

# Investigating the relevance of selected aspects of integrated reporting in the banking industry

**Derick Dahms**

B.Com, B.Com (Hons)  
10679804

Mini-dissertation submitted in partial fulfilment of the requirements  
for the degree *Masters of Business Administration* at the  
Potchefstroom Business School, Potchefstroom Campus  
of the North-West University

**Supervisor:** Prof AM SMIT

October 2012

## **ABSTRACT**

---

The relevance and reliability of annual financial reports as a basis for making decisions about an organisation came in dispute after a series of corporate collapses. Sustainability reports have similarly suffered weaknesses and stakeholders are unable to form a comprehensive picture of an organisation's performance and its ability to create and sustain value.

Integrated reporting incorporates concise and material information from financial statements and the sustainability report and other sources to enable stakeholders to evaluate the organisation's performance and to make an informed assessment about its ability to create and sustain value.

The focus of this study was to investigate the opinion of employees as stakeholders of a South African bank and their perception of the relevance of the elements in an integrated report, if they had to assess the ability of an organisation to sustain value in the future.

A literature study was conducted to address the concept of integrated reporting and the integrated report as well as relevant aspects. Based on the literature study, integrated reporting should enable stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term. Special attention has been given to the elements to be included in an integrated report as suggested by the IRC SA's framework and employees as stakeholders of organisations. The latter has been used as basis of the empirical study that was conducted.

The empirical study focused on the opinion of employees regarding the relevance of the eight elements in an integrated report as stakeholders of a South African bank and it was conducted by means of a self-completion questionnaire. The internal consistency and reliability of the questionnaire was assessed by calculating Cronbach alpha coefficients and it had acceptable reliability.

Frequency distributions, mean values and standard deviations were calculated as well as independent *t*-tests and Anovas to determine the differences between the means of different groups within the selected demographic variables and the constructs. Furthermore, effect size values (*d*-values) were used to indicate if there were practical significant differences between any demographical variables regarding the constructs and individual questions.

In the final chapter, conclusions were drawn based on the literature and empirical study. It was evident from the empirical study that most of the respondents found the elements to be either moderately or totally relevant to be included in a report, if the ability of an organisation has to be assessed to sustain value in the future. Recommendations were provided on three elements (business model, remuneration policies and analytical commentary) and the report was concluded by recommending possible future research that could be conducted based on this study.

**Key terms:** Integrated reporting, backward-looking, forward-looking, King III, Anova.

## ACKNOWLEDGEMENTS

---

I wish to thank the following persons and institutions:

- To Jesus granting me the ability, wisdom and privilege to complete my MBA;
- My wife Miana Dahms for her love, support and patience;
- My three children Diamè, Dian and Manricht for their love, support and patience;
- My father Bert Dahms and my mother Lien Dahms for the opportunity to study that they have granted me;
- My family and friends for their understanding and support;
- My study group Henry, Deon, Jaco and Nico for their support and assistance;
- Prof. Anet Smit of the North-West University for her assistance, guidance and advice;
- Erika Fourie of the North-West University Statistical Consultation Services for her guidance and advice;
- My colleagues and respondents of the survey in support of the empirical study.
- Antoinette Bisschoff for assisting me with the language editing.

# TABLE OF CONTENTS

---

<b>ABSTRACT .....</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>iii</b>
<b>TABLE OF CONTENTS .....</b>	<b>iv</b>
<b>LIST OF FIGURES .....</b>	<b>viii</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>x</b>

## CHAPTER 1: NATURE AND SCOPE OF THE STUDY

<b>1.1 INTRODUCTION .....</b>	<b>1</b>
<b>1.2 PROBLEM STATEMENT .....</b>	<b>3</b>
<b>1.3 OBJECTIVES OF THE STUDY .....</b>	<b>5</b>
1.3.1 Primary objective .....	5
1.3.2 Secondary objectives .....	5
<b>1.4 SCOPE OF THE STUDY .....</b>	<b>6</b>
1.4.1 Field of study .....	6
1.4.2 Institution under investigation .....	7
1.4.3 Geographical demarcation .....	8
<b>1.5 RESEARCH METHODOLOGY .....</b>	<b>8</b>
1.5.1 Literature study .....	8
1.5.2 Empirical study .....	8
<b>1.6 LIMITATIONS OF THE STUDY .....</b>	<b>9</b>
<b>1.7 LAYOUT OF THE STUDY .....</b>	<b>10</b>
<b>1.8 SUMMARY .....</b>	<b>11</b>

## CHAPTER 2: LITERATURE REVIEW

<b>2.1</b>	<b>INTRODUCTION .....</b>	<b>13</b>
<b>2.2</b>	<b>INTEGRATED REPORTING DEFINED .....</b>	<b>14</b>
<b>2.3</b>	<b>THE DEVELOPMENT OF INTEGRATED REPORTING .....</b>	<b>15</b>
2.3.1	Traditional Reporting .....	16
2.3.2	Sustainability- and Triple Bottom Line reporting .....	19
<b>2.4</b>	<b>INTEGRATED REPORTING .....</b>	<b>22</b>
2.4.1	Discussion paper: IRCSA & IIRC.....	26
2.4.2	Benefits of integrated reporting.....	26
2.4.3	Objections to integrated reporting.....	29
<b>2.5</b>	<b>THE INTEGRATED REPORT .....</b>	<b>29</b>
<b>2.6</b>	<b>ELEMENTS OF AN INTEGRATED REPORT .....</b>	<b>36</b>
2.6.1	Report Profile.....	38
2.6.2	Organisational overview, business model, and governance structure .....	40
2.6.3	Understanding the operating context.....	41
2.6.4	Strategic objectives, competencies, key performance indicators (KPIs) and key risk indicators (KRIs) .....	44
2.6.5	Account of the organisation's performance.....	44
2.6.6	Future performance objectives .....	46
2.6.7	Remuneration policies .....	46
2.6.8	Analytical commentary .....	47
<b>2.7</b>	<b>EMPLOYEES AS STAKEHOLDERS.....</b>	<b>48</b>
<b>2.8</b>	<b>RESENT INTEGRATED REPORTING RESEARCH CONDUCTED AND RELEVANT FINDINGS .....</b>	<b>51</b>
<b>2.9</b>	<b>THE FUTURE TECHNOLOGICAL OUTLOOK ON INTEGRATED REPORTING .....</b>	<b>53</b>
<b>2.10</b>	<b>SUMMARY .....</b>	<b>54</b>

## **CHAPTER 3: EMPIRICAL STUDY**

<b>3.1</b>	<b>INTRODUCTION .....</b>	<b>56</b>
<b>3.2</b>	<b>GATHERING OF DATA .....</b>	<b>57</b>
<b>3.3</b>	<b>TARGET AND STUDY POPULATION.....</b>	<b>57</b>
<b>3.4</b>	<b>QUESTIONNAIRE USED IN THIS STUDY .....</b>	<b>58</b>
3.4.1	Section A: Relevant reporting information .....	59
3.4.2	Section B: Demographic information .....	62
<b>3.5</b>	<b>CONFIDENTIALITY .....</b>	<b>63</b>
<b>3.6</b>	<b>STATISTICAL ANALYSIS OF DATA .....</b>	<b>63</b>
<b>3.7</b>	<b>RESPONSES TO THE SURVEY .....</b>	<b>63</b>
<b>3.8</b>	<b>DEMOGRAPHIC INFORMATION OF RESPONDENTS .....</b>	<b>64</b>
<b>3.9</b>	<b>FREQUENCY DISTRIBUTION, MEAN AND STANDARD DEVIATION OF THE RELEVANT REPORTING INFORMATION.....</b>	<b>70</b>
<b>3.10</b>	<b>RELIABILITY OF THE QUESTIONNAIRE.....</b>	<b>74</b>
<b>3.11</b>	<b>RELEVANCE OF THE ELEMENTS OF AN INTEGRATED REPORT .....</b>	<b>75</b>
<b>3.12</b>	<b>THE RESULTS OF THE ANALYSIS ON DEMOGRAPHIC INFORMATION AND CONSTRUCTS.....</b>	<b>77</b>
3.12.1	The results of the independent <i>t</i> -tests .....	78
3.12.2	The results of the ANOVA calculations.....	80
<b>3.13</b>	<b>THE RESULTS OF FURTHER ANALYSIS ON DEMOGRAPHIC INFORMATION AND INDIVIDUAL STATEMENTS OF TWO CONSTUCTS .....</b>	<b>84</b>
<b>3.14</b>	<b>SUMMARY .....</b>	<b>87</b>

