

# TRENDS IN INTEGRATED REPORTING IN SOUTH AFRICA

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ANNUAL CONFERENCE

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#IRCSACConf21

# CONTENT

- HEADLINE THEMES
- ANALYSIS FROM EACH CATEGORY
- THE ECONOMIC REALITIES FOR ESG – PWC INVESTOR SURVEY
- CONCLUDING REMARKS AND QUESTIONS

# HEADLINE THEMES

- AVERAGE LENGTH OF THE TOP 40 INTEGRATED REPORTS – 154 PAGES
- 65% OF JSE TOP 40 INTEGRATE ESG FACTORS INTO THEIR CORE STRATEGY
- REPORTS CONTINUE TO GROW LENGTHY WITHOUT ADDING SIGNIFICANT VALUE TO THE READER
- DESPITE INCREASING EXPERIENCE IN INTEGRATED REPORTING, MANY REPORTS ARE NOT YET FULLY INTEGRATED
- 58% OF JSE TOP 40 REFER TO THE TCFD IN THEIR INTEGRATED REPORTS
- 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

# TOP 40 ANALYSIS

## AREAS OF STRENGTH

- BUSINESS MODEL, STRATEGY AND RISK
- MATERIALITY BEING DEFINED EXPLICITLY
- APPLICATION OF GOVERNANCE/OUTCOMES-BASED GOVERNANCE.
- EMPHASIS ON SUSTAINABILITY
- SLOWLY BECOMING MORE CONCISE

## AREAS FOR DEVELOPMENT

- STAKEHOLDER ENGAGEMENT AND ADDING VALUE FOR STAKEHOLDERS ARE NOT PLATITUDES.
- THE COMBINED ASSURANCE MODEL IS NOT BEING EXPLAINED IN DETAIL
- FINANCIAL INFORMATION IS STILL TO BEING DEALT WITH SEPARATELY

# MID- CAP ANALYSIS

## AREAS OF STRENGTH

- GOOD QUALITY & THE MOST PERTINENT ASPECTS ARE COVERED.
- ENGAGING - GRAPHICS, COLOURS, CROSS REFERENCES.
- BUSINESS MODEL, THE CAPITALS AND IN SOME CASES THE SDGs.

## AREAS FOR DEVELOPMENT

- PROPER INTEGRATION
- THE REPORTS ARE GENERALLY VERY LONG
- IT SEEMS AS IF FINANCIAL INFORMATION IS BEING PUT ON THE BACK-BURNER
- OPTIMISED FOR DESKTOP OR MOBILE VIEWING INSTEAD OF A PRINTED HARD COPY

# SMALL CAP ANALYSIS

## AREAS OF STRENGTH

- EFFECTIVELY COMMUNICATE THEIR VALUE CREATION STORIES TO RELEVANT STAKEHOLDERS
- BUSINESS MODELS; DISCLOSURE OF STAKEHOLDER RELATIONSHIPS AND GOVERNANCE

## AREAS FOR DEVELOPMENT

- CONCISENESS OF REPORTS
- FUTURE OPPORTUNITIES
- VALUE CREATION THAT IS NON-FINANCIAL IN NATURE

# FLEDGLING/ALTX ANALYSIS

## AREAS OF STRENGTH

- CONTENT ELEMENTS AND GUIDING PRINCIPLES
- VALUE CREATION STORIES IN AN INCLUSIVE MANNER & THE STAKEHOLDER CENTRIC
- BALANCED REPORTING AND ARE UNBIASED

## AREAS FOR DEVELOPMENT

- A NUMBER OF COMPANIES STILL DISREGARD DISCLOSURE ON NATURAL CAPITAL
- TCFD

# STATE-OWNED COMPANIES ANALYSIS

## AREAS OF STRENGTH

- CONFORMED WELL TO THE REQUIREMENTS OF INTEGRATED REPORTING
- THE 'LOOK AND FEEL' OF THE REPORTS ARE GENERALLY GOOD.

