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THE INTEGRATED REPORTING COMMITTEE OF SOUTH AFRICA
On the balance of integrated reporting

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Abstract
This chapter examines integrated reporting (IR) from a South African perspective. A brief history is provided, followed by a discussion of the Integrated Reporting Committee of South Africa’s ten key considerations for a balanced report. The researchers drew on their existing knowledge of companies’ integrated reporting to provide good illustrative examples of the considerations. The examples show that, while many South African listed companies have reputable reporting, assurance of the integrated reports requires attention. Areas for future research include comparing trends in South Africa to those in other jurisdictions where IR has taken hold. This can include investigations on how different governance codes have contributed to variations in IR practice.

Introduction
South Africa (SA) is an interesting setting for examining developments in corporate governance practices and reporting (Malherbe and Segal, 2001; West, 2006; Ntim, 2009; Ntim et al., 2012). It illustrates how corporate practices have evolved in response to economic and societal needs. It also demonstrates how these needs have resulted in SA being considered a leader in corporate governance and integrated reporting (IR) (World Economic Forum, 2018; Eccles et al., 2019).
During the Apartheid regime, SA was systematically excluded from the international capital market, which resulted in an economic slowdown (Rossouw et al., 2002; Armstrong et al., 2005; De Villiers and van Staden, 2006). By the 1990s, the cost of maintaining Apartheid and the imposed international sanctions bankrupted the government, and corporate practices had fallen far behind international standards (Catchpole and Cooper, 1999; Malherbe and Segal, 2001).

In this environment, mechanisms for holding companies accountable for their economic, social and environmental performance were limited (Hamann and Kapelus, 2004). Poor corporate governance practices made it difficult for the SA capital market to attract new investors, even after the establishment of a democratic government in 1994 (see De Villiers et al., 2014). At the time the African National Congress (ANC) assumed power in 1994, it:

inherited an economy which despite being the most vibrant on the continent, with a Gross Domestic Product equal to 75% of that of the rest of sub-Saharan Africa, had a catalogue of problems that would test even the most experienced of economists.

(Catchpole and Cooper, 1999, p. 716)

What was needed was a mechanism to legitimise SA in the international market and to garner much-needed capital investment (see De Villiers et al., 2014). One mechanism SA used was to exploit its strategic location as a gateway into the African continent. In order to mobilise this strategic advantage, SA needed to convince the world that it was ready for investment. Towards this end, the King Committee was convened under the Chairmanship of Professor Mervyn King (IOD, 1994) at the request of the Institute of Directors in Southern Africa (IOD) (Rossouw et al., 2002; Armstrong et al., 2005; West, 2009). The primary purpose of the King Committee was to consider how to promote the highest standards of corporate governance in South Africa (IOD, 1994). The King Committee created King I in 1994 (IOD, 2009). King I was subsequently revised in 2002 (King II), 2009 (King III) and, most recently, in 2016 (King IV). Unlike other corporate governance codes such as Sarbanes-Oxley, the King Code is non-legislative and is based on principles and recommended practices (IOD, 1994, 2002, 2009, 2016). The principles of King I, however, became mandatory for public companies listed on the Johannesburg Stock Exchange (JSE) from 1995 onwards through the JSE Listing Requirements (JSE, 1995, 2012, 2013, 2017).

Another significant milestone in SA’s corporate governance landscape was King III’s call for an integrated report. King III’s adoption by the JSE in 2010 resulted in it becoming the first stock exchange requiring listed companies to prepare an integrated report or explain why they had not (Maroun et al., 2014).

The practice of preparing an integrated report, coupled with the formal adoption of IFRS in 2005 (Ames, 2013), were significant for bolstering, in the eyes of the international investor community, SA’s appearance as a legitimate developing economy (Maroun et al., 2014; Atkins and Maroun, 2015). South Africa has been recognised globally for its excellence in this regard, indicating the success of this strategy (Roberts, 2017). While King III recommended that companies publish an integrated report, it did not specify or provide guidance on how to prepare such a report.

**Integrated reporting and the Integrated Reporting Committee of South Africa**

While King III introduced the integrated report, the inclusion of non-financial information in reports was recommended from the first King Code (IOD, 1994). King I was expanded in King II to include social and environmental considerations (IOD, 2002). King III went
further by asking for connected financial and non-financial information in the report. King III defined this as “a holistic and integrated representation of the company’s performance in terms of both its finances and its sustainability” (IOD, 2009, p. 108). The report should be succinct and record the effects a company has had on environmental and social issues (IOD, 2009, p. 15).

The implementation of IR presented companies with a challenge, as they were uncertain about how to determine what should or should not be included, how much detail about each issue to provide, and whether items should be discussed separately in sections or holistically throughout the report (Ioana and Adriana, 2013; McNally et al., 2017). Guidance on IR for South African companies was initially provided by the Integrated Reporting Committee of South Africa (IRCSA), which was founded in 2010 (IRCSA, 2011; De Villiers et al., 2014).

The IRCSA published the world’s first Discussion Paper (DP) on a framework for IR in 2011 (IRCSA, 2011; Barth et al., 2017). The DP received global acknowledgement and both it and the feedback from public comment were channelled back to the International Integrated Reporting Council (IIRC) in the preparation of its International <IR> Framework (IRCSA, 2019d). This DP was very progressive and included a section on possible methods of assuring the integrated report – an issue current researchers are confronting (see Maroun et al., 2014; Maroun, 2017, 2018a). This process set the stage for SA becoming one of the world’s leaders on corporate governance and being seen as a legitimate economic partner (Maroun et al., 2014).

The IRCSA aims to provide direction and guidance on IR and integrated thinking in SA through the provision of technical guides, conferences and other supportive activities (IRCSA, 2019a). The founding organisational members of the IRCSA are the Association for Savings and Investment South Africa, the IOD, the JSE Ltd and the South African Institute of Chartered Accountants. The membership of the IRCSA has since grown and currently includes a category for corporate members. Some of these include Ernst and Young, PwC, Liberty Holdings, Eskom Holdings SOC Ltd, Redefine Properties Ltd and Northam Platinum Ltd (IRCSA, 2019a). As the membership of IRCSA has grown significantly, the IRCSA formed a board in 2017, of which Professor Mervyn King is the current chairman and Professor Suresh Kana is the deputy chairman (IRCSA, 2019a).

The inclusion of leading corporate reporting, professional and industry bodies as members enhances the IRCSA’s influence, helping them to maintain momentum and drive report quality. This, coupled with their technical guidance, has contributed to the success of the IRCSA as a national body and has established integrated thinking by corporates as the norm (IRCSA, 2019a).