## **CHAPTER 4: CONCLUSIONS AND RECOMMENDATION**

<b>4.1</b>	<b>INTRODUCTION .....</b>	<b>90</b>
<b>4.2</b>	<b>CONCLUSIONS .....</b>	<b>90</b>
4.2.1	Demographic information.....	91
4.2.2	Reliability of the questionnaire used .....	92
4.2.3	Assessment of the constructs representing the suggested elements of an integrated report .....	92
4.2.4	Differences between the constructs regarding demographic information ....	97
<b>4.3</b>	<b>RECOMMENDATIONS .....</b>	<b>102</b>
4.3.1	Organisational overview, business model, and governance structure .....	102
4.3.2	Remuneration policies .....	103
4.3.3	Analytical commentary .....	104
<b>4.4</b>	<b>ACHIEVEMENT OF OBJECTIVES .....</b>	<b>105</b>
	<b>REFERENCE LIST .....</b>	<b>110</b>
	<b>ANNEXURE A:</b>	
	<b>INTEGRATED REPORTING QUESTIONNAIRE .....</b>	<b>117</b>



## LIST OF FIGURES

---

Figure 1.1 : Location of Gauteng, North West, and Free State Province within SA....	8
Figure 1.2 : Graphical layout of the study.....	10
Figure 2.1 : Components of S&P 500 market value .....	17
Figure 2.2 : CSR Reports by country .....	21
Figure 2.3 : The Evolution of Corporate Reporting.....	24
Figure 2.4 : The benefits of One Report.....	27
Figure 2.5 : Integrated report building blocks .....	30
Figure 2.6 : Results of the Deloitte research of integrated reports .....	52
Figure 3.1 : Respondents by age group .....	65
Figure 3.2 : Gender of respondents .....	65
Figure 3.3 : Number of years employed by the organisation.....	66
Figure 3.4 : Management level of respondents .....	67
Figure 3.5 : Business units .....	68
Figure 3.6 : Location (province) of workplace .....	68
Figure 3.7 : Respondents familiar with the concept of integrated reporting .....	69
Figure 3.8 : Familiar with annual integrated report of the financial institution.....	70
Figure 3.9 : Relevance of the elements of an IR analysis .....	76
Figure 4.1 : The mean values of the constructs .....	92

## LIST OF TABLES

Table 2.1 : Sources of complexity in accounting and financial reporting .....	17
Table 2.2 : Difference between integrated and current reporting .....	31
Table 2.3 : IIRC SA & IIRC Key Components of an integrated report .....	36
Table 2.4 : IRCSA suggested elements of an integrated report .....	37
Table 2.5 : Major SA financial institutions self-identified stakeholders .....	48
Table 3.1 : Responses to the survey .....	63
Table 3.2 : Responses to the element: Report profile .....	71
Table 3.3 : Responses to the element: Business model.....	71
Table 3.4 : Responses to the element: Operating context.....	71
Table 3.5 : Responses to the element: Strategic objectives .....	72
Table 3.6 : Responses to the element: Organisation's performance .....	72
Table 3.7 : Responses to the element: Future performance.....	73
Table 3.8 : Responses to the element: Remuneration policies.....	73
Table 3.9 : Responses to the element: Analytical review .....	74
Table 3.10 : Cronbach alpha coefficients of constructs.....	75
Table 3.11 : Relevance of the elements of an IR survey results .....	76
Table 3.12 : Difference between the eight constructs regarding gender .....	79
Table 3.13 : Difference between the eight constructs regarding the respondents familiar with the concept integrated reporting.....	79
Table 3.14 : Difference between the eight constructs regarding the respondents familiar with the financial institution annual integrated report .....	80
Table 3.15 : Difference between the eight constructs and number of years employed .....	81
Table 3.16 : Difference between the eight constructs regarding the different age groups of the respondents .....	83
Table 3.17 : Differences between two constructs individual statements regarding respondents familiar with the concept integrated reporting .....	85
Table 3.18 : Difference between the construct report profile individual statements regarding number of years employed.....	86
Table 3.19 : Difference between the construct operating context statements regarding number of years employed.....	87

---

## LIST OF ABBREVIATIONS

---

AICPA	- American Institute of Certified Public Accountants
ESG	– Environmental, Social and Governmental
CSR	– Corporate Social Responsibility
EY	– Ernst & Young
GAAP	– Generally Accepted Accounting Principles
GRI	– Global Reporting Initiative
IFRS	– International Financial Reporting Standards
IIRC	– International Integrated Reporting Committee / Council
IIRF	– International Integrated Reporting Framework
IR	– Integrated Reporting
IR DP	– Integrated Reporting Discussion Paper
IRCSA	– Integrated Reporting Committee South Africa
IRF	– Integrated Reporting Framework
ISAE	– International Standard on Assurance Engagement
JSE	– Johannesburg Stock Exchange
KPI	– Key Performance Indicator
KRI	– Key Risk Indicator
NGO	– Non Governmental Organisation
OECD	- Organisation for Economic Co-operation and Development
PwC	– Price Waterhouse Coopers
SAICA	- South African Institute of Chartered Accountants
SRI	– Socially Responsible Investments
XBRL	– eXtensible Business Reporting Language

# CHAPTER 1

## NATURE AND SCOPE OF THE STUDY

---

*“The battlefield is a scene of constant chaos. The winner will be the one who controls that chaos, both his own and the enemy’s” – Napoleon Bonaparte*

### 1.1 INTRODUCTION

In the last few decades, business reporting has experienced a plethora of metamorphosis (Choudhuri & Chakraborty, 2009:46). Traditionally company reporting primarily consisted of financial information. The outline of a company’s performance was in the form of the balance sheet, profit and loss account and a director’s report (Klynveld Peat Marwick Goerdeler, 2010:2). This traditional reporting model was developed for an industrial world and although it continues to play a valuable role, it only focuses on a relatively narrow account of historical financial performance and of the value-creation process (International Integrated Reporting Committee, 2011:4).

The relevance and reliability of annual financial reports as a basis for making decisions about an organisation, has been questioned by stakeholders after the string of corporate collapses over the past decade. Stakeholders were unable to form a comprehensive picture of an organisation’s performance and its ability to create and sustain value (Integrated Reporting Committee of South Africa, 2011:1). The financial reporting pattern has changed drastically in the post-decolonizing period and it has moved from its black and white domain to green pastures (Choudhuri & Chakraborty, 2009:46). Trendsetting companies started to explain their impact on the environment, wider society and stakeholders (KPMG, 2010:2).

