the power of Integrated Reporting to shine through and illuminate the strides organisations have made towards quality.

The pandemic gave rise to significant opportunities for organisations to consider aspects of environmental, societal and governance (ESG) matters. Particularly, in some instances, with regards to the societal elements where organisations sought to focus on employees, healthcare and suitable flexible working arrangements. On the investor side, we have seen a trend developing in which ESG is recognised as a legitimate risk mitigant — as well as an economic opportunity. In a global PwC survey on investor behaviour, 79% of investors agreed that they are screening potential investments for ESG risks and opportunities.<sup>1</sup> Consumer trust, focus, and preferences are increasingly linked to the ESG values of the companies they support.

To couple all this, the integrated report shines in being a singular document for companies to 'tell their story' as they begin to articulate their ESG journey.

Our report this year covers trends in integrated reporting, including integrated thinking, concise and meaningful reporting, as well as ESG. We also discuss integrated reporting for the future, which encompasses a further discussion on sustainability. We hope that you will find the trends, summary of key developments and judges' comments useful, and that they will inspire you and your organisations to continue to leverage the power of integrated reporting.



**Jayne Mammatt**

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<sup>1</sup> "The economic realities of ESG," PwC, 2021 <https://www.pwc.com/gx/en/news-room/press-releases/2021/pwc-esg-investor-survey-2021.html>

## 2 Trends in integrated reporting

### 2021 Trends

- 1 Integrated thinking
- 2 Concise and meaningful reporting
- 3 The Covid-19 pandemic
- 4 ESG

#### 1. Integrated thinking



**Integrated reporting.** A process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation, preservation or erosion over time and related communications regarding aspects of value creation, preservation or erosion.<sup>2</sup>



**Integrated thinking.** The active consideration by an organisation of the relationships between its various operating and functional units and the capitals that it 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.<sup>3</sup>

South African organisations have been preparing integrated reports for some time, but it is not always evident whether there is integrated thinking at the heart of an organisation or whether a narrow financial focus is followed in strategic decision making.

Integrated reporting is a holistic perspective on an organisation's ability to create, preserve or erode value for all its stakeholders — in the short, medium and long

<sup>2, 3</sup> "International <IR> Framework." Value Reporting Foundation. Accessed 5 November 2021. <https://www.integratedreporting.org/resource/international-ir-framework/>.

term — which is depicted in an annual integrated report. Integrated thinking forms the foundation of integrated reporting. Executive decisions should be based on a holistic view of the six capitals<sup>4</sup> the organisation uses or affects, with the dependencies and trade-offs between those capitals as value is being created.<sup>5</sup> Integrated thinking is not easily measured yet can be evidenced by the consistent and integrated way all communications about an organisation are made, including in the integrated report, investor presentations and even internal communications.

## 68% of investors believe that ESG performance measures should be included in executive pay arrangements<sup>6</sup>

A link between executive remuneration and value creation has not been proven but an organisation that integrates the legitimate needs of stakeholders into its business plan and strategy, and ultimately into executive remuneration, is more likely to have executives who apply integrated thinking. In a global survey by PwC in 2021 on investor and analyst behaviour, 86% believe that incorporating ESG performance measures in executive pay helps ensure that executives focus on non-financial factors that drive long-term shareholder value. In the latest Practices and Remuneration Trends report, PwC acknowledges that ‘Old ESG’ metrics have made way for ‘New ESG’ measures.<sup>7</sup> Old ESG measures were typically linked to regulatory requirements, risk management and the safety of employees. New ESG measures relate to the environment, society and communities and include measures such as diversity, sustainability and other social responsibility initiatives undertaken by the organisation. The biggest risk with ESG metrics is that they are not aligned with the organisation’s strategy.

4 Financial, manufactured, intellectual, human, social and relationship and natural capital

5 The Value Reporting Foundation, *Integrated Thinking: A Virtuous Loop*, June 2021. <https://integratedreporting.org/wp-content/uploads/2021/06/Integrated-thinking-virtuous-loop.pdf>

6 “The economic realities of ESG,” PwC, October 2021. <https://www.pwc.com/gx/en/newsroom/press-releases/2021/pwc-ess-investor-survey-2021.html>

7 PwC, *Executive directors: Practices and remuneration trends report*, August 2021. <https://www.pwc.co.za/en/publications/executive-directors-report.html>

The test for integrated thinking is whether the organisation’s holistic strategy and business model speak to the way in which it responds to the external environment it operates in and is underpinned by its values and purpose. It is also widely accepted that incorporating non-financial metrics into executive remuneration is critical to an organisation’s sustainable performance as ‘*what gets measured – gets done*’. Institutional investors, amongst others, have recently called for alignment between the drivers of executive remuneration and performance against strategic objectives, including ESG metrics.<sup>8</sup>

Integrated thinking, if done well, should fuel an iterative cycle of improvements to existing integrated reporting processes.<sup>9</sup> One of the latest publications by the International Integrated Reporting Council (IIRC), *Integrated Thinking and Strategy: State of play report*,<sup>10</sup> emphasises that integrated thinking is about more than just a published report. The IIRC introduces a spring model concept which pulls the capitals together into a proverbial spring that personifies an agile, responsive organisation. If integration is not part of the fabric of the organisation, it won’t be able to analyse data and make decisions in an integrated manner. Those organisations with the ability to make decisions in a timely and integrated manner have been able to remain resilient in these uncertain times.