With SA’s history, it is not surprising that it is considered a leader in IR. Eccles et al. (2019) recently performed a comparative analysis of integrated reports across ten countries and found that SA’s companies scored highest in all metrics. Because of the early inclusion of King III in the JSE Listing Requirements, most JSE listed companies now have over seven years’ experience in IR (Eccles et al., 2019), with the result that it has become institutionalised (Ahmed Haji and Anifowose, 2017) and is seen as part of “business-as-usual” (PWC, 2016). This has been complemented by robust support measures from organisations like the IRCSA, which can be adjusted to meet current needs more efficiently than formal legal mechanisms (Eccles et al., 2019). The IRCSA’s website, for example, provides many guides on different aspects of preparing an integrated report. Available guidance includes: Preparing an Integrated Report: A Starter’s Guide (Updated); Guidance on Materiality; Reporting on Outcomes; Disclosure of Governance Information and many more (IRCSA, 2019c).
Balance in integrated reporting

Sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their needs” (United Nations, 1987, p. 8). Integrated thinking is an integral component of sustainable development as it requires a company to take into account the interdependencies among a range of factors that affect its ability to create value over the short, medium and long term (IOD, 2016). A company reporting on its value creation process should not only focus on its ability to create value over time but also ensure that the value is created in a sustainable manner. When reporting on the activities, it is essential that companies provide an objective and balanced report on both positive and negative effects on all six capitals (IOD, 2009). Balanced reporting is critical not only from an ethical point of view but also for accountability: “Balanced reporting is not a choice. It is a part of the governing body’s duty of accountability” (Professor King in IRCSA, 2018a). Accountants, auditors and regulators have come under great scrutiny following reports and evidence of numerous corporate scandals. A search on Steinhoff’s integrated report shows that their 2016 to 2018 annual reports have been removed/are not published, while their 2015 integrated report is still available but has been annotated with “Information can no longer be relied upon” in bold, red letters on every page (Steinhoff, 2015). Another example is VBS,3 which has attracted significant attention from those directly affected and the public at large. Corporate failures indicate that, while governance codes exist, their relevance is in their mindful application and leadership’s commitment to transparency.

As those charged with governance are ultimately responsible for good corporate governance, the integrated report and its approval, poor IR may pose a reputational risk for such members at the individual level (see Van Zijl and Maroun, 2017). This should serve to encourage those charged with governance to take this duty seriously. Corporate scandals highlight the need for balanced reporting (IRBA, 2018; IRCSA, 2018a). No company is perfect and, while reporting more on the positive aspects of a company may have been the trend in early IR (Carel et al., 2013; Atkins and Maroun, 2015; Ahmed Haji and Anifowose, 2017), this is certainly no longer what society expects (Brown and Dillard, 2014; Flower, 2015). For stakeholders to make well-informed decisions, entities need to be open and transparent about both positive and negative effects of the entity’s operations. This balance is crucial during times when a company’s (or profession’s) legitimacy needs to be repaired (De Villiers and Maroun, 2017; IRBA, 2018; IRCSA, 2018a).

The IRCSA’s information paper on preparing a balanced report provides ten key considerations, which facilitate the preparation and publication of balanced integrated reports (IRCSA, 2018a). These are: (1) leadership; (2) planning for a credible integrated report; (3) integrated thinking; (4) determining material matters; (5) assurance over the integrated report; (6) inclusion of both good and bad news; (7) responding to stakeholders’ needs; (8) providing forward-looking information to complement historical information; (9) a balance of qualitative and quantitative information; and (10) risks and opportunities. These ten considerations are introduced below to structure the remainder of this chapter.

**Leadership**

First, those charged with the governance of a company must genuinely commit to balanced reporting and transparency (IRCSA, 2018a). Responsible leadership is considered the cornerstone of good corporate governance and is defined as the exercise of ethical and effective leadership by the governing body aimed at achieving four outcomes: ethical culture, good performance, effective control and legitimacy (IOD, 2016, p. 20).
A commitment to quality IR can ensure that integrated thinking becomes embedded into all areas of the company – from strategy to the development of key performance indicators, risks and opportunities and allocating sufficient budget and resources to enable the entity to gather, analyse and report in an integrated manner (IRCSA, 2018a).

Leadership takes ultimate responsibility for ensuring that the integrated report is used to communicate a complete description of their value creation process over time (IIRC, 2013; Oliver et al., 2016; Guthrie et al., 2017). The integrated report should present a holistic and complete image of a company’s value creation process through its use of; and effects on, financial and non-financial capitals (Casadesus-Masanell and Ricart, 2010; Moolman et al., 2016; Maroun, 2017). Figure 3.1 depicts how the various forms of capital are involved in the value creation process.

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The inputs into a company are drawn from the six capitals on which the company is materially dependent. The company’s outcomes are its effects on the six capitals now and over time. The six capitals are: financial; manufactured; intellectual; human; social and relationship; and natural capital (IIRC, 2013). Redefine Properties provided a useful illustration of the role and influence of the governing body in the company’s value creation process (Figure 3.2).

**Planning for a credible integrated report**

*Planning is crucial to ensure that credible, balanced reporting is possible (IRCSA, 2018a). Planning will be an iterative process, as companies continue to improve their IR and refine systems to collect and process data on issues material for their company (see also McNally et al., 2017). Planning will encourage entities to practise IR throughout the year and not only...
Our value creation story

Our value creation story illustrates our journey of creating sustained value for all our stakeholders and, within that journey, the various elements we consider and that impact on our ability to achieve our stakeholder goals. By analysing our operating context and stakeholder needs and concerns, we identify risks and opportunities. By considering this, we have determined which matters are most important to Redefine’s value creation in the short, medium and long term. We use these as points of reference to guide our strategy and to ensure we only report on those matters that could have a material effect on our ability to deliver stakeholder value.

Mindful governance

At Redefine, governance is not simply a matter of compliance. Rather, it is the golden thread that binds all the elements of our value creation story together. Governance is integrated into the way we think and thus the way we operate, ensuring we make choices which are aligned with our values and strategic objectives to enable long-term value creation, while being accountable for our actions. Refer to page 45.

Integrated stakeholder engagement

We believe that it is our unique approach to relationships that sets us apart and allows us to deliver sustained value to all our stakeholders. To this end, we integrate stakeholder engagement into every stage of our value creation process, recognising that the nature and quality of these relationships determines the continued success of our business and the growth of our brand. Refer to page 19.

1 Operating context
We analyse our operating context – global, local and property-specific – to determine which risks and opportunities have the greatest impact on our ability to create value in the short, medium and long term. Refer to page 19.

2 Resources we rely on
Our ability to create value depends on our capitals – their availability, how we use them and our impact on them. For more information on our capitals, see our value creation section from page 63.

Figure 3.2 Redefine Properties on balanced reporting through leadership
Source: Redefine Properties (2018)
1 Risks and opportunities
Using our business model, we analyse our operating context, our stakeholder relationships and our dependence on particular resources. From this, we derive our top-of-mind risks and opportunities, which we update throughout the year. Refer to page 25.

2 Material matters
Material matters are issues that will impact on our ability to deliver on our mission – to create sustained value for all our stakeholders. These are identified through a process of analysing the macro-environment, our operating context, the resources we rely on, as well as feedback from our stakeholders, but then also looking inwards and considering feedback from our business units. We have identified five material matters that form the guiding principles of our strategy. We also use them to measure our success by tracking our performance against them. Refer to page 30.

3 Business strategy
By considering where we are going, we apply our material matters as a compass to formulate our short- to medium-term business plans and long-term business strategies and targets. Refer to page 31.