## AREAS FOR DEVELOPMENT

- THE REPORTS TEND TO BE TOO LONG



# PUBLIC SECTOR ANALYSIS

## AREAS OF STRENGTH

- THE MERIT HOLDER IN THIS CATEGORY PRESENTED A COMMENDABLE BUSINESS MODEL
- STRONG ORGANISATIONAL OVERVIEW SECTIONS

## AREAS FOR DEVELOPMENT

- THE PUBLIC SECTOR UNFORTUNATELY LAGS BEHIND OTHER CATEGORIES
- ENHANCE THEIR REPORTING BY FOCUSING ON ESG ASPECTS
- REDUCE THE LENGTH OF THE REPORT

# REGIONAL ANALYSIS

## AREAS OF STRENGTH

- BUSINESS MODELS, ORGANISATIONAL OVERVIEW AND GOVERNANCE

## AREAS FOR DEVELOPMENT

- MATERIALITY DISCLOSURES WERE OFTEN LACKING
- FOCUS TOO HEAVILY ON POSITIVE OUTCOMES

# UNLISTED ANALYSIS

## AREAS OF STRENGTH

- COVID-19 REPORTING STOOD OUT AS A STRENGTH
- STAKEHOLDER ENGAGEMENT REPORTING
- THE PURPOSE AND BELIEFS OF THE ORGANISATION WERE INTRODUCED UPFRONT

## AREAS FOR DEVELOPMENT

- INADEQUATE BALANCE BETWEEN POSITIVE AND NEGATIVE OUTCOMES
- SKILLS AND EXPERIENCE OF THE BOARD
- THE SUSTAINABILITY FRAMEWORK ADOPTED BY AN ORGANISATION, AND HOW THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) ARE USED TO INFORM THE SUSTAINABILITY STRATEGY

# NGO/NPO ANALYSIS

## AREAS OF STRENGTH

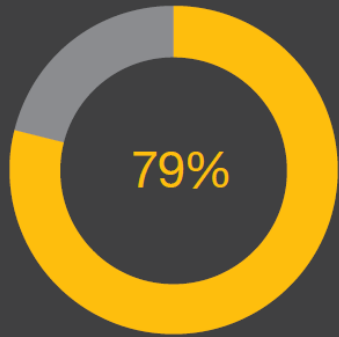
- THE PERFORMANCE DISCLOSURE
- THE DISCLOSURE INCLUDES QUALITATIVE AND QUANTITATIVE METRICS AS WELL AS HISTORICAL COMPARISONS, GRAPHS AND CHARTS
- CONNECTED THEIR PERFORMANCE DISCLOSURE TO VARIOUS SECTIONS OF THEIR REPORTS.
- GOOD INSIGHT INTO THEIR OUTLOOK

## AREAS FOR DEVELOPMENT

- NOT APPLYING THE PRINCIPLES SUFFICIENTLY AND THEY ARE OMITTING SOME CONTENT ELEMENTS
- NOT OUTLINED THE VARIOUS FORMS OF CAPITAL
- DISCLOSURE OF MATERIALITY AND MATERIAL MATTERS SHOULD BE ENHANCED

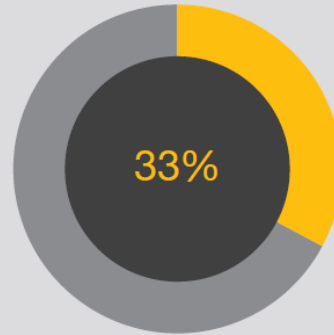
# THE ECONOMIC REALITIES OF ESG

ESG risks are an important factor in investment decision making.



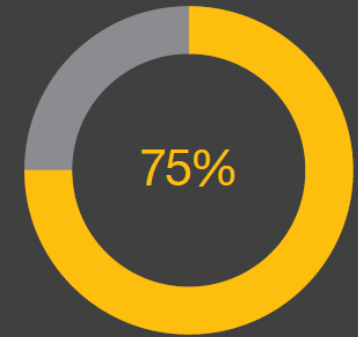
% of respondents who agree

The quality of current ESG reporting is good.