The reporting on a company’s economic, environmental, and social performance, known as sustainability reporting, became as important as its regulatory financial reporting (Global Reporting Initiative, 2011:3). Sustainability reporting came in existence as companies acknowledged its accountability to internal and external

stakeholders. The environmental and social aspects of business conduct influence the business future (including the value of the company), as well as the financial performance (KPMG, 2010:5). As financial reports, sustainability reports have weaknesses, generally because it provides a backward-looking review of performance and are usually disconnected from the organisation's financial reports (GRI, 2011:1).

Businesses are forced to react to changes due to globalization and resulting interdependencies in economics and supply chains, advances in technology, rapid population growth and increasing global consumption. New reporting requirements have been added through a pathway of laws, regulations, standards, codes, guidance and stock exchange listing requirements (IIRC, 2011:4). The aforesaid has led to the moment where integrated reporting comes into play.

In South Africa, King III calls for organisations to prepare an integrated report, recognising that the impact of the organisation on the environment and society, and related reputational issues, are material issues that can affect the very existence of the organisation. Following the incorporation of King III into the Johannesburg Stock Exchange (JSE) listings requirements, listed companies are required to issue an integrated report for financial years starting on or after 1 March 2010 or to explain why they are not doing so (IRCSA, 2011:7).

An integrated report is not simply an amalgamation of reports, it brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within its operations (IIRC, 2011:2). It incorporates, in a clear language, material information from financial statements and the sustainability report and other sources to enable stakeholders to evaluate the organisation's performance and to make an informed assessment about its ability to create and sustain value (IRCSA, 2011:1).

In order to facilitate the adoption of integrated reporting in South Africa, the Integrated Reporting Committee of South Africa (IRCSA) released a framework discussion paper on 25 January 2011 (KPMG, 2011). This discussion paper is intended to assist leadership and those tasked to prepare the integrated report in

exercising their judgement on the organisation's reporting activities and in deciding what should be included in the integrated report.

In September 2011 the International Integrated Reporting Committee (IIRC) has concluded a discussion paper: Towards integrated reporting – Communicating value in the 21<sup>st</sup> Century. The discussion paper offers initial proposal for the development of an International Integrated Reporting framework and outlines the next steps towards its creation and adoption. The purpose of the paper is to prompt input from all those with a stake in improved reporting, including both producers and users of reports.

In this study an investigation was conducted to determine the relevance of integrated reporting and if the integrated report provides information to stakeholders needed to assess the ability of the organisation to create and sustain value. A literature and empirical study were conducted.

The study has been narrowed down to the eight elements, as suggested by the IRCSA framework. One stakeholder group, the employees of a South African bank listed on the JSE, has been identified and gave their opinion on the relevance of the eight elements to consider for inclusion in an integrated report.

The results and recommendations based on the literature and empirical studies have been summarised and interpreted in the final chapter of this study.

## **1.2 PROBLEM STATEMENT**

The relevance and reliability of annual financial reports as a basis for making decisions about the organisation came in dispute after a string of corporate collapses. Stakeholders are unable to form a comprehensive picture of an organisations performance and its ability to create and sustain value. Sustainability reports have similarly suffered weaknesses, as it becomes disconnected from the financial reports and rarely make a link between sustainability issues and the organisation's core strategy. Both reports provide a backward-looking review of performance.

Integrated reporting incorporates concise and material information from financial statements and the sustainability report and other sources to enable stakeholders to evaluate the organisation's performance and to make an informed assessment about its ability to create and sustain value. It enables management to improve strategic decision-making, improve performance and enhance reputation (IRCSA, 2011:2).

All JSE listed companies are required to issue an integrated report for financial years starting on or after 1 March 2010 or to explain why they are not doing so (IRCSA, 2011:3). There is no standard format available for integrated reporting but to achieve the objectives of integrated reporting and the integrated report, the Framework for Integrated Reporting and the Integrated Report Discussion Paper identifies suggested elements to be included in the integrated report (IRCSA, 2011:7).

The King III report recommends that all JSE listed companies should adopt integrated reporting which includes the banking sector. Some of the major South African banks have presented an integrated report as on 31 December 2011 and some suggested embarking on the journey during 2012.

From the preceding the following questions can be asked:

- Will integrated reporting provide the information needed to assess the ability of an organisation to create and sustain value now and in the future?
- Does the process of producing an integrated report help the leadership of the organisation to gain an in-depth understanding of the organisation's strategy and how it affects and is affected by environmental, social, financial and economic issues?
- Does an integrated report provide a holistic view or comprehensive picture of the organisation?
- Do South African companies utilise integrated reporting to identify opportunities for cost savings through more efficient use of capital resources?
- Will integrated reporting overcome the existing silo or traditional reporting and will integrated reporting add value to organisations internal and external stakeholders?

- Will an integrated report incorporate, in a clear language, material information from financial statements and the sustainability report and other sources to enable all stakeholders to evaluate the organisation's performance and to make an informed assessment about its ability to create and sustain value now and in the future?
- Who are the stakeholders of organisations and how will they benefit from integrated reporting?

To answer some of these questions and for the purpose of this study the following primary objective and secondary objectives have been identified.

### **1.3 OBJECTIVES OF THE STUDY**

#### **1.3.1 Primary objective**

The primary objective of this study was to investigate the opinion of employees as stakeholders of a South African bank and their perception on the relevance of the elements in an integrated report, if they had to assess the ability of an organisation to sustain value in the future.

#### **1.3.2 Secondary objectives**

In order to achieve the primary objective, the following secondary objectives were formulated:

##### **1. In the literature study:**

- Define the concept of integrated reporting and discuss the development of integrated reporting and define and discuss traditional reporting, sustainability reporting and the triple bottom line.
- Obtain insight into the South African framework for integrated reporting compiled by the Integrated Reporting Committee of South Africa and the International Integrated Reporting Committee's integrated reporting discussion paper.



- Discuss the benefits and objections of integrated reporting.
- Define the concept integrated report and discuss the differentiation, objectives and principles of an integrated report.
- Obtain insight and discuss the elements to be included in an integrated report as suggested by the South African integrated reporting framework
- Define stakeholders as suggested by the South African integrated reporting framework and discuss the stakeholder groups in the banking industry with the focus on employees as stakeholders.
- Discuss recent integrated reporting research conducted and relevant findings.
- Discuss the future technological outlook on integrated reporting.

## 2. In the empirical study:

- Determine the demography of the study population.
- Determine if the respondents are familiar with the concept of integrated reporting and the integrated report.
- Determine if the eight elements, as suggested by the IRCSA framework, are appropriate (relevant) to consider for inclusion in an integrated report, if the ability of an organisation to sustain value in the future has to be assessed.
- Validate the reliability of the questionnaire measuring the relevance of the eight elements, by means of statistical analysis.
- Examine the differences between the demographical variables with regard to the constructs measuring the relevance of the elements of an integrated report.
- Provide conclusions and recommendations based on the literature and empirical study.

## **1.4 SCOPE OF THE STUDY**

### **1.4.1 Field of study**

This study focuses on the subject discipline of integrated reporting, with special reference to the integrated report's eight elements to be included in the integrated

report as suggested by the South African framework for integrated reporting and the integrated report.

The opinion of employees of a South African bank, as stakeholders of the bank, was measured and analysed to determine the relevance of the elements to be considered for inclusion in a report, if the employees have to assess the ability of an organisation to sustain value in the future.

#### **1.4.2 Institution under investigation**

The financial institution under investigation is listed on the JSE and is one of South Africa's largest commercial banks. The Group's business is conducted primarily in South Africa. It also has equity holdings in banks in Mozambique and Tanzania, respective offices in Namibia and Nigeria and banc assurance operations in Botswana and Mozambique. The financial institution has four major businesses: retail markets, business markets, financial services and corporate and investment banking and wealth.