8 IoD, *Guidance Paper - Effective stakeholder engagement within the context of remuneration*, May 2021. [https://cdn.ymaaws.com/www.iodsa.co.za/resource/collection/2CD7255E-9BC8-4BC1-BD80-C662F1365E47/King\\_Committee\\_Guidance\\_paper\\_on\\_effective\\_stakeholder\\_engagement\\_within\\_the\\_context\\_of\\_remuneration.pdf](https://cdn.ymaaws.com/www.iodsa.co.za/resource/collection/2CD7255E-9BC8-4BC1-BD80-C662F1365E47/King_Committee_Guidance_paper_on_effective_stakeholder_engagement_within_the_context_of_remuneration.pdf)

9 The Value Reporting Foundation, *Integrated Thinking: A Virtuous Loop*, June 2021. <https://integratedreporting.org/wp-content/uploads/2021/06/Integrated-thinking-virtuous-loop.pdf>

10 IIRC, *Integrated Thinking & Strategy: State of Play Report*, Dec 2019. [https://integratedreporting.org/wp-content/uploads/2020/01/Integrated-Thinking-and-Strategy-State-of-Play-Report\\_2020.pdf](https://integratedreporting.org/wp-content/uploads/2020/01/Integrated-Thinking-and-Strategy-State-of-Play-Report_2020.pdf)



**Executive summary:** Despite increasing experience in integrated reporting, many reports are not yet fully integrated — with matters such as ESG being reported on as a separate strategy. When building an organisation’s strategic objectives, including ESG into executive remuneration can assist with its operational integration. In addition, integrated thinking should fuel an iterative cycle of improvements to existing integrated reporting processes.

## 2. Concise and meaningful reporting

### Average length of the Top 40 integrated reports – 154 pages

### Average number of references made to COVID-19 in each report – 144 references

The notion that the length of integrated reports continues to grow exponentially is an existing complaint for many users. Reports have, perhaps comically, been described as having a large “thud” factor, which is related to the volume of the sound the report would make if thrown onto a table. In response to this recurring issue, the Integrated Reporting Committee of South Africa in conjunction with the <IR> network produced guidance towards delivering a meaningful and concise integrated report.<sup>11</sup>

Common weaknesses within integrated reports include, for instance, vague or incomplete narratives in explaining how the organisation creates, preserves, or erodes value within

11 Integrated Reporting Committee (IRC) of South Africa, *Delivering a Meaningful and Concise Integrated Report: An Information Paper*, January 2021. <https://integratedreportingsa.org/ircsa/wp-content/uploads/2021/01/IRC-information-paper-2020-interactive.pdf>

the short, medium, and long-term as well as reporting without being anchored with a sense of materiality. A lack of materiality can lead to a report that is onerously lengthy or, on the other hand, incomplete. Generic information, or merely rolling forwards elements of the prior year report would result in an integrated report that is not reflective of an entity's changing context and is not useful to the reader. Ideally, a report should be bespoke and tailored to the entity's respective facts.

Conciseness, however, should not be confused with compliance. Conciseness should not be achieved through the exclusion of material that is required by the <IR> Framework. Each integrated report should be complete, such that it includes all material information and all the prescribed content elements. The guiding principles should be applied within the preparation of the report. Practically, this necessitates alignment within the organisation across the entire corporate reporting suite.

Reports can achieve integration by utilising effective and accurate cross referencing. However, preparers should bear in mind that aspects specifically required by the <IR> Framework should be retained within the integrated report and not cross-referenced outwards in an attempt to make the report shorter. Specifically, conciseness should not be pursued by excluding material information that is required by the <IR> Framework.

Connectivity can help improve the content within the integrated report. However, preparers tend to focus on applying connectivity principles to the report's content elements. Connectivity should be applied to aspects of the six capitals' financial information and incorporate qualitative and quantitative information. This could practically be achieved by setting up a reporting plan up-front, such that content is prepared in an integrated manner from the inception of the reporting process — as opposed to trying to weave together components prepared in silos. The primary aim should be to address material topics in a single place within the report and then leverage the content through the use of appropriate cross referencing.

Materiality is the anchor that roots the report in significant, salient issues. A clear articulation of the materiality determination process allows users to understand the thinking behind which aspects feature prominently within the integrated report. A robustly determined and enforced materiality framework represents the gatekeeper that will protect an integrated report from irrelevant information and help mitigate a lengthy report. When considering the content to be incorporated within the report, preparers can also consider the <IR> Framework's guiding principles.

In conclusion, recall that in order to assert that a report is indeed an 'integrated report', all 19 requirements laid out within the <IR> Framework should be complied with. Preparers should continue to iteratively work towards balancing conciseness with comprehensiveness. Eliminating jargon and simply writing in plain language will go a long way in cutting through the clutter of reporting.



**Executive summary:** Reports continue to grow lengthy without adding significant value to the reader. Organisations should use materiality as a central anchor to guide the nature and content that is presented within the integrated report.

### 3. The Covid-19 pandemic

88% of JSE Top 40 acknowledge the impact of COVID-19 on strategy

80% of JSE Top 40 address COVID-19 impact on governance activities

The pandemic has touched every business in some way, but its impact has varied depending on a company's business model and readiness to react. As a result, it is important to give users a clear understanding of the severity

of the pandemic's effect on businesses, up until now and going forward. Eighty-eight percent of companies in the JSE Top 40 discussed the impact of COVID-19 on their strategy in the past year or two. The focus of this disclosure was almost always short term and backward looking.

The pandemic has been a case study for stakeholder engagement, particularly with employees. Difficult decisions continue to be made and will need to be made in the future, too. The context and rationale of the board's judgements will need to be understood, along with the impact on the core strategy and longer-term business model. 65% of JSE Top 40 companies include disclosure on how COVID-19 impacted board and committee decisions in the current year, over and above the fact that meetings were conducted remotely.