4 Value creation
Value, for Redefine, means to achieve our stakeholder goals. Refer to page 39.

We demonstrate value creation through
- Alignment to the sustainable development goals (Refer to page 32).
- Measurement of the quality of our relationships (Refer to page 208).
- Delivery on value creation indicators (Refer to page 31).

Figure 3.2 (Cont.)
immediately before the report is due (IRCSA, 2018a). Developing internal policies, allocating budgets and responsibilities and setting timelines are vital to support reporting and allowing sufficient time to deal with conflicts, uncertainties and integrating information (IRCSA, 2018a). Table 3.1 summarises the steps needed for effective planning.

Table 3.1 Planning and preparing the integrated report

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tbody>
<tr>
<td>The governing body has ultimate accountability</td>
<td>It is essential that the organisation’s leadership buys in and participates in its integrated report. The governing body owns the report – it gives final approval to the report, and the material matters in it, and oversees its preparation.</td>
</tr>
<tr>
<td>The reporting process does not have to be complicated</td>
<td>There is no one-size-fits-all integrated report or integrated reporting process. The reporting process is scalable and may require effort in proportion to the size and structure of the organisation – the process need not be complicated. However, the need for responsibility and early and thorough planning cannot be emphasised enough. The governing body may designate a senior executive to be responsible for the preparation of the report.</td>
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<tr>
<td>Determining materiality is one of the cornerstones of an effective report</td>
<td>Applying materiality means that the organisation reports on all the matters which substantively affect its ability to create value. Material matters cover all aspects of the organisation – strategy, governance, performance, prospects and the six capitals. The integrated report discloses the process for determining materiality and the governing body approves the process and identified material matters.</td>
</tr>
<tr>
<td>Reliable information is important for the integrity and credibility of the report</td>
<td>Collecting non-financial data and translating it into an accessible format can be challenging at first. In practising integrated reporting, organisations become better at collecting and integrating this data, a process which can improve their business operations and decision making. The governing body determines the assurance approach for the report, which often includes internal and/or external assurance.</td>
</tr>
<tr>
<td>Aim to produce a frank and balanced report</td>
<td>The integrated report should be transparent, accessible and understandable. A good integrated report is clear, concise, easy to understand and uncluttered by detailed information or information which is not material. The report is the organisation’s value creation story: additional and detailed information can be housed in supplementary reports, fact sheets or the website. The integrated report should be balanced and transparent, reflecting both good and poor performance and outcomes. Users have said that unbalanced reporting damages an organisation’s credibility.</td>
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Source: Adapted from: IRCSA (2018b)
Integrated thinking

Integrated thinking should be embedded within all areas of the company (IRCSA, 2018a). This thinking is not unique to the IR regime (although the International <IR> Framework has had a positive impact on the adoption of IR (Adams, 2015)). It was pioneered as a business strategy tool under the Novo Nordisk Way of Management (De Villiers et al., 2014). This tool aimed to create a culture of integrating measurement and management and, in so doing, create a cohesive governance structure and environmental, social and economic entity.

Although integrated reports have been prepared for almost a decade in SA, some companies’ integrated reports do not illustrate whether they use “integrated thinking” (see EY, 2018). In order to become better integrated thinkers, businesses need to recognise and genuinely believe that the so-called non-financial capitals play a crucial role in the company’s success and longevity (IRCSA, 2011; IIRC, 2013). Without this, non-financial effects will not be accepted as legitimate business risks or as providing new opportunities over the medium and long term. Moreover, integrated thinking is an area where continuous improvement particularly applies (IOD, 2016). Companies that have adopted IR completely state this has provided a major internal benefit by embedding integrated thinking within their organisations (PWC, 2016; McNally and Maroun, 2018; Dumay et al., 2019).

Research conducted by Black Sun (2014) indicates that some companies are noting improvements in integrated thinking in the form of improved decision making, a better understanding of risks and opportunities, and better collaborative thinking by the board about goals and targets.

On the other hand, some literature suggests that integrated thinking is difficult to achieve in practice because of its ambiguity and a lack of understanding of how it works (Dumay and Dai, 2017; Dumay et al., 2019). The main challenges entities are facing regarding integrated thinking are:

• Understanding what integrated thinking is;
• Identifying and evaluating the connections between all six capitals;
• Connecting information and resources;
• Substantive reshaping of internal practices; and
• Overcoming a compliance approach to the preparation of the integrated report.

Supporting this, and specific to SA, McNally et al. (2017, p. 494) found evidence that “in the absence of integrated thinking, application of codes of best practice do not automatically result in high-quality reporting”. Their SA case study company “ticked more boxes than anybody else”, but found the entity’s reporting to be of low quality, reflecting that IR is about mindful, as opposed to mindless, application (McNally et al., 2017, p. 494).

Determining material matters

Presenting stakeholders with volumes of information reduces their ability to understand the information presented as it makes it difficult for stakeholders to identify key issues. This increases information asymmetry and reduces their ability to make informed decisions (Barth et al., 2017; Zhou et al., 2017). This concept has been embedded in conventional financial reporting logic for decades (see IASC, 1989; IASB, 2018). To be effective, an integrated report should only deal with material information and matters that explain the
company’s value creation. Determining what is material from all six capitals can be an extensive, subjective exercise in practice. To help with this determination, companies should develop a process to identify, track and report on material matters.

The broad approach followed by the IIRC (2013) when explaining materiality in an IR environment is comparable to that of the Global Reporting Initiative (GRI) (2016) and AccountAbility (2008). According to the IIRC (2013, para 3.18), this involves:

- Identifying relevant matters based on the entity’s ability to sustainably affect value creation;
- Evaluating the importance of relevant matters in terms of their known or potential effect on value creation;
- Prioritising the matters based on relative importance and
- Determining the information to disclose as material matters.

This approach avoids a finance-centric conceptualisation of materiality focused primarily on quantitative measures. Materiality should be assessed both quantitatively and qualitatively. This process requires judgement about how each matter affects the company’s scope to create value. Importantly, material matters are specific to the organisation itself with the process taking into consideration a company’s context, sustainability drivers and effects and stakeholder views (AccountAbility, 2008; Edgley et al., 2015; GRI, 2016). Oceana Group Limited (2018) presents its materiality determination process succinctly and clearly, explaining each material matter’s risk, the link to value, the mitigating actions implemented and where more information about the matter can be found (see Figure 3.3).

Just as materiality in a financial reporting context is different from materiality determined in an integrated reporting context, different issues will emerge as being material. Redefine Properties (2018) publishes separate integrated, sustainability, accountability and dependability reports. Their integrated report focuses on providing a balanced and concise account of the company’s value creation from a short-, medium- and long-term perspective, while details about specific issues are provided in other reports. This is frequently called “the octopus approach” to corporate reporting (see Oliver et al., 2016; IRCSA, 2019b).