In 2012, for the reporting year ended 31 December 2011, the financial institution has released its first comprehensive report to its stakeholders, within the framework of an integrated report as described by King III and the guidelines published by the South African Integrated Reporting Committee and the International Integrated Reporting Committee. This report has been ranked excellent and placed in the top ten JSE listed companies in the Ernst & Young's Excellence in Integrated Reporting Awards 2012. This is the highest recognition a report could receive as no final ranking was made within the top ten (Ernest & Young, 2012:3).

The financial institution recognised five stakeholder groups namely: customers, shareholders, employees, governments and regulators, communities and environment the financial institution operates in. In this study the focus has been on the employees of the financial institution as stakeholders and their opinion regarding the relevance of the elements to be considered for inclusion in a report.

### 1.4.3 Geographical demarcation

The study was conducted in mainly the Gauteng, North West and Free State Province in South Africa as illustrated in Figure 1.1

**Figure 1.1: The location of Gauteng, North West, and Free State Province within South Africa.**



Source: Africa Deluxe Tours (2012)

## 1.5 RESEARCH METHODOLOGY

### 1.5.1 Literature study

The literature review was done by using the latest and relevant journal articles, Internet articles, dissertations, government publications, text books and discussion papers in order to gain a thorough understanding on the subject of integrated reporting.

### 1.5.2 Empirical study

The empirical study focused on the opinion of employees as stakeholders of a South African bank (financial institution) and their opinion of the relevance of the eight

elements in a report, should they have to assess the ability of an organisation to sustain value in the future.

The empirical study was conducted by means of a questionnaire administered to various employees of different management levels within the financial institution. The questionnaire was constructed, face validity was done and the reliability thereof was calculated with the assistance of the North-West University Statistical Consultation Services and the supervisor. The criteria suggested by Best and Kahn (2003:307) were taken into consideration when constructing the questionnaire.

The internal consistency and reliability of the questionnaire were assessed by calculating Cronbach alpha coefficients. Frequency distributions, independent *t*-tests and Anovas were calculated to determine the differences between the means of different groups within the selected demographic variables and the constructs.

Furthermore, effect size values (*d*-values), as discussed by Ellis and Steyn (2003:5), were used to indicate if there is a practical significant difference between any demographical variables regarding the constructs.

## **1.6 LIMITATIONS OF THE STUDY**

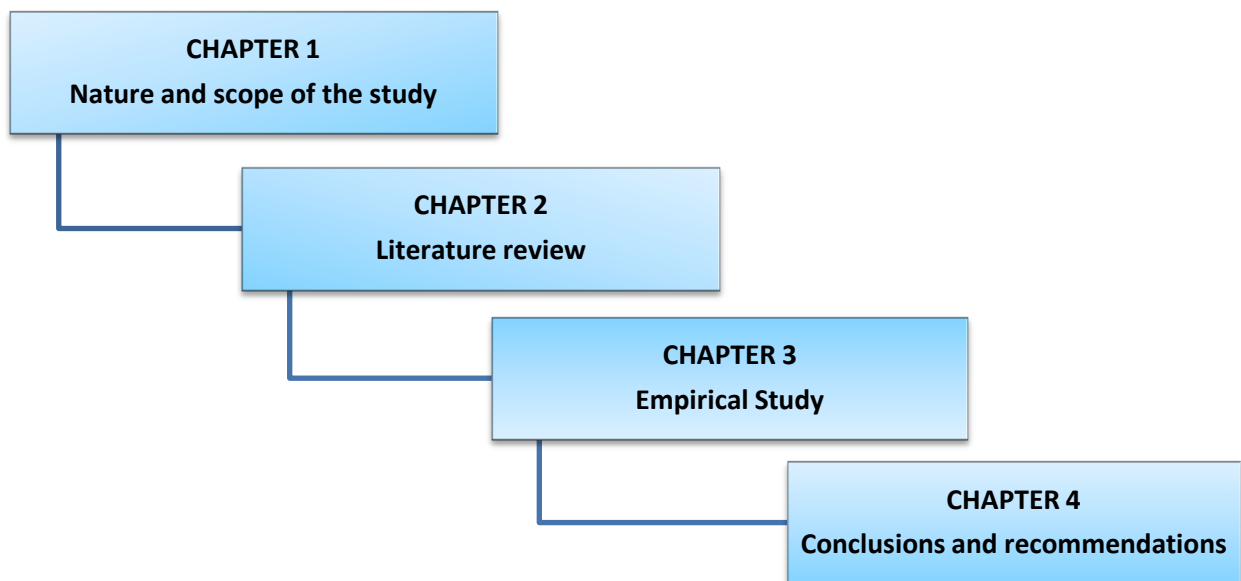
Integrated reporting is a fairly new concept worldwide and South Africa is the first country in the world to adopt or explain policy for JSE listed companies (Eccles & Kruzus., 2010:11). Little research has been conducted on integrated reporting therefore information is limited.

The focus of the study was on the banking industry narrowed down to only one South African bank. The mentioned bank identified five stakeholder groups but in this study only one, namely the employees, was investigated therefore the result of the study might not be representative.

## 1.7 LAYOUT OF THE STUDY

The layout of the study is graphically illustrated in Figure 1.2. The study consisted of four chapters:

**Figure 1.2: Graphical layout of the study**



### **CHAPTER 1: Nature and scope of the study**

This chapter introduced the nature and scope of the study in which the problem statement, primary and secondary objectives, the empirical study, integrated reporting and the integrated report under investigation, research methodology, limitations and layout of the study were discussed.

### **CHAPTER 2: Literature review**

The literature review was done by using the latest and relevant journal articles, web articles, dissertations, government publications, text books and discussion papers in order to gain a thorough understanding on the subject of integrated reporting.

The aim of the review was to obtain knowledge regarding the concepts such as integrated reporting, traditional reporting, sustainability reporting, triple bottom line and the integrated report, the SA integrated reporting framework as well as the IIRC integrated reporting framework.

The elements to be included in an integrated report as suggested by the South African integrated reporting framework were discussed in detail as well as the stakeholder groups in the South African banking industry with the focus on employees as stakeholders.

### **CHAPTER 3: Empirical study**

Chapter 3 discussed the research methodology of the empirical study, the data gathering process, the measuring instrument utilized in this study as well as the statistical methods used to analyse the gathered data and the presentation and discussion of the main findings.

### **CHAPTER 4: Conclusions and recommendations**

The final chapter consists of conclusions and recommendations from the findings obtained in the empirical study and the information gathered in the literature study. Finally, the achievement of the objectives of the study was assessed and recommendations on future research were made.

## **1.8 SUMMARY**

This chapter provided an introductory background of the reporting aspects that companies in general are facing and the importance thereof. Furthermore, the ever changing business environment together with the changes in business reporting from traditional to integrated reporting were touched on.

The problem statement was identified and the primary and secondary objectives were formulated and divided into two sections: a literature study and an empirical study. The scope of the study was discussed which included the institution under

investigation. The research methodology was discussed and the limitations of the study were explained.

Finally the layout of the study was illustrated schematically and discussed concisely. Chapter 2 introduces integrated reporting and relevant concepts with the focus on the eight elements to be included in an integrated report with employees as stakeholders.

## **CHAPTER 2**

### **LITERATURE REVIEW**

---

#### **2.1 INTRODUCTION**

The primary objective of this study was to investigate the opinion of employees as stakeholders of a financial institution and their perception on the relevance of the elements in an integrated report, should they have to assess the ability of an organisation to sustain value in the future.