An emerging theme in our review is the need to explain why an issue is not seen as particularly significant or material. This observation can be as relevant to ESG and climate change reporting as it is to COVID-19 related reporting.



**Executive summary:** The COVID-19 pandemic remains prevalent and has resulted in increased stakeholder engagement and board-level action. It remains critical that an organisation provides context to the impact of the pandemic on its strategy and business model, or reasons why it is not impacted.



## 4. ESG

79% of global investors and analysts believe that how a company manages ESG risks and opportunities is a significant factor in investors' decision making

82% of global investors want companies to embed ESG directly into their corporate strategy

65% of JSE Top 40 integrate ESG factors into their core strategy<sup>12</sup>

Companies are increasingly under pressure to deliver benefits for society, or at least to limit their detrimental impacts. We are not suggesting that financial and ESG matters are inherently on unconnected, different tracks. There is a widespread acceptance that what is good for a business's key stakeholders will also be good for the business, at least in the long term. It does mean that balancing corporate strategy and ESG strategy represents a real challenge for integrated reporters. We have however seen a change in attitude in the past few years and non-financial information is increasingly seen as material for many organisations' strategy.

With many organisations making responsible investments, net zero emission and other sustainability commitments, the ESG landscape is certainly complex. From our global experience and work on reporting, we have identified a number of guidelines that can help organisations identify the issues that matter most – and report on these effectively in the integrated report.



### Give a board-level view

Use the issues that have mattered most to the board as the starting point for reporting. Boards are spending more time on ESG and climate change, however this is not always reflected in board activity or strategically relevant disclosure.



### Explain the significance of issues

Get behind the headlines and explain the relevance and significance of information, because many readers will not have detailed knowledge of the company.



### Make connections across the report

Break down the silos and establish clear connections between different sections of the integrated report and across other channels.

Despite the significant increase in disclosure in the integrated report on ESG and specifically climate change, it still tends to be dealt with in a separate part of the report without integration.

In addition, few financial statements even mention climate change.



### Be clear on the timeline

Be clear about when an issue is likely to be most relevant.

When an issue is expected to be relevant is a key determinant of its strategic significance.

Climate change, carbon-related commitments and other ESG issues have short-, medium- and long-term implications that should be reflected in the relevant parts of the integrated report.



### Present a fair, balanced and understandable view

Make sure the integrated story that emerges is part of a report that is fair, balanced and understandable as a whole.

Most organisations make reference to more detailed disclosure in a separate sustainability report. It is however not clear in most instances if organisations are on track with targets and commitments or lagging behind with mitigating actions being taken.



**Executive summary:** Companies are increasingly under pressure to have a positive societal impact in the way they do business. We encourage organisations to focus on the board level view when discussing ESG matters, while providing fair, balanced and understandable information. ESG should ideally be integrated into all of the content elements rather than being a separate part of the report and should clearly indicate commitment and target timelines.

<sup>12</sup> The economic realities of ESG, <https://www.pwc.com/gx/en/news-room/press-releases/2021/pwc-esg-investor-survey-2021.html>



## 3 Integrated reporting for the future

### The evolution of sustainability

As discussed previously, ESG matters are increasingly becoming central to the decision-making of organisations. The core objective of sustainability, although sometimes understood through different lenses, is essential to meet the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is therefore at the nexus of the economy, society and the environment. Here we consider sustainability in two spheres: the investor side and the corporate side before linking – briefly – back to integrated reporting.

#### The investor side

According to the 2021 PwC Global Private Equity Responsible Investment Survey,<sup>13</sup> sustainable investing has already grown to more than US\$30tn globally by 2018 and is expected to continue to grow. Approximately 56% of respondents to the survey discussed ESG as part of the executive board agenda at least once per year.

The linkage of value creation to ESG factors remains top-of-mind. A reported 66% of survey respondents rank value creation as one of the top three drivers of responsible investing. Furthermore, a majority of venture capital firms have begun to integrate ESG into their investment process. However, challenges towards ESG risk management cited by survey respondents included lack of dedicated resources at early-stage companies investees, lack of data as well as lack of *uniformity in standards*, reporting and scoring.

#### The corporate side

Incorporating sustainability elements into the business might often begin as a matter of risk and compliance, with minimum focus on tangible societal value creation. For example, businesses might consider climate change merely within the context of supply chain disruptions and resource scarcity. Operational and resource efficiency is likely to follow the risk and compliance process. This stage of the corporate sustainability journey considers aspects by which the company might ‘buy in’ or create a circular economy within its own processes and unlock additional value. Practically, this might entail establishing new markets for repurposing waste products, such as through the creation of new fertilizers from an entity’s natural waste.

Integration between the innovation and sustainability team allows a company to transcend into the realm of sustainability that begins to create larger societal value – while at the same time creating business value. A commonly used example of this integration is the creation of the Nike Flyknit sneaker.

<sup>13</sup> “Private equity’s ESG journey: From compliance to value creation,” PwC, May 2021.  
<https://www.pwc.com/gx/en/services/sustainability/publications/private-equity-and-the-responsible-investment-survey.html#overview>



The production process for the sneaker stemmed from the weaving of recycled polyester materials to create cloth. This resulted in a decrease in waste while creating an overall lighter shoe. Simultaneously, the product generated healthy business for the brand. This exemplifies the power of integrated thinking. If the innovation and sustainability teams were working in silos — perhaps the societal value created through combined efforts might have been foregone. When ESG is placed into the heart of the business' purpose, extraordinary outcomes are possible. This entails coupling corporate solutions with societal value creation.