**Assurance over the integrated report**

Assurance over financial reporting is well established. As financial reporting has clear standards that must be complied with, assurance can be given that a company’s financial report complies with those standards (IAASB, 2009). The IIRC (2013) does not require assurance over the disclosures in the integrated report but states that:

> the reliability of information is affected by its balance and freedom from material error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance

(IIRC, 2013, p. 21)

As the IIRC’s framework provides only guidance, and much of the reporting may be forward-looking, assuring an integrated report becomes a more complicated process. As a result, there is no assurance over the entire integrated report (Maroun, 2017). Early
<table>
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<tr>
<th>Risk context</th>
<th>Impact on value</th>
<th>Risk mitigation actions</th>
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<tr>
<td><strong>1 RESOURCE AVAILABILITY AND ABILITY TO HARVEST</strong></td>
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<tr>
<td>• Reduction in Pilchards and Anchovy (SA and Namibia) beyond normal cyclical fish movements, and SASSI red listing of lobster</td>
<td>• Loss of revenue and increased marginal costs reducing profitability</td>
<td>• Participate in and exert a positive influence on resource management initiatives with industry, government and scientific working groups in SA and Namibia</td>
</tr>
<tr>
<td>• Decrease in TAC of certain species where resource appears under pressure</td>
<td>• Under-utilisation of assets (factories/vessels)</td>
<td>• Comply with regulations and responsible fishing practices</td>
</tr>
<tr>
<td>• Changes in ecosystem from various environmental factors</td>
<td>• Closure of operations with resulting socio-economic impacts</td>
<td>• Utilise own resources to support scientific surveys and provide input to government</td>
</tr>
<tr>
<td>• Impact of ocean-based mining and seismic surveys</td>
<td>• Reduced market share</td>
<td>• Diversify targeted species</td>
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| **2 REALLOCATION OF FISHING RIGHTS** |  |  |
| • Horse Mackerel (Namibia) rights expire in 2018. Draft policy gives preference to allocating rights to Namibian nationals | • Increased dependency on JV and 3rd party supplier arrangements | • Monitor policy and legislative changes, and engage actively with authorities on the policy and legislative framework |
| • BCP Hake Trawl, squid and south coast rock lobster, and Lucky Star pelagic rights up for reallocation in SA in 2020; continuing uncertainty on fishing rights allocation policies and process | • Higher costs of contracted quota | • Comply with all relevant legislation and retain credible empowerment and localisation credentials |
|  | • Reduced throughput at factories leading to job losses | • Engage with government and communities to partner with community co-operatives |
|  | • Under-utilisation of assets (factories/vessels) | • Be market leader in production quality and efficiency, ensuring attractive to new quota holders |

| **3 MARKET VOLATILITY** |  |  |
| • International market movements | • Inability to maintain margins | • Implement hedging policy |
| • Over leveraged balance sheet | • Cost increases and revenue decline | • Natural business hedge, with both imports and exports |
| • Weakening ZAR vs USD, impact imports of frozen and raw fish | • Impede capital raising ability | • Interest rate swaps and interest rate cap |
| • Impact of US / China tariffs on imports to China. | • Trading loss from forex volatility | • Strict repayment of debt and covenants |
| • Sensitivity to fishmeal and oil price to global supply and demand dynamics |  |  |

| **4 PORTFOLIO IMBALANCE** |  |  |
| • Concentration of earnings in a particular unit exposes the group to greater earnings volatility | • Increased volatility of earnings | • Business strategy focused on growth and diversification of portfolio |
|  |  | • Acquisition of Daybrook and investment in Angola |
|  |  | • Business expansion into global aquaculture |

<p>| <strong>5 FOOD SAFETY</strong> |  |  |
| • Potential deviation from quality or safety standards with own and third-party (local and foreign) producers and suppliers | • Illness of consumer | • Internal technical department and third-party auditors to ensure compliance with standards |
| • Mismangement of non-conforming product by traders | • Damage to brand and reputation | • Product recall processes and insurance cover in place |
| • Increase in counterfeit product | • Loss of market share | • Best practices hygiene and quality practices, with HACCP accreditation |
| • Potential sabotage | • Product recall and liability claims | • Proactive media engagement strategy |
| • Possible negative publicity including through social media | • Negative impact on insurance renewal terms, rates and policy limits |  |</p>
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<td><strong>6</strong> BUSINESS INTERRUPTION/INDUSTRIAL ACTION</td>
<td>• Disruption at own facilities and vessels as a result of: technical breakdown; utilities failure; fire or flooding; political or labour unrest; interruption in IT systems; electrical disruption; inconsistent water pressure/supply • Inability to settle wage negotiations in unionised environment</td>
<td>• Business interruption insurance • Business continuity process complete and in place • Power outage, maintenance and site safety procedures in place and audited • Standard operating procedures in the event of labour unrest • Communications strategy (group/external) • IT disaster recovery plan</td>
</tr>
<tr>
<td><strong>7</strong> INABILITY TO ACQUIRE FISHING RIGHTS IN SA</td>
<td>• Uncertain policies on reallocation/extension of rights • Transfer of fishing rights policy requirements not aligned with Black Economic Empowerment (B-BBEE) Act and Codes of Good Practice • Perception by regulators and interested parties of Oceana’s market dominance • Incorrect perception that Oceana may divest from Southern Africa • Possible negative impact of implementation of new Codes</td>
<td>• Maintain active engagement with South African authorities to ensure appropriate alignment on transformation policy • Maintain and develop new JV and supply partnerships to increase volumes • Implement proactive strategy demonstrating transformation efforts, responsible fishing, percentage rights holdings per sector and conversion into value • Diversification of operations and expansion into aquaculture</td>
</tr>
<tr>
<td><strong>8</strong> CASH FLOW MANAGEMENT</td>
<td>• Ineffective projection and management of cash resources • Off-take below sales targets resulting in increased stock levels, and negatively impacting cash</td>
<td>• Formalisation of cash flow process and insight into future requirements • Rigorous review of capital and major maintenance expenditures • Timely enforcement of terms with regard to collection of debtors</td>
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<td><strong>9</strong> LEGISLATIVE NON-COMPLIANCE</td>
<td>• Need to maintain systems and skills to track, interpret and ensure effective compliance with often-changing legislative requirements in a highly regulated industry</td>
<td>• Comprehensive legislative compliance, monitoring, training and auditing systems in place • Engagement with regulators directly and through industry associations</td>
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<tr>
<td><strong>10</strong> SCARCITY OF CRITICAL SKILLS/SUCCESSION PLANNING</td>
<td>• Inadequate pipeline of skills to lead new business opportunities, support current business operation, or replace retiring personnel • Challenges in attracting, developing and retaining best talent</td>
<td>• Policies and guidelines in place for talent and recruitment management, remuneration, skills development and succession planning • Identify opportunity to establish a vehicle to develop required skills for the fishing industry through collaboration with industry and all relevant stakeholders</td>
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assurance on integrated reports in SA focused primarily on assuring quantitative metrics that could be easily verified by service providers and external auditors. Examples include CO₂ emissions, water and electricity usage and the number of fatalities or injuries on duty (Dando and Swift, 2003; Junior et al., 2014; Maroun, 2017). A new model for assuring integrated reports is required and SA has contributed much in this regard (see Maroun, 2017, 2018a, 2018b).