In order to address the concept of integrated reporting there should be a clear understanding of the South African framework for integrated reporting and the International Integrated Committee's integrated reporting discussion paper. In South Africa, King III calls for organisations to prepare an integrated report and listed companies are required to issue an integrated report for financial years starting on or after 1 March 2010, or to explain why they are not doing so (IRCSA, 2011:3).

Integrated reporting has been defined and the development of integrated reporting was discussed with emphasis on traditional reporting versus integrated reporting versus sustainability and triple bottom line reporting. With the IRCSA's framework and the IIRC discussion paper as reference, the integrated report framework was analysed and the objectives, principles, benefits & objections were discussed.

Special focus was given to the elements to be included in an integrated report as suggested by the IRCSA's framework and employees as stakeholders of organisations. The latter was used as basis of the empirical study that was conducted. The technological future outlook on integrated reporting and recent research conducted were discussed. This chapter also aimed to gain knowledge and insight into integrated reporting and the integrated report form a South African and international perspective.



## **2.2 INTEGRATED REPORTING DEFINED**

The International Integrated Reporting Committee defines integrated reporting as a reporting method that brings together the material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organisation demonstrates stewardship and how it creates value, now and in the future. It combines the most material elements of information currently reported in separate reporting stands (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole, and importantly:

- shows the connectivity between them; and
- explains how they affect the ability of an organisation to create and sustain value in the short-, medium- and long-term (IIRC, 2011:2).

According to the South African Integrated Reporting Committee, an integrated report is not simply an amalgamation of the financial statements and the sustainability report, it incorporates, in clear language, material information from these and other sources to enable stakeholders to evaluate the organisation's performance and to make an informed assessment about its ability to create and sustain value. An integrated report should provide stakeholders with a concise overview of an organisation, integrating and connecting important information about strategy, risk and opportunities and relating them to social, environmental, economic and financial issues (IRCSA, 2011:1).

The King Report on Governance for South Africa 2009 (King III) defines integrated reporting as a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability. The report should have sufficient information to record how the company has both positively and negatively impacted on the economic life of the community in which it operated during the year under review, often categorised as environmental, social and governance issues (Institute of Directors in South Africa 2009:49).

Deloitte (2012:9) sees integrated reporting as an enabling process which enhances and preserves long-term sustainability in all its dimensions, without unduly sacrificing short-term performance. The integrated report is in turn an annual report that comprises a holistic and integrated representation of the entity's efforts to enhance and preserve long-term sustainability in all its dimensions, without unduly sacrificing short-term performance.

Eccles and Krzus (2010:3) refer to integrated reporting as "One Report" – more integrated reporting of financial, environmental, social, and governance performance is essential. A single document, One Report, is the result of more integrated reporting, which can only happen if sustainability is embedded in a company's strategy. It is the most effective way of demonstrating internal integration, and it is also a discipline for ensuring that integration exists. Integrated external reporting is impossible without integrated internal management. One Report is both a tool and a symbolic representation of a company's commitment to sustainability.

The auditor's firm KPMG (2010:5) argues that integrated reporting addresses the company's performance for a comprehensive set of factors – economic as well as social, environmental, governance and other relevant business-impacting factors. This should be done on the basis of a well- developed business strategy. Integrating means, that performance follows after the strategy and target set, and therefore equal treatment of the various elements throughout the report, leading to a discussion of economic information alongside other aspects – driving Corporate Social Responsibility (CSR) and other information from a nice-to-have into a need-to-have. Integrated reporting should be such that interested relevant stakeholders can evaluate what the company's performance, vision and future plans are in relation to their own perspective and specific interests.

It is clear from these definitions that integrated reporting is the trend setting corporate reporting mechanism – reporting to stakeholders on an organisation's performance from a financial, social, environmental, economic and a governance perspective. With this in mind it is thus important to understand how corporate reporting has evolved from the traditional financial reporting to integrated reporting.

## **2.3 THE DEVELOPMENT OF INTEGRATED REPORTING**

The world has changed due to globalization resulting in economies and supply chains, advances in technology, rapid population growth and increasing global consumption. Businesses are being forced to keep pace with political, social and commercial changes. Businesses have become more complex and gaps in traditional reporting have become more prominent and reporting needs to keep pace with business complexity (IIRC, 2011:4).

### **2.3.1 Traditional Reporting**

The requirements for listed companies to file financial reports emerged out of the Great Depression in the early 1930s with the Securities Act of 1933 requiring companies to provide investors with sufficient information to make an informed investment decision (IRCSA, 2011:1). Traditionally company reporting primarily consists of financial information (KPMG, 2010:2).

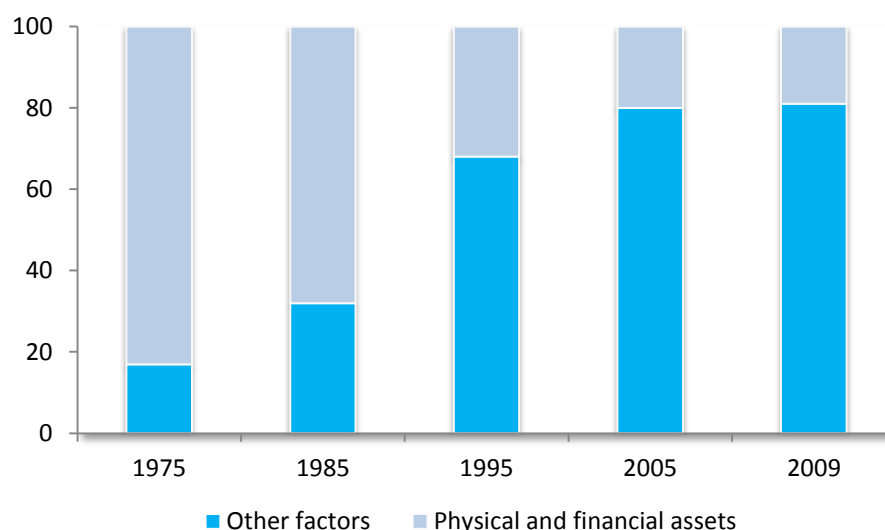
The traditional reporting model was developed for an industrial world. Although it continues to play a valuable role with respect to stewardship of financial capital, it nonetheless focuses on a fairly narrow account of historical financial performance and of the value-creation process (IIRC, 2011:4). Reports based largely on financial information, do not provide sufficient insight to enable stakeholders to form a comprehensive picture of the organisation's performance and its ability to create and sustain value (IRCSA, 2011:1).

There are increasing concerns that the assets covered by financial statements reflect a steadily diminishing component of shareholders value. In figure 2.1 the percentage of Standard and Poor 500 (S&P 500) market value representation by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many are not (Deloitte, 2011:6).

From 1975 when physical and financial assets represented 83% of the market value, to 2009 when they represented a mere 19%, there has clearly been a change in business models which is not reflected in traditional statements. The failure of current financial statements to capture the value of inputs from, or reliance on,

natural capital and other forms of capital, and the ground is ripe for new ideas (Deloitte, 2011:6).

**Figure 2.1 : Components of S&P 500 market value**



**Source: Towards Integrated Reporting (IIRC, 2011:4)**

The string of corporate collapses over the past decade has led many stakeholders to question the relevance and reliability of annual financial reports as a basis for making decisions about an organisation (IRCSEA, 2011:1). Many could not understand why businesses that had produced financial statements under generally accepted accounting principles could suddenly fail. Financial statements have become increasingly detailed with vast technical information, requiring a high level of financial expertise to interpret (Deloitte. 2011:6).