### Integrated reporting

The <IR> Framework necessitates the reporting of outcomes. Outcomes are closely related to the six capitals within the Framework. Outcomes are defined in the Framework as the internal and external consequences (positive and negative) for the capitals as a result of an organisation's business activities and outputs during the period. Failure to connect the business model to broader value creation as a result of omitted outcome-based disclosures were discussed as a weakness of integrated reports within the 2020 <IR> Framework Revision engagement document.<sup>14</sup>

Integrated reporting of the future should consider the integration of the organisation's holistic elements in order to report on how the business creates value; in addition to clearly articulating its outcomes. Perhaps this deficiency originates from a lack of integrated thinking. When an organisation aligns in value, purpose and innovation — and ESG is genuinely integrated into the strategic heart of the business — the reporting of the integrated outcomes might just come naturally to the preparer.

## Task Force on Climate-related Financial Disclosures (TCFD)

### 58% of JSE Top 40 refer to the TCFD in their integrated reports

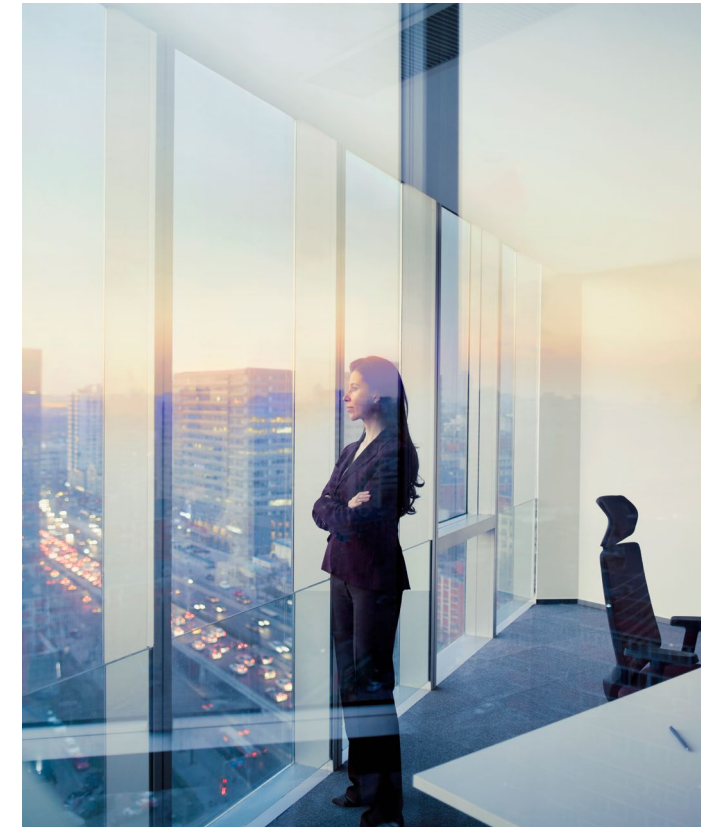
The literature around sustainability has, unfortunately, begun to entail a multitude of acronyms and naming conventions analogous to a murky 'alphabet soup' of letters and phrases. Yet, amongst this metaphorical soup — the acronym 'TCFD' often stands out. An introduction to the TCFD and its interactions with integrated reporting is explored below

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board in 2015<sup>15</sup> to develop disclosure recommendations relating to climate related risk in order to promote informed financial decisions. These decisions include investment, credit and insurance underwriting. The aim of the disclosures is to enable stakeholders to comprehend any concentration of carbon-related assets in the financial sector, as well as the financial system's exposure to climate-related risks. The disclosures are voluntary, however, certain jurisdictions have begun to make it mandatory for listed companies to report climate-change disclosures as per the TCFD, such as New Zealand and the UK.

From an integrated reporting perspective, we know that preparers are meant to disclose material information on multiple aspects — such as the organisation's external environment, business model and strategy. By contrast, the TCFD recommendations focus solely on climate-related disclosures. To the extent that climate related risk is material to an organisation, by virtue of an integrated report presenting material information — discussions about climate related risk could be pervasive.

<sup>15</sup> The Financial Stability Board "promotes international financial stability; it does so by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. It fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions." <https://www.fsb.org/about/>

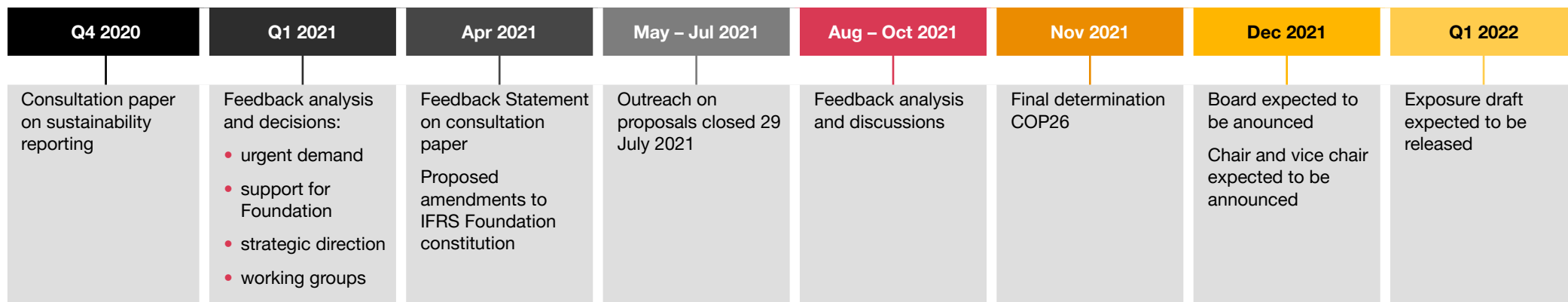
For example, to the extent that climate related risk has been considered, it could be discussed in statements by the chair, CEO, CFO and within the content elements of the external environment, governance, strategy, risk and opportunities as well as outlook.<sup>16</sup> Some organisations issue separate, detailed TCFD reports as per the TCFD framework. To the extent that climate change is discussed in a singular place within the report, cross-referencing could be leveraged to achieve conciseness, however, connectivity with other parts of the integrated report should still be maintained.