Assurance not only adds to the credibility of the integrated report but also serves as a mechanism that those charged with governance may use to ensure that they adequately address their legislative duties (Maroun, 2018a). Most of the current research available explores the determinants of the assurance provider (traditional auditors or expert consultants). Maroun (2018a) developed a diagram illustrating the determinants, assurance models and outcomes in an IR assurance context (see Figure 3.4).

Further work used interviews with expert auditors and preparers to develop three assurance approaches, namely restricted assurance, integrated assurance and Delphi-inspired assurance (Maroun, 2017). Restricted assurance approaches focus on select items of the integrated report (usually the more conventional, verifiable metrics). Integrated assurance approaches “demonstrate how different sources of assurance are used collectively to ensure the reliability” of the integrated report (Maroun, 2017). Finally, a Delphi-inspired approach aims to provide assurance through the use of a panel of independent experts who review the information and processes used to identify, acquire and analyse information used to develop the integrated report. This panel would also consider other qualities of the report, including whether it is balanced, concise and understandable (Maroun, 2017). Nedbank Group (2018) appears to follow an integrated approach in which they present the different types of assurance obtained over different aspects of their integrated report (see Figure 3.5).

Inclusion of both good and bad news

Users are looking for transparency and sincere disclosures. Care is necessary to ensure that a focus on positive outcomes or shared value for stakeholders does not result in an understatement or omission of negative outcomes on the six capitals in the integrated report.

---

**Figure 3.4 CSR assurance model**

*Source: Maroun (2018a)*
### Assurance indicators

<table>
<thead>
<tr>
<th>Assurance Indicators</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>Benchmark/Peer average</th>
<th>Outlook/Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous improvement</td>
<td>5.91</td>
<td>5.78</td>
<td>5.34</td>
<td>N/A</td>
<td>Continue to increase digital enablesment actively</td>
</tr>
<tr>
<td>Continued strong growth as digitally-enabled clients start using new innovative digital products</td>
<td>1544</td>
<td>1474</td>
<td>1368</td>
<td>N/A</td>
<td>MO LA</td>
</tr>
<tr>
<td>Reduce to 60 % by 2020</td>
<td>114</td>
<td>129</td>
<td>145</td>
<td>N/A</td>
<td>MO</td>
</tr>
<tr>
<td>74% of total outlets converted by 2020</td>
<td>60%</td>
<td>55%</td>
<td>44%</td>
<td>N/A</td>
<td>MO</td>
</tr>
<tr>
<td>Top 2 bank brand</td>
<td>9th (5th bank)</td>
<td>10th (5th bank)</td>
<td>8th (4th bank)</td>
<td>3rd to 9th overall</td>
<td>IN</td>
</tr>
</tbody>
</table>

Source: Nedbank Group (2018.)

### Figure 3.5

**Nedbank Group assurance model**

**Source**: Nedbank Group (2018.)
Acknowledging errors in past judgements and mistakes made, particularly where insufficient improvement has been achieved, can illustrate a company’s willingness to be accountable. This can provide a sense of comfort to stakeholders that the report is balanced (IRCSA, 2018a). Including information about how these weaknesses will be addressed is of particular interest to stakeholders, to assess whether management is taking adequate steps to mitigate the risk of future occurrences or is embarking on an impression management campaign (see Flower, 2015).

Being consistent year-on-year with regard to good and bad news also indicates that the report is a balanced report and provides some level of legitimacy to the company (see De Villiers and Maroun, 2017). The use of invalid adjustments and inconsistencies in traditional performance metrics in SA (see Howard et al., 2019) may indicate that this is also prevalent in the less regulated IR context. It is relatively easy for stakeholders to observe and note inconsistencies when comparing prior years’ integrated reports to the current year’s. Omitting key performance indicators previously presented may lead stakeholders to consider the possibility of impression management and adjust their views of that entity and its integrated report (IRCSA, 2018a).

Liberty Holdings’ (2017, 2018) 2017 and 2018 integrated reports reflect consistent reporting, which includes both positive and negative news (see Figure 3.6).

**Responding to stakeholders’ needs**

Stakeholder-centric, as opposed to shareholder-centric, perspectives are becoming mainstream. Maroun (2018a) states that stakeholders have credible interests in a company’s operations and companies are deemed legitimate if there is congruence between their actions and social values. The credible interest creates a legitimate “basis for demanding sound social and environmental management” (Maroun, 2018a, p. 17). Additionally, the integrated report provides an opportunity for a company to prepare an integrated report in order to gain legitimacy in the eyes of stakeholders (Deegan and Blomquist, 2006; Brown and Dillard, 2014; Ahmed Haji and Anifowose, 2016).

There is much evidence to suggest that integrated reports are aimed at managing perceptions and persuading stakeholders that companies have shareholders’ interests at heart (Dawkins and Ngunjiri, 2008; Solomon and Maroun, 2012a). Stakeholders expect to be heard and their concerns to be considered by management; in order to demonstrate that companies are genuinely addressing stakeholder concerns, integrated reports should address stakeholder concerns raised and explain how these have influenced the identification of risks, strategy, material matters and the company’s value creation process. This process should function in an iterative feedback loop (IRCSA, 2018a). Nedbank Group (2017) provides an excellent example of how this can be done (see Figure 3.7).

**Providing forward-looking information to complement historical information**

Forward-looking information allows users to assess the company’s value creation ability in the short, medium and long term (IRCSA, 2018a). Some companies are hesitant to disclose forward-looking information for fear of losing a competitive advantage (Kılıç and Kuzey, 2018). With the high volume of information available, as well as competitors comparing themselves with one another to benchmark themselves and stay relevant, sustainable competitive advantages are unlikely to be given away by forward-looking discloses in an...
## 2017 PERFORMANCE DASHBOARD AND 2018 TARGETS

<table>
<thead>
<tr>
<th></th>
<th>2017 ACTUAL</th>
<th>2018 TARGET</th>
<th>2018 ACHIEVEMENT</th>
<th>2018 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normalised return on group equity value</td>
<td>1.1%</td>
<td>Cost of equity</td>
<td>12.1%</td>
<td>&gt;12.0%</td>
</tr>
<tr>
<td>Normalised return on IFRS equity</td>
<td>12.3%</td>
<td>GDP + CPI + 9% to 10%</td>
<td>Between 15% to 18%</td>
<td></td>
</tr>
<tr>
<td>Shareholder Investment Portfolio performance</td>
<td>Below benchmark</td>
<td>Board approved benchmark reference</td>
<td>Board approved benchmark reference</td>
<td></td>
</tr>
<tr>
<td>Risk appetite</td>
<td>Achieved</td>
<td>Manage within risk appetite</td>
<td>Between 1.5% to 2.0%</td>
<td>Between 1.0% to 1.5%</td>
</tr>
<tr>
<td>Individual Arrangements new business margin</td>
<td>0.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **INVESTORS**
- **CUSTOMERS**
- **OUR PEOPLE**
- **REGULATORS**
- **COMMUNITY**