The real problem with financial reporting today is not quality, it is complexity. Complexity in financial reporting refers to the difficulty for investors to understand the economic substance of a transaction or event and the overall financial position and results of operations of a company. The problem will not be easily solved because economic transactions have become more complex, such as those involving derivatives, hedges, interest rate swaps, securitization, stock options, pensions and leases (Eccles & Krzus, 2010:76).

**Table 2.1 : Sources of complexity in accounting and financial reporting**

<b>Causes of Complexity</b>	<b>Definition</b>
Complex activities	The increasingly sophisticated nature of business transactions can be difficult to understand, particularly with respect to the growing scale and scope of companies with operations that cross international boundaries and financial reporting regimes.
Incomparability and inconsistency	Incomparable reporting of activities within and across entities arises because of factors such as the mixed attribute model, bright lines, and exceptions to general principles. Some accounting guidance permits the structuring of transactions in order to achieve particular reporting results. New pronouncements are adopted prospectively; past and present periods of operating results are not comparable. This is compounded by the rapid pace at which new accounting pronouncements are being adopted, which hinders the ability of all constituents to understand and apply new guidance in relatively short time frames.
Nature of financial reporting standards	Standards can be difficult to understand and apply for several reasons: <ul style="list-style-type: none"> <li>• The existence of opposing points of view that were taken into account when developing standards – most importantly, the attempts by public companies to smooth amounts that vary from period to period, versus the requests from those who want such amounts recorded as incurred.</li> <li>• The challenge of describing accounting principles in simple terms (i.e., plain English) for highly sophisticated transactions.</li> <li>• The presence of detailed guidance for numerous specific fact patterns.</li> <li>• The development of standards on the basis of an incomplete and inconsistent conceptual framework.</li> </ul>
Volume	The vast numbers of formal and informal accounting standards, regulations, and interpretations, including redundant requirements, make finding and evaluating the appropriate standards and interpretations challenging for particular fact patterns.
Audit and regulatory systems that complicate the use of professional judgement	The risk of litigation and the fear of being “second-guessed” result in: (1) a greater demand for detailed rules on how to apply accounting standards to an ever-increasing set of specific situations, (2) unnecessary restatements that are not meaningful to investors and (3) legalistic disclosures that are difficult to understand.
Educational shortcomings	Undergraduate and graduate education in accounting has traditionally emphasized the mechanics of double-entry bookkeeping, which favours the use of detailed rules rather than the full understanding of relevant principles. The same approach is evident in the certified public accountants exam, as well as continuing professional education requirements.
Information delivery	The need for information varies by investor type and is often driven by legal risk, rather than investor needs. In addition, the lack of timing of information, and the method by which it is transmitted, may result in complex and hard-to-navigate disclosures that cause investors to sort through material that they may not find relevant in order to identify pieces that are relevant. These factors make it difficult to distinguish the sustaining elements of an entity from non-operating or other influences.

**Source: One Report (Eccles & Krzus, 2010:58)**

Traditionally an organisation's annual report is prepared at the end of the reporting year on a calendar but mostly on a fiscal basis. Contained in an annual report are the organisation's financial statements including supplementary schedules, management discussions and analysis of earnings, president's letter, audit report, and other explanatory data helpful in evaluating the organisation's financial position and operating performance (allBusiness, 2012). An annual report focuses mainly on the organisation's financial position and operating performance.

Many companies around the world have realised that conventional financial reports and relating accounting methods alone are not sufficient to provide information on intangible assets and non-financial issues of the organisation. Publicly available information on topics such as environmental and social performance, management quality or internal governance transparency, is clearly vital for investors and shareholders now in order to make fully accurate decisions as well as for the rest of the stakeholders – customers, suppliers, employees, communities and other social groups. A new era in corporate reporting is imminent (Skouloudis, *Evangelinos & Kourmouis.*, 2009:298).

### **2.3.2 Sustainability- and Triple Bottom Line reporting**

The financial reporting pattern has changed drastically in the post-decolonizing period and it has moved from its black and white domain to green pastures. Green accounting, sometimes called environmental accounting, has given rise to 'sustainability reporting' (Choudhuri & Chakraborty, 2009:46). Sustainability reporting or triple bottom line reporting refers to a tripartite reporting framework that highlights the economic, environmental and social performance of an organisation (Choudhuri & Chakraborty, 2009:48).

Apart from the conventional single financial bottom line, which is reflected in terms of the profitability figures, corporate success should be evaluated on the basis of the other two critical bottom lines: the organisation's environmental and social performance. The premise of the triple bottom line principle states that corporate performance should be assessed on the basis of the three elements, namely the

accounting or financial element, the social element and finally, the environmental element (Gray, 2006:795).

In general, humankind should strive to ensure that future generations enjoy a healthy, equitable and prosperous life on earth. The idea is to overcome the fact that humans and thus organisations, have adopted destructive lifestyles that do not safeguard the coexistence of a business with its neighbours: society and the natural environment (Khomba, 2011:165). To achieve this, organisations need to use a triple bottom line concept, because it offers a multi-purpose approach for the collection, systemisation, quantification and evaluation of all the relevant issues that are found in a corporate environment (Kleine & Von Hauff, 2009:530).

More and more corporations are realising the importance of reporting sustainability activities in the form of corporate social responsibilities to keep the environment clean, show a human face to people and achieve economic goals (White, 2009:36). In connection with this new dimension, disclosure of corporate sustainability has become a vital part of internal and external information dissemination to support the decision-making systems in organisations.

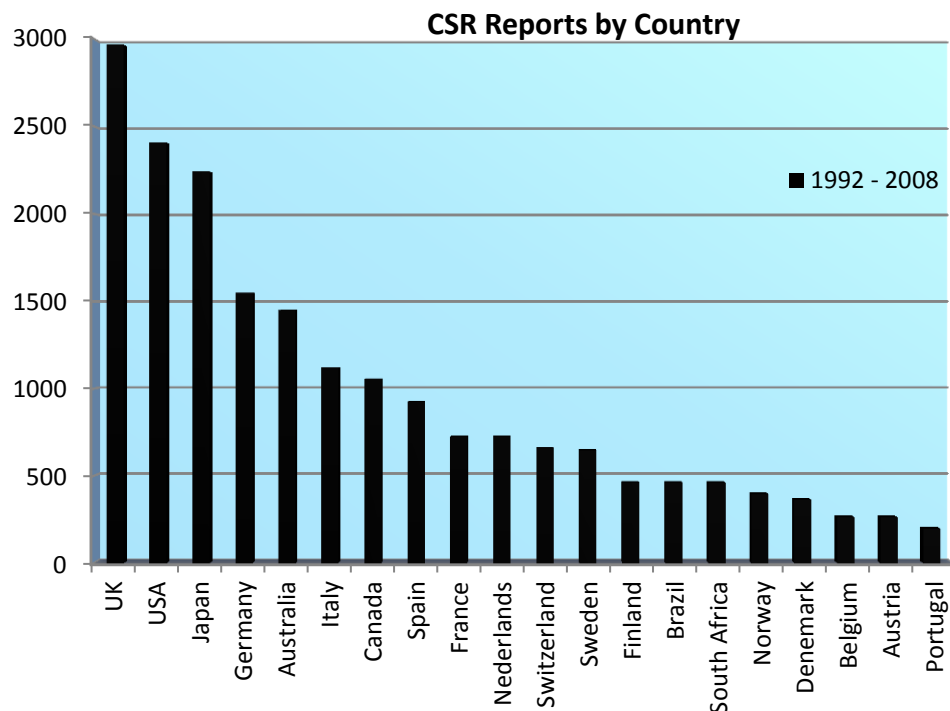
The triple bottom line is a concept that has received official imprimatur as a framework for encouraging institutional concerns about sustainability. But is it achieving its goal? Although initially intended as a philosophy or way of thinking about sustainability, akin to the concept of corporate social responsibility, it has become simply a mechanism for accounting and reporting (Vanclay, 2004:30).