<sup>16</sup> Integrated Reporting Committee of South Africa, *FAQ: reporting on TCFD Recommendations within the Integrated Report*, May 2021. <https://integratedreportingsa.org/ircsa/wp-content/uploads/2021/05/FAQ-TCFD-May-2021-final.pdf>

<sup>14</sup> The Value Reporting Foundation, *International <IR> Framework: Focused Engagement - Topic Paper 2, Business Model considerations*, March 2020

## ISSB

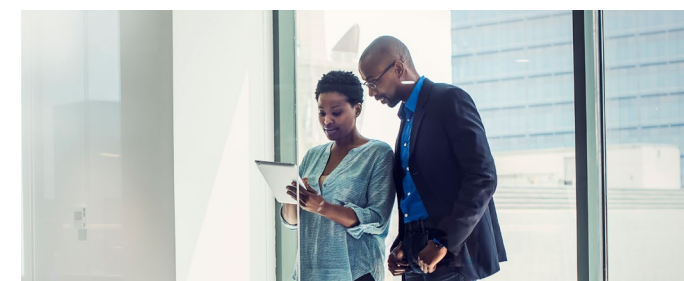


The International Financial Reporting Standards (IFRS) Foundation Trustees initiated a public consultation process in 2020 where respondents confirmed that there is an urgent demand for global ESG standards and for the IFRS Foundation to play a role in developing such standards. The IFRS Foundation announced the formation of the International Sustainability Standards Board (ISSB) on 3 November 2021 at COP26 in Glasgow. The newly formed ISSB proposes to issue the first exposure draft of a global sustainability framework in quarter one of 2022. The ISSB functions in parallel to the existing International Accounting Standards Board (IASB) under the oversight of the IFRS Foundation. The ISSB is tasked with developing a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.<sup>17</sup>

A number of technical workstreams have been in process to enable the proposed ISSB to make a “running start” with a prototype climate-related financial disclosure standard. Key considerations that will contribute to the success of the ISSB initiatives are cooperation with existing stakeholders including sustainability framework bodies and regulators such as the Climate Disclosure Standards Board (CDSB), International Accounting Standards Board (IASB), the Financial Stability Board’s Task Force on Climate Related Financial Disclosures (TCFD), the VRF and the World Economic Forum, supported by the International Organisation of Securities Commissions (IOSCO), and making use of existing frameworks in a building-blocks approach to developing its global prototype.

One concern raised is that the ISSBs initial focus on climate change alone does not take the unavoidable interaction between environmental, social and governance aspects

into account. A consistent set of metrics for measuring ESG performance would however be of significant benefit to investors, according to the PwC survey of leading investors globally. Nearly three-quarters (74%) said their decision-making would be better informed if companies applied a single set of ESG reporting standards, and a similar number (73%) say it’s important to be able to compare ESG performance across companies.<sup>18</sup> Without global standards, investors are severely challenged in evaluating ESG performance. It is also much more difficult for companies to report on ESG performance without common benchmarks or frameworks to follow.



<sup>17</sup> “IFRS Foundation Announces International Sustainability Standards Board.” The Value Reporting Foundation. Last modified 4 November 2021. <https://www.valuereportingfoundation.org/news/ifrs-foundation-announcement/>.

<sup>18</sup> “Companies Failing to Act on ESG Issues Risk Losing Investors, Finds New PwC Survey.” PwC. Accessed 5 November 2021. <https://www.pwc.com/gx/en/news-room/press-releases/2021/pwc-esg-investor-survey-2021.html>.

# strategy&

Part of the PwC network

## Strategy& economic update

Compiled by Dr Christie Viljoen, PwC, Senior Manager and Economist

The South African economy contracted by 6.4% in 2020 and lost a net 1.4 million jobs. The COVID-19 pandemic forced the implementation of local lockdown restrictions in order to safeguard the population against several waves of the pandemic. This resulted in disruptions to local economic activity as well as international supply chains supporting local industries. Several other structural constraints were also to blame for the depth of the recession: electricity load-shedding had an outsized impact in 2020 on economic activity, investment spending, as well as business and consumer confidence.

The first half of 2021 experienced a more positive economic environment, with the second and third wave of infections seeing less restrictive lockdown regulations, monetary policy remained accommodative (with interest rates at the lowest level in five decades), while fiscal revenues were better than expected. The latter was supported by a strong rise in tax payments by mining companies on the back of a global rally in commodity prices and demand. However, the country was again struggling with unreliable power supply and periods of load-shedding.

Heading into the third quarter of the year, the global economic environment was favourable for trade-dependent South Africa. The G7 countries (Canada, France, Germany, Italy, Japan, United Kingdom and USA) are expected to see aggregate economic growth of 5.5% in 2021 and 3.8% in 2022. Developed markets are benefitting from their recent rapid rollout of vaccines, with many large economies seeing economic activity return to a resemblance of the pre-pandemic normal. In turn, the E7 economies (Brazil, China, India, Indonesia, Mexico, Russia and Turkey) are forecast to expand by a collective 7.6% this year and 5.2% next year.