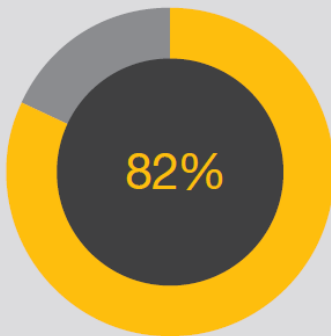
% of respondents who agree

Companies should address ESG issues even if doing so reduces short-term profitability.



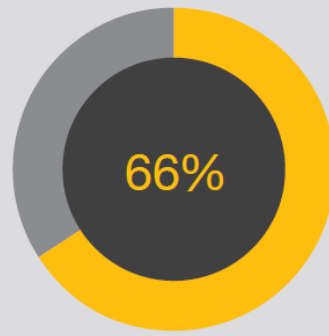
% of respondents who agree

Companies should embed ESG directly into their corporate strategy.



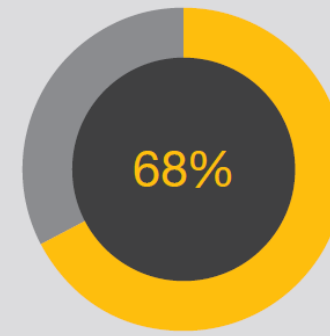
% of respondents who agree

I'm more confident that companies are on top of ESG risks and opportunities if someone in the C-suite is accountable.



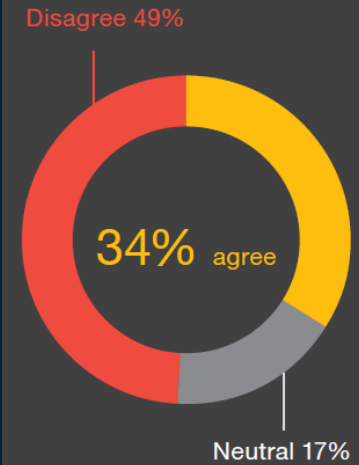
% of respondents who agree

ESG performance measures and targets should be included in executive pay arrangements.



% of respondents who agree

% of respondents willing to accept a lower rate of return on investment in exchange for societal or economic benefit.<sup>4</sup>



Neutral 17%

#IRCSAConf21

#integratedreporting

IRC Annual Conference 2021

# CONCLUDING REMARKS AND QUESTIONS

- DESPITE INCREASING EXPERIENCE IN INTEGRATED REPORTING, MANY REPORTS ARE NOT YET FULLY INTEGRATED
- REPORTS HAVE, PERHAPS COMICALLY, BEEN DESCRIBED AS HAVING A LARGE “THUD” FACTOR
- CONCISENESS, HOWEVER, SHOULD NOT BE CONFUSED WITH COMPLIANCE
- A LINK BETWEEN EXECUTIVE REMUNERATION AND VALUE CREATION IS MORE LIKELY TO HAVE EXECUTIVES WHO APPLY INTEGRATED THINKING.
  - "WHY ALREADY HANDSOMELY REMUNERATED EXECUTIVES SHOULD BE REWARDED FOR MAKING BUSINESS DECISIONS THAT WILL ENSURE THEIR BUSINESSES SURVIVE INTO THE NEXT CENTURY IS BEYOND ME." SASHA PLANTING, DAILY MAVERICK, 8<sup>TH</sup> NOVEMBER 2021
- MATERIALITY IS THE ANCHOR THAT ROOTS THE REPORT IN SIGNIFICANT, SALIENT ISSUES
- CONNECTIVITY CAN HELP IMPROVE THE CONTENT WITHIN THE INTEGRATED REPORT.
- COMPANIES ARE INCREASINGLY UNDER PRESSURE TO HAVE A POSITIVE SOCIETAL IMPACT