Sustainability disclosure has become a necessary tool for an investor since it directly drives an organisation's value creation process. It has become an integral part of good process control, product/process innovation, avoidance of liability, besides enhancement of an organisation's intangible assets that inevitably adds to shareholder's wealth (Choudhuri & Chakraborty, 2009:49).

Sustainability reporting including the term triple bottom line reporting, remains voluntary, but research suggested two distinct theories why firms do it: ethical versus economical. Ethical views purport that firms hold societal and moral obligations to engage in socially responsible activities and thus report on these activities because it

is the 'right thing to do'. Economic theories, on the other hand, assert that sustainability reports create better corporate reputations that, in turn, create shareholder wealth via increased profits (Borkowski, Welsh & Wentzel, 2010:32). The growing importance of sustainability reporting internationally is illustrated in Figure 2.2:

**Figure 2.2 : CSR Reports by country**



**Source: One Report (Eccles & Krzus, 2010:98)**

In the 1990s some leading companies voluntarily begun to publish sustainability reports reflecting a growing understanding of sustainability challenges and stakeholder calls for more informed corporate disclosure (refer to Figure 2.2). Sustainability reports have suffered weaknesses, usually appearing disconnected from the organisations financial reports, generally providing a backward-looking review of performance and almost always failing to make the link between sustainability issues and the organisations core strategy. These reports have failed to address the lingering distrust among civil society of the intentions and practices of businesses (IRCSA, 2011:1).



Though sustainability reporting lack reporting standards, the Global Reporting Initiative (GRI) were started in 1997 and the first framework and reporting guidelines were published in 2000 as G1 and has since evolved to the current iteration, G3, in 2006. The G3 guidelines, which the GRI claims more than 15 000 companies worldwide have voluntarily adopted, sets out core content for sustainability reports (Borkowski, Welsh & Wentzel, 2010:32).

GRI guidelines are created through a multi-stakeholder process. Its objective is to bring together a wide spectrum of interests – business, civil society, labour, accounting firms, investors, academics, governments, and others – to reach a consensus on the content of the GRI guidelines (Eccles & Krzus, 2010:103).

King II explicitly required companies to implement the practice of sustainability reporting as a core aspect of corporate governance. Since 2002, sustainability reporting has become a widely accepted practice and South Africa is an emerging market leader in the field (partially due to King II and the emergence of initiatives such as the JSE's Socially Responsible Investment (SRI) index). King III supports the notion of sustainability reporting, but makes the case that whereas in the past it was done in addition to financial reporting it now should be integrated with financial reporting (IODSA, 2009:13).

## **2.4 INTEGRATED REPORTING**

New reporting requirements have been added as businesses have become more complex. New laws, regulations, standards, codes, guidance and stock exchange listing requirements has led to an increase in the information provided through:

- Longer and more complex financial reports and management commentaries.
- Increased reporting on governance and remuneration.
- Standalone sustainability reporting which has also evolved rapidly over the past decade.

The architecture necessary to support changing information needs is developing - many perceive a reporting landscape of confusion, clutter and fragmentation. The information provided is disconnected and key disclosure gaps remain (IIRC, 2011:4). Recognising the shortcomings of existing reporting models, and driven by an urgent need to find more effective reporting solutions, discussions around the world have begun to focus on what has become known as integrated reporting (IRCSA, 2011:1).

There are two main reasons why companies should adopt One Report (i.e. integrated report) in their external reporting. The first reason is that it is a key element of taking sustainability seriously, once the company has created a truly sustainable strategy, by responding to the risks and opportunities created by the need to ensure a sustainable society. The second is that the simplification from One Report's single message to all stakeholders is a key element of improving corporate disclosure and transparency (Eccles & Krzus, 2010:147).

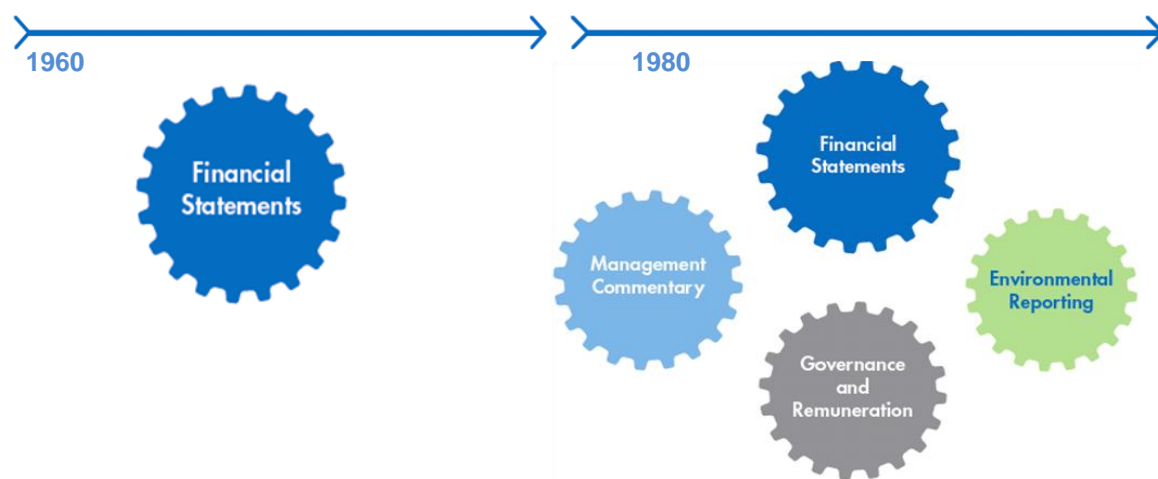
The cutting edge of development of these new ideas sits with two organisations:

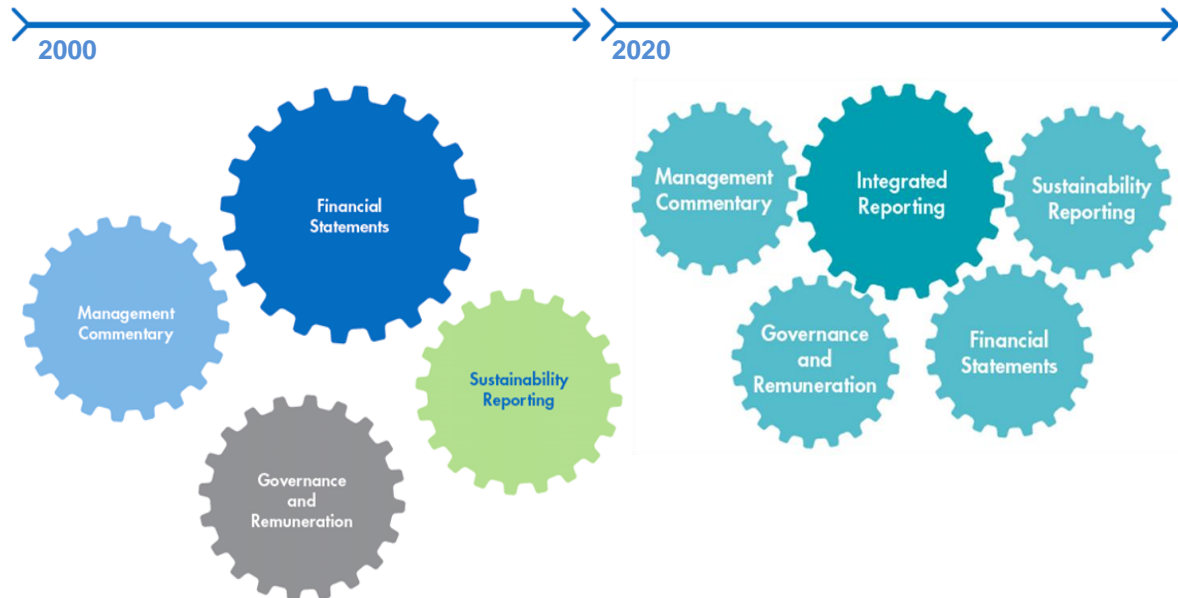
- ***The Integrated Reporting Committee of South Africa (IRC SA):*** This committee produced, under the chairmanship of Prof. Mervyn King, a discussion paper that provides guidance on how integrated reporting as recommended by the King Code of Governance Principles for South Africa 2009 (King III), should be practiced.
- ***The International Integrated Reporting Committee (now Council) (IIRC):*** This committee was formed in 2010 under the aegis of the Prince's Accounting for Sustainability Project and the Global Reporting Initiative (GRI). The governance committee consists of representatives from business and investors, the major accounting bodies, standard setters and security regulators. The academic community has also been involved. The IIRC has issued their discussion paper in September 2011 (Deloitte. 2011:7).