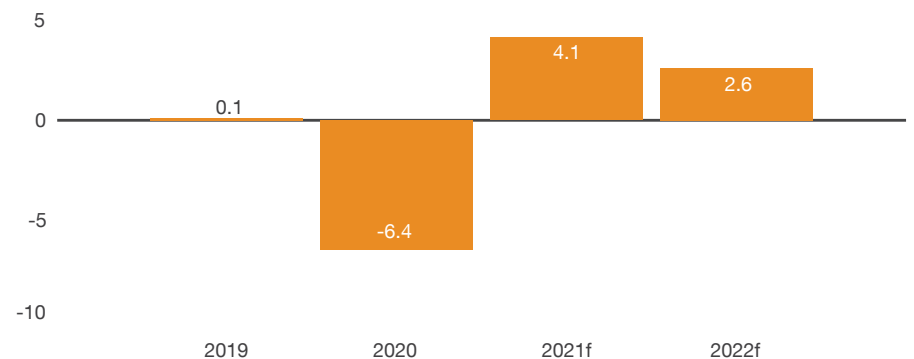
South Africa's active COVID-19 cases declined sharply during September and October 2021, falling to below 20,000 cases from the fourth week of October. By the end of the month, nearly 12m adults had been fully vaccinated, with an additional 15m having



received one of their two-shot Pfizer treatments. At the time, health experts were expecting a fourth wave of COVID-19 infections over the summer holidays — though anticipated to be less severe than the third wave due to the higher rate of vaccinations.

PwC expects the South African economy to grow by 4.1% in 2021 and 2.6% in 2022 as a probability-weighted average of different scenarios. For 2022, the outlook will again be strongly determined by the nature of lockdown restrictions — anticipated to be around for at least the first quarter of the year, but possibly for longer — and the frequency of electricity load-shedding. The favourable global environment is anticipated to continue supporting the local economic recovery in 2022.

Figure 1: Real GDP growth (%)



Source: PwC analysis



## 4 Category highlights

Below, we present highlights from each category of the CGISA Integrated Reporting Awards.

### Top 40

#### Areas of strength

- Considerable effort spent on explaining the business model, strategy and risk.
- Materiality being defined explicitly upfront.
- Reports have made a salient effort to deal with the application of governance/outcomes-based governance.
- There is an increasing emphasis on sustainability, which is welcome given how pertinent ESG aspects are.
- The reports are slowly becoming more concise, which enhance their usefulness and adherence to the framework.

#### Areas for development

- Stakeholder engagement and adding value for stakeholders are not platitudes. The role of the stakeholder in the company value-creation process should be sincerely explicated.
- The combined assurance model is not being explained in detail. Users know little about the formal steps taken to ensure reliable reporting
- Financial information is still to be dealt with separately. In several cases, financials are excluded from the IR reports.

### Mid cap

#### Areas of strength

- The reports were overall of good quality. Most of the companies ensured that the most pertinent aspects are covered.
- Great attempts were made to keep the text engaging for the reader with graphics, colours, cross references.
- The companies are doing exceptionally well in describing their business model. Many are well integrated with the capitals and in some cases even the SDGs.
- In general, cross references to other sections of the report are useful. It shows a level of integration, which is what we expect to see in an integrated report.

#### Areas for development

- Integrated reporting preparers need to consider making more use of integration. To make cross-references to other parts of the report is some means to integrate, but not quite what one wants to see in an integrated report. Proper integration means, for example, discussing the company's strategic pillars at the hand of the capitals and the Sustainable Development Goals. The same with risks, the business model, etc. The capitals and SDGs and other relevant factors cannot be simply mentioned as a 'by the way' item or listed in an appendix.

- The reports are generally very long. It is understandable that the companies want to achieve transparency in their discussions of what they have been doing and how they have performed. Integrated reporting preparers need to go back to the purpose of the integrated report – to inform stakeholders. Failing in that makes the integrated report, and all the effort that goes into it, obsolete.
- It seems as if financial information is being put on the back-burner. There are companies that do not even present a summarised set of financial statements anymore, nor other detailed financial information such as ratios. Many companies present the full financial statements in a separate document. This defeats the purpose of an integrated report, where the financial information should be discussed with the non-financial information.
- As we are in a technological age, the report preparers ought to make sure the reports are optimised for desktop or mobile viewing instead of a printed hard copy.

## Small cap

### Areas of strength

- Preparers have taken the time to understand and interpret the recommendations of the IR framework and use these recommendations to effectively communicate their value creation stories to relevant stakeholders.
- The presentation of company business models; disclosure of stakeholder relationships and governance are among the highlights of the reports entered.

### Areas for development

- Preparers need to focus on the conciseness of reports.
- Enhancing disclosure relating to future opportunities of the organisation was identified as an area for development.
- Entities need to work on better articulating value creation that is non-financial in nature.