**Figure 3.6** Extract of Liberty Holding’s performance for 2017 and 2018  
**Source:** Liberty Holdings (2017, 2018)
## 2018 performance dashboard and 2019 targets

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Actual</th>
<th>Target</th>
<th>Achievement</th>
<th>2019</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined policyholder persistency performance</td>
<td></td>
<td></td>
<td>Actuarial assumption</td>
<td>Actuarial assumption</td>
<td></td>
</tr>
<tr>
<td>Client net promoter score(^1)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>&gt; 33%</td>
<td></td>
</tr>
<tr>
<td>Net customer cash flows(^1)</td>
<td>R10.2 billion</td>
<td>Positive</td>
<td></td>
<td>Positive</td>
<td></td>
</tr>
<tr>
<td>South African voluntary staff turnover</td>
<td>11.3%</td>
<td>&lt; 14%</td>
<td></td>
<td>&lt; 14%</td>
<td></td>
</tr>
<tr>
<td>Management control (diversity at management levels(^2))</td>
<td>48%</td>
<td>55%</td>
<td></td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>62%</td>
<td>66%</td>
<td></td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Liberty Group Limited solvency capital requirement cover(^3)</td>
<td>1,87 times</td>
<td>1.5 - 2.0 times</td>
<td></td>
<td>1.5 - 2.0 times</td>
<td></td>
</tr>
<tr>
<td>Risk appetite</td>
<td>Achieved</td>
<td></td>
<td></td>
<td>Manage within risk appetite</td>
<td></td>
</tr>
<tr>
<td>Number of adverse findings by industry ombuds and adjudicators(^4)</td>
<td>168</td>
<td>n/a</td>
<td></td>
<td>&lt; 50</td>
<td></td>
</tr>
<tr>
<td>Normalised return on group equity value</td>
<td>3.8%</td>
<td>&gt; 12.0%</td>
<td></td>
<td>&gt; 12.0%</td>
<td></td>
</tr>
<tr>
<td>Normalised return on IFRS equity</td>
<td>10.1%</td>
<td>15% - 18%</td>
<td></td>
<td>15% - 18%</td>
<td></td>
</tr>
<tr>
<td>Shareholder Investment Portfolio performance</td>
<td>Below benchmark</td>
<td>Board approved benchmark reference</td>
<td></td>
<td>Board approved benchmark reference</td>
<td></td>
</tr>
<tr>
<td>Growth in operational profit(^5)</td>
<td>+42.1%</td>
<td>n/a</td>
<td></td>
<td>n/a</td>
<td>1.0% - 1.5%</td>
</tr>
<tr>
<td>SA Retail new business margin</td>
<td>0.8%</td>
<td>1.0% - 1.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B-BBEE contributor level</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Corporate social investment spend (South Africa)</td>
<td>R45.6 million</td>
<td>1% of adjusted net operating profit after tax</td>
<td></td>
<td>1% of adjusted net operating profit after tax</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) New metric adopted in 2019  
\(^2\) Calculated in terms of the new prudential regulatory regime effective 1 July 2018

---

*Figure 3.6 (Cont.)*
THE NEEDS AND EXPECTATIONS OF OUR STAKEHOLDERS

As a financial services provider we are deeply connected to the environment we operate in and the societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. By providing for their needs and meeting their expectations, we create value for both our stakeholders and Nedbank.

**STAFF**
- 31,887 employees.
- 29,085 employees in SA businesses.
- 2,802 employees in non-SA businesses.
- 62.1% female, 37.9% male.
- 78.5% black, 21.5% white.
- 24.1% under 29 years of age.
- 27.2% with a tenure of more than 10 years.
- Staff turnover of 10.6%.

**CLIENTS**
- 7.9 million clients.
  - Individuals from children to seniors and from entry-level clients to high-net-worth individuals.
  - Various legal entities, such as trusts, non-governmental entities and associations, small businesses, large corporates and the public sector.

**SHAREHOLDERS**
- Ordinary and preference shareholders, bondholders and prospective investors.
- Retail investors, asset management and retirement funds in SA and increasingly in international markets that invest in Nedbank equity and preference shares as well as funding instruments.
- Two credit rating agencies: Moody’s and Standard & Poor’s.
- 13 sell-side analysts.

**REGULATORS**
- SARB - responsible for banking regulation and supervision in SA.
- FSB - responsible for overseeing the SA non-banking financial services industry.
- NCR - responsible for the regulation for the SA credit industry.
- Other: SARS, foreign revenue authorities, various government departments and Chapter II institutions, including the Department of Trade and Industry (the dti), Department of Labour, National Treasury, Financial Intelligence Centre (FIC) and the JSE.
- We also comply with various regulatory bodies outside SA, including central banks and local financial services regulators of countries in which we have representation or operations.

**SOCIETY**
- Society represents:
  - Citizens of the countries in which we operate, comprising individual members of society, non-governmental organisations and suppliers.
  - The environment on which these citizens depend for their wellbeing.

Figure 3.7 Nedbank’s stakeholder needs and expectations

Source: Nedbank (2017)
Creating value in a sustainable manner through our strategy

Their needs and expectations
- Competitive remuneration, effective performance management and recognition.
- Challenging work with opportunities to make a difference.
- Career development and advancement opportunities.
- Employment at a company with a strong brand that is recognised as a good employer.
- An empowering, diverse and enabling environment that embraces diversity and inclusivity.

Creating value for our stakeholders
- Our staff are key to making Nedbank a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, offer value to our clients. Staff, as part of society, contribute materially to the communities in which they live and work.

Value is created through
- Employing citizens in the jurisdictions in which we operate.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to embrace technological changes, further their careers and improve our services and products.
- Transforming to an inclusive society through employment equity and gender equality.
- Motivating and energising our workforce.

Clients remain our largest source of deposits, which enable us to fund lending activities. Gaining more clients results in greater revenue growth, while sustainable banking practices and worldwide risk management mitigate against bad debts.

Value is created through
- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, sustainable development and job creation.
- Facilitating transactions that are the backbone of economic-value exchange.
- Enabling financial inclusion by providing the previously unbanked with access to affordable products.
- Providing financial education and advice.
- Developing innovative solutions that meet our clients’ specific needs.

The financial capital we source from our equity and debt investors and our retained earnings enable business continuity and growth, including strategic investments.

Value is created through
- Increasing net asset value, returns, dividends and share price.
- Maintaining a strong balance sheet to protect against downside risk.

Regulation ensures a sound and stable banking system, which reduces systemic risk and promotes healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client confidence in Nedbank and reduce potential for reputational risk. We realise that the tax we pay is an imperative for the economic and social development of the countries in which we operate. We have a responsibility to comply fully with the regulations of the countries in which we operate.

Value is created through
- Participating in buying government and public sector bonds.
- Contributing meaningfully to government budgets through our own tax contributions and taxes collected on behalf of SARS and foreign revenue authorities.

We embrace our role in society as an active contributor to building a thriving society and can only do this with engaged communities that have similar values.

Value is created through
- Transforming economies and society positively through our lending and transactional activities, which are increasingly aligned with the SDGs.
- Playing a meaningful role in the broader society as a procurer of goods and services.
- Making a difference through our partnerships and CSI activities.