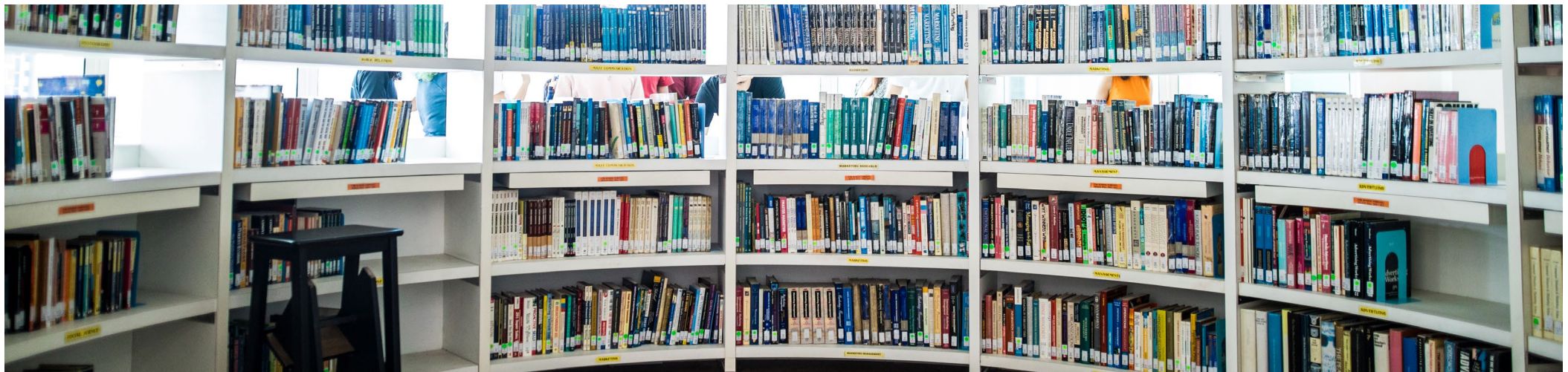
## State-owned companies

### Areas of strength

- Some of the entities conformed well to the requirements of integrated reporting. This enabled them to present stakeholders with the necessary information they may require for decision-making.
- The overall quality of the publications (i.e., the ‘look and feel’ of the reports) are generally good.

### Areas for development

- Even though they are not bound by the requirements of the JSE and only to some extent to other regulations such as King IV and the <IR> Framework, the judges recommend that entities consider conforming to these regulations. It will ensure that reports produced are of the utmost quality and include everything that stakeholders want to see.
- The reports tend to be too long. Preparers should make more of an effort to keep the report as focused as possible.



## Fledgling/AltX

### Areas of strength

- There is clear regard by preparers in this category of the need for reports to incorporate all the content elements and to apply all the specified principles.
- Companies have a good understanding of the need to outline their value creation stories in an inclusive manner for all stakeholders and across the six capitals. The stakeholder centric approach is evident in a number of reports.
- Some companies have also grasped balanced reporting and are unbiased in the disclosure of highlights and challenges.

### Areas for development

- While a number of companies refer to their supplementary reports for environmental information and data, it is also noted that a number of companies still disregard disclosure on natural capital in their integrated reports. This omission is concerning.
- Companies should also consider exploring TCFD reporting and incorporating the disclosure in the integrated report.

## Regional

### Areas of strength

- Business models, organisational overview and governance matters were on the whole, well-presented.

### Areas for development

- Materiality disclosures were often lacking.
- Reports appeared to focus too heavily on positive outcomes without giving negative outcomes and issues attention. A balanced approach to reporting is necessitated by the IR Framework.

## Unlisted

### Areas of strength

- COVID-19 reporting stood out as a strength for the reporters in this category. This includes a discussion of the wider impact of COVID-19 on business, operations and stakeholders.
- The judges commended stakeholder engagement reporting in this category. This includes highlights of actual matters discussed, an indication of the quality of relationships and evidence as to how the board has engaged with stakeholders.
- The purpose and beliefs of the organisation were introduced upfront, in order to frame the report and the main driver behind the organisation's value creation journey.

### Areas for development

- There was, once again, an inadequate balance between positive and negative outcomes (such as, within the business model).
- Some reports lack – or need to better enhance – a summary of the skills and experience of the Board and its relevance for the board's contribution to value creation.
- Reports could work on explaining, clearly, the sustainability framework adopted by an organisation, and how the Sustainable Development Goals (SDGs) are used to inform the sustainability strategy. Additionally, reports should include the relevance of the SDGs selected to the organisation's value creation journey.





## Public sector

### Areas of strength

- The merit holder in this category presented a commendable business model. The business model was clearly presented and provided information on how the entity creates and destroys value by disclosing inputs, business activities, outputs and outcomes in terms of the capitals that are relevant to the organisation.
- Preparers in this category presented strong organisational overview sections.

### Areas for development

- The public sector unfortunately lags behind other categories. These reports would do well to carefully apply the <IR> framework focusing on reporting on the six capitals.
- Preparers need to enhance their reporting focus on ESG aspects. Public sector entities are, for example, integral to the achievement of the Sustainable Development Goals and should thus report on these aspects in tandem with ESG elements.
- Preparers need to reduce the length of their reports.

## NGO/NPO

### Areas of strength

- The performance disclosure by organisations in this category is generally robust.
- The disclosure includes qualitative and quantitative metrics as well as historical comparisons, graphs and charts.
- Organisations have connected their performance disclosure to various sections of their reports.
- A number of organisations have provided some good insight into their outlook and done well to disclose targets.

### Areas for development

- While a number of organisations attest that their reports are prepared in accordance with the <IR> framework, a number of reports are not applying the principles sufficiently and they are omitting some content elements, most notably the business model and strategy.
- Several organisations have not outlined the various forms of capital they depend on for their success.
- Disclosure of materiality and material matters should be enhanced.



## 5 Methodology

### Process

Organisations can enter their latest integrated report in one of the nine categories:

- JSE Top 40
- Mid Cap
- Small Cap
- Fledgling/AltX
- State-Owned Entities (SOEs)
- Regional Organisations
- Public Sector Entities
- Unlisted Organisations
- NGO/NPO

The JSE-listed companies' allocation to the category is determined by the respective company's market capitalisation on the JSE in September of the year in which the awards are adjudicated. The allocation of entrants into categories ensures that each organisation's integrated report is scored against those of its peers.