Nedbank Group – Integrated Report 2017

Figure 3.7 (Cont.)
integrated report (see Porter, 2008). This should not be accepted, or used as a valid reason for excluding useful forward-looking information.

Another factor may be an unwillingness to give specific forward-looking information that may create high expectations and against which management may be held accountable (see McNally et al., 2017; IRCSA, 2018a). This risk may be perceived as being enhanced with quantitative information and reduced with qualitative information (Kadous et al., 2005). This appears to be the case as Kılıç and Kuzey (2018) found that in 2014, integrated reports' forward-looking information was mostly qualitative in nature. The main quantitative disclosures related to environmental targets such as CO₂ emissions, water and electricity consumption, which are metrics for which management may be less concerned with being held to account. Distinguishing between controllable and uncontrollable issues, risks and opportunities within the forward-looking information may help preparers manage stakeholder expectations while providing the forward-looking information demanded by stakeholders (IRCSA, 2018a). Truworths (2018) provides an example of forward-looking information (see Figure 3.8).

**A balance of qualitative and quantitative information**

Providing a balance of both qualitative and quantitative information allows preparers to provide context for their quantitative information. This improves the ability of users to comprehend what is provided (IRCSA, 2018a). Some areas are more easily reported through qualitative information while others can be reported definitively using quantitative information. Infographics are useful to present industry benchmarks, year-on-year changes and targets in a concise and straightforward format (see IRCSA, 2018a; Kılıç and Kuzey, 2018). Impala Platinum (2018) provides an example of a qualitative and quantitative performance review (see Figure 3.9).

**Risks and opportunities**

A complete assessment of a company’s material risks and opportunities is relevant information to stakeholders and contributes to a balanced report (IRCSA, 2018a). This assessment should include all six capitals (IIRC, 2013; IRCSA, 2018a). Using heat maps allows preparers to reflect risks, their possible impact and likelihood, as well as opportunities, in an easily understood visual. The heat map should clearly reflect the connectivity and linkages among each risk/opportunity, the company’s strategy and outlook (IRCSA, 2018a). Royal Bafokeng Platinum (2018) provides a heat map as an example (see Figure 3.10).

Group 5’s (2018) integrated report appears to reflect a balanced approach. Early on page 6, Group 5 prominently presents its top six material issues, reflecting a leadership team who acknowledge the group’s poor results and challenging circumstances. In doing so, they take ownership and present themselves as willing to engage on important issues and work hard towards improving the company’s performance. In presenting a balanced view, companies may also present plans and solutions aimed at addressing those negative issues. These aspects are just as essential to indicate that the leadership has substantively reflected on the negative issues and developed a meaningful plan to address those issues (IRCSA, 2018a).

Balance is not only about providing both good and bad news about a company. In order for an integrated report to be balanced, the report needs to cover the six capitals and have both forward-looking and historical qualitative and quantitative information. These types of
Figure 3.8 Truworth’s forward-looking information

Source: Truworths (2018)
### Group performance against objectives

Implats is a focused PGM producer and supplier. Our strategy seeks to sustain optimal levels of production at the lowest possible cost from a diverse and competitive asset portfolio. We seek to position the Company in the lower half of the industry cost curve, and as the industry safety leader, to benefit from future stronger PGM prices and to reward all our stakeholders.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Operational strategies</th>
<th>KPI performance target for FY2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implats</strong></td>
<td>Relentlessly drive the safety of our people</td>
<td>Zero fatalities</td>
</tr>
<tr>
<td><strong>implats</strong></td>
<td>Consistently deliver production targets</td>
<td>Refined platinum production of 1.57 – 1.61Moz</td>
</tr>
<tr>
<td><strong>implats</strong></td>
<td>Improve efficiencies through operational excellence</td>
<td>Cost per platinum ounce &lt;R23 100 and stock adjusted unit cost achieved of R22 901 (2017: R22 928)</td>
</tr>
<tr>
<td><strong>implats</strong></td>
<td>Cash conservation</td>
<td>Capital &lt;R4.7 billion</td>
</tr>
<tr>
<td><strong>implats</strong></td>
<td>Maintain our licence to operate</td>
<td>Impala Rustenburg SO₂ at &lt;160ppm Marula community disruptions &lt;10 days Bald/sell &gt;230 employee houses</td>
</tr>
</tbody>
</table>

* Performance targets and actual performance exclude the associate companies Two Rivers and Mimosa.

**Figure 3.9** Impala Platinum’s qualitative and quantitative performance review

**Source:** Impala Platinum (2018)
Regrettably, seven employee fatalities were recorded during the year. LTIFR improved 5.4% from the previous year to 6.01 per million man-hours (including contractors) (2017: 6.35). Continue to drive zero harm through awareness and education, by implementing appropriate systems and best practices, and by working in partnership with employees and regulators. Our focus is on ensuring resilient and effective leadership and operational discipline to ensure compliance with safe production practices.

Reframed platinum production of 1.47 million ounces. Strong mining performances at Impala Rustenburg and Marula were supported by sustained excellent mining contributions from all other operations. Planned closures of 4, 7 and 7A Shafts at Impala Rustenburg. Furnace maintenance work during the first half of the year and an electrical failure at the furnace in February 2018 resulted in an inventory build over the year.

Unit costs increased to R24.66 per platinum ounce refined impacted by the lower refined production volumes (2017: R22.69). Completed and approved a strategic review of Impala Rustenburg that will transition this operation to long-term economic viability in a low-price environment. Continue to address inefficiencies and contain the rising input cost base at operations, particularly Impala Rustenburg. Enhanced focus on human resources, which includes the development of a high-performance culture and reviews of the organisational structure and remuneration policies to support this. Capital expenditure of R4.61 billion (2017: R3.43 billion). Capital expenditure was in line with plan. R1.4 billion was spent on the two development shafts, 16 and 20. Key projects and their associated capital investment were re-evaluated during the year resulting in a reduction (R910 million) or deferment of capital spend in a low-price environment.

SO₂ emissions at Impala Rustenburg at 6379t (2017: 6 306). Direct SO₂ emissions were within the conditions of the Air Emission Licence at Impala Rustenburg and Impala Springs. Built 136 employee houses in Rustenburg as expenditure was curbed due to cash preservation. Officially opened Sunrise View Secondary and both primary and secondary schools at Platinum Village. Group social development expenditure amounted to R214.10m (2017: R136.48m). Resolved land dispute and secured mining tenure at Zimplats.
OUR CHANGING BUSINESS CONTEXT

In this section of our report we:

- review our global and local internal and external environments
- identify the issues that have implications for our business model, their impact or possible impact on value
- provide a brief summary of our strategic response to these issues and guidance as to where you can read more about our response.

We address the risks and opportunities our internal and external environments present, and our responses to them throughout this report. We have provided page references to where this information can be found and an indication as to whether these issues are risks, opportunities or both for RBPlat, on the graphic that follows.