In a manner similar to the prior year, all of the Top 40 companies were adjudicated by our independent judges as part of the non-monetary sponsorship by PwC to CGISA.

The independent judges submit the completed evaluations to the convener of judges, PwC, for consideration. The convener of judges, in discussion with the judges and based on the scores achieved on the survey, identifies an overall winner per category and a merit award winner and collates comments from the judges for the

judges' report. The convener of judges' summary findings are contained in this report. Each entrant also receives detailed, personalised feedback from the two judges responsible for adjudicating their category.

### Judging criteria

The survey is underpinned by the <IR> Framework and is broken down into three areas:

- guiding principles
- content elements
- fundamental concepts.

The judges' assessments cover a number of areas such as overall presentation of the integrated report, organisational overview and external environment and its impact on strategy, disclosure of short- medium- and long-term strategy and resource allocation, disclosure of performance against strategic objectives, discussion of stakeholder engagement and the impact of risks and opportunities.

Additional aspects considered by the judging criteria include: clear presentation of business model, actions taken by the governing body and governance over key management remuneration, discussion of drivers of performance and how the organisation's governance structure supports its ability to create value, as well as overall integration of all these elements.



## 6 Judging panel

### Prof John Ford

*Associate Professor, Gordon Institute of Business Science*  
BCom, MCom, CA (SA)

### Corli le Roux

*Independent specialist: Sustainability; governance; reporting*

LL.B, ICMQ (International Capital Markets Qualification)

### Prof Warren Maroun

*Professor, Wits School of Accountancy*  
MCom, CA(SA), PhD

### Dr Nimrod Mbele

*Managing Director, Knowledge Anchors Group*  
PhD Corporate Governance

### Yvette Lange

*Adjunct Professor, Wits School of Accountancy*  
MPhil; CA(SA); CIA;CCSA

### Zubair Wadee

*Director, WithNova and member of the International Integrated Reporting Committee (IIRC) Framework Panel*  
BCom, BAcc, CA(SA), CGMA

### Dr René de Klerk

*Independent Academic Consultant*  
BCom, LLB, LLM and PhD

### Claude Kamangirira

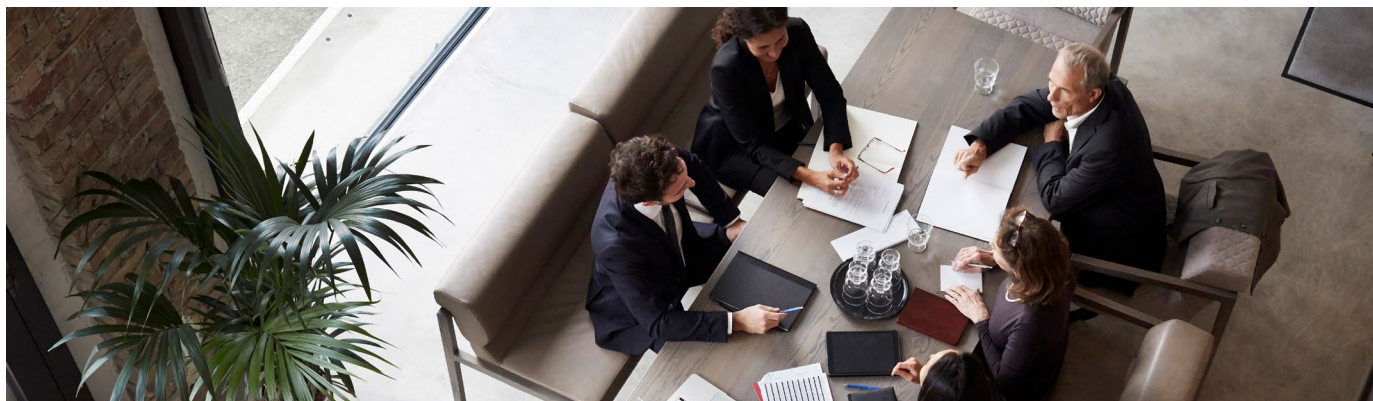
*Assistant Company Secretary at Metair Investments Limited*  
BSocSc, PGDIR, ACG, MBA

### Garth Barnes

*Senior Lecturer, University of Johannesburg*  
BCom, MCom, CA (SA)

### Prof Elda Du Toit

*Associate Professor, University of Pretoria*  
BCom (Hons), MCom, DCom, HDipp (Forensic Accounting), Professional Accountant (SA), ACMA, CGMA



CGISA is the formal professional institute for the enabling of corporate governance and company secretaryship as well as the expert commentator and thought leader in Southern Africa on governance matters. CGISA is the professional qualifying body for chartered secretaries and chartered governance professionals, offering an international qualification recognised in more than 80 countries. The career-long programme comprises attainment of the professional qualification and continuing professional development (CPD), which ensures that members remain on the cutting edge of developments. CGISA represents Botswana, Lesotho, Namibia, South Africa and Eswatini.

➤ For more information on the awards: [https://www.chartsec.co.za/index.php?option=com\\_content&view=article&id=745&Itemid=905](https://www.chartsec.co.za/index.php?option=com_content&view=article&id=745&Itemid=905)

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➤ Website: <https://www.pwc.co.za/>

 [www.linkedin.com](https://www.linkedin.com)

## 6 Convenor of judges



**Jayne Mammatt, FCA**

*Partner/Director*



**Ronel Fourie, PGDIR, MCom, CA(SA), ACMA**

*Associate Director*



**Shreeya Jugnandan, MCom, CA(SA)**

*Senior Manager*





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