THE MARKETS – EXTERNAL ISSUES
- Low economic growth
- Socio-political climate
- Uncertain global and local political environment
- Sovereign downgrade risk
- Currency volatility
- PGM market dynamics

STRATEGIC ISSUES – EMERGING ISSUES
- Election year in 2019
- Electrification of power plants
- Potential switch from palladium to platinum
- Global emissions legislation
- New Mining Charter requirements
- Retabling of Mineral and Petroleum Resources Development Act (MPRDA)
- Changing stakeholder dynamics
- Regional trade union elections

OPERATIONS – INTERNAL ISSUES
- Safety performance
- Safety stoppages
- Cost management efficiencies
- Availability of adequate and appropriate skills
- Water scarcity and efficiencies
- Energy costs, availability and efficiencies
- Climate change
- Geological complexity
- Trade union branch elections
- Review of closed shop agreement
- Wage agreement negotiations

STRATEGIC CHANGE – IN EXECUTION
- 100% ownership of our operations – Joint Venture to be dissolved
- Life of mine strategy
- Processing flexibility and performance
- Styldrift Mine ramp up to 230ktpm by 2020
- Capital management
- Styldrift moving from capex to opex
- Implementing 24/7 operations at Styldrift Mine

**Figure 3.10** Royal Bafokeng Platinum’s heat map
Source: Royal Bafokeng Royal Bafokeng Platinum (2018)
The IRC of South Africa

Table 3.2 Challenges and contributing factors to preparing an integrated report in South Africa

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Contributing factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of commitment to transparency and accountability</td>
<td>• Insufficient governance processes and systems</td>
</tr>
<tr>
<td></td>
<td>• Doubts about the relevance of integrated thinking and integrated reporting</td>
</tr>
<tr>
<td></td>
<td>• Managerial attitude not supporting an integrated approach to reporting and based on</td>
</tr>
<tr>
<td></td>
<td>short-term financial performance</td>
</tr>
<tr>
<td>Inadequate processes and systems to support complete and balanced reporting</td>
<td>• Lack of capacity or resources to manage data</td>
</tr>
<tr>
<td></td>
<td>• Incomplete or insufficient processes for the determination of material matters</td>
</tr>
<tr>
<td></td>
<td>resulting in difficulty in determining if and when information is material</td>
</tr>
<tr>
<td></td>
<td>• Inappropriate approaches to assurance</td>
</tr>
<tr>
<td>Uncertainty about what to report</td>
<td>• Lack of understanding of the requirements of integrated reporting according to King IV</td>
</tr>
<tr>
<td></td>
<td>and the &lt;IR&gt; Framework</td>
</tr>
<tr>
<td></td>
<td>• Insufficient consideration given to the impact of societal and environmental factors</td>
</tr>
<tr>
<td>Concerns about potential negative consequences of reporting sub-optimal</td>
<td>• Fear that reporting will lead to additional scrutiny by regulators</td>
</tr>
<tr>
<td></td>
<td>• Fear that bad news may result in reputational damage and lower sales</td>
</tr>
<tr>
<td></td>
<td>• Perceived threat of litigation based on negative information</td>
</tr>
<tr>
<td>Over-reliance on consultants.</td>
<td>• Limited managerial participation in the preparation of the report and poor oversight</td>
</tr>
<tr>
<td></td>
<td>of interpretation</td>
</tr>
</tbody>
</table>

Adapted from: IRCSA (2018a)

information should cover the short-, medium- and long-term perspectives of the company (IRCSA, 2018a).

The IRCSA, summarising work performed by McNally et al. (2017) about the challenges in preparing a balanced integrated report, prepared the helpful information presented in Table 3.2.

Conclusion

As an emerging economy, SA is heavily dependent on foreign capital and relies on internationally aligned codes of best practice to reassure and signal to investors the credibility of the local capital market (Vaughn and Ryan, 2006). The requirement for listed companies to prepare an integrated report has resulted in an improvement of SA’s profile as a legitimate developing economy in the eyes of the international investor community (Maroun et al., 2014; Atkins and Maroun, 2015; Roberts, 2017). In a country characterised by social inequality and increasing environmental awareness, stakeholders are paying attention to companies’ social and environmental effects. It is essential to adhere to the stakeholder-centric model adopted by the King Codes, the emphasis placed on balancing
economic imperatives with sound environmental and social performance, and acknowledge
the input of all of a company’s resources and relationships.

Results from prior studies indicate that compliance with corporate governance provisions
generally improves over time (Patel et al., 2002; Collett and Hrasky, 2005; Barako et al., 2006;
Henry, 2008; Ntim et al., 2012). This is confirmed by the reviews conducted by EY and
Chartered Secretaries Southern Africa (CSSA), which indicate an overall improvement in the
quality of South African integrated reports from 2010 to 2017. In contrast, the reviews also
confirm several weaknesses identified by the professional and academic literature. These include,
for example, reports that are difficult to read (Du Toit, 2017; Du Toit et al., 2017), repetitive
and contain generic disclosure (Solomon and Maroun, 2012b; PWC, 2015) and the need for
a more transparent explanation on the link between risk, strategy and financial and non-financial
performance (McNally et al., 2017; Naynar et al., 2018).

The benefits of preparing a high-quality integrated report are not limited to better
stakeholder relations, improved access to intellectual, financial and human capitals and reduced
effects on natural capital. Research indicates that companies with higher quality integrated
reports are likely to have more effective processes and systems in place and may also find it
easier to identify and manage risks more effectively, implying a high-quality management team
(De Villiers and Maroun, 2017; McNally and Maroun, 2018). In addition, high-quality IR
decreases information asymmetry and provides relevant information for investors (Barth
et al., 2017; Zhou et al., 2017). Finally, there is at least some evidence to suggest that companies
that prepare high-quality integrated reports outperform their peers in financial and non-financial
terms. This may only be specifically for firms operating in industries with high social and
environmental impact, and is noted as an area for future research (see also De Villiers and
Maroun, 2017; Guthrie et al., 2017; McNally and Maroun, 2018).

Notes
1 Apartheid was a system of institutionalised racial segregation that existed in South Africa from 1948
until the early 1990s. The National Party legislated a number of laws to propagate Apartheid,
namely the Population Registration Act of 1950, the Group Areas Act of 1950, the Prevention of
Illegal Squatting Act of 1951, the Prohibition of Mixed Marriages Act of 1949, the Immorality Act
of 1950, the Reservation of Separate Amenities Act of 1953, the Suppression of Communism Act
2 These include: report quality, materiality, risks and opportunities, strategy and resource allocation,
performance and outlook.
3 In 2018, VBS bank collapsed. The collapse of VBS is suspected to be the result of fraud. Investigations
were still underway at the time of compiling this chapter. Fraudulent reporting is said to have misled
regulators into believing that VBS was in a financially sound position when, in fact, its liabilities exceeded
its assets by approximately ZAR180 million, making it insolvent as of 31 March 2017 (Motau, 2018).
4 Those charged with governance are responsible for ensuring a faithfully represented balanced report
(IIRC, 2013; IRCSA, 2018b).

References
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The International Integrated Reporting Framework

Available at: www.g5.co.za/ir_latest.php

FAQ: The Octopus Model

Our History

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