The IIRC has identified the following existing developments on which Integrated reporting has been built upon:

- Accounting standards through the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to improve IFRS and GAAP.
- The Prince's Accounting for Sustainability Project, The Global Reporting Initiative, the World Business Council for Sustainability Development, The World Resources Institute, the World Intellectual Capital Initiative, the Carbon Disclosure Project, the Climate Disclosure Standards Board, the European Federation of Financial Analysts, the United Nations (UN) Conference on Trade and Development, the UN Global Compact, the International Corporate Governance Network, the Collaborative Venture on Valuing Non-Financial Performance and others.
- The publication during 2010 and 2011:
  - The IFRS Practice Statement, "Management Commentary", an international framework for narrative reporting to provide a context for interpreting an organisations financial position, financial performance and cash flows.
  - The Integrated Reporting Committee of South Africa's Discussion Paper, "Framework for Integrated Reporting and the Integrated Report".

**Figure 2.3 : The Evolution of Corporate Reporting**





**Source: Towards Integrated Reporting (IIRC,2011:6)**

- The Global Reporting Initiative's "G3.1" Sustainability Reporting Guidelines.
- The International Auditing and Assurance Standards Board's Discussion Paper, "The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications".

The IIRC states that all of the organisations referred to above are part of, or collaborating closely to achieve their aim: to forge a global consensus on the direction in which reporting needs to evolve, creating a framework for reporting that is better able to accommodate complexity, and bring together different stands of reporting into a coherent, integrated whole. The ultimate aim of integrated reporting is to provide a single report telling stakeholders how the business of the organisation being reported on impact on the environment and community in which it operates, and how the environment and community impact the business of the organisation (Muller, 2011:24).

Organisations should have guidance towards integrated reporting to enable them to create an integrated report. The Integrated Reporting Committee of South Africa and the International Integrated Reporting Committee have compiled frameworks that organisations may use to guide them to compile an integrated report and implement integrated reporting.

#### **2.4.1 Discussion paper: IRCSA & IIRC**

Both the IRCSA and IIRC have published a discussion paper, Framework for Integrated Reporting and Integrated Report and Towards Integrated Reporting – Communicating Value in the 21<sup>st</sup> Century, respectively. The aim of the IRCSA is to outline a principle based approach to integrated reporting and the integrated report and seeks to offer practical direction on the integrated report (IRCSA, 2011:5). The IIRC's discussion paper considers the rationale behind the move towards integrated reporting offering initial proposals for the development of an International Integrated Reporting Framework and outlines the next steps towards its creation and adoption (IIRC, 2011:1).

A series of guidance notes to help companies practice integrated reporting, have been published in the discussion papers, with the intention of further development of the integrated reporting framework. The respective papers identify a number of key components which compose the building blocks for an integrated report. In essence, topics to be included in the integrated report as set out in the respective papers are, although organised slightly differently, very similar (Deloitte. 2011:13). From the basis of these discussion papers a basic understanding can be derived of what an integrated report might look like.

#### **2.4.2 Benefits of integrated reporting**

Eccles and Krzus 2010:148) identified four major benefits of a One Report or Integrated Report to companies (refer to Figure 2.5):

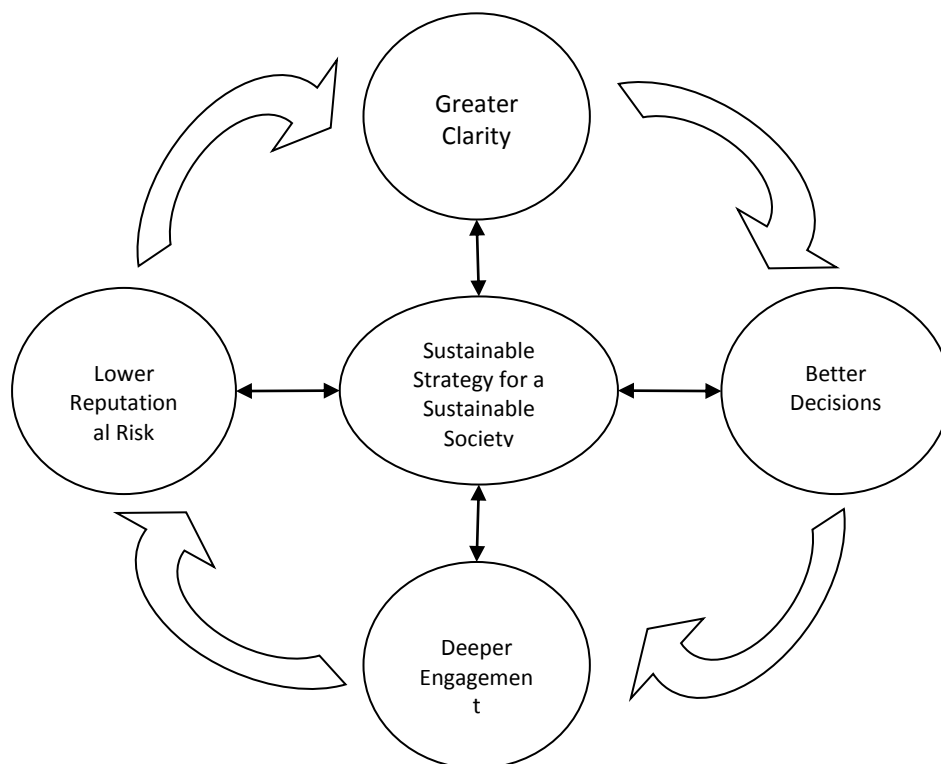
- Greater clarity about relationships and commitments:  
The real essence of One Report is in describing what management believes the relationships between key financial and non-financial metrics should be. As management develops a better understanding of the relationships, performance through modelling and analysis, improving internal systems and measurement methodologies as necessary, it can re-evaluate what is included in its categories of risks, opportunities and choices. One Report challenges management to be

much more granular about how they are doing well (for shareholders) by doing good (for stakeholder) (Eccles & Krzus, 2010:150).

- Better decisions:

Better information comes from simply combining data that already exist in the firm but are spread across different parts of the company. By pulling all the performance information together in One Report, will reveal to each unit to see its role in a broader context and will lead to better decisions that craft and reinforce a sustainable strategy (Eccles & Krzus, 2010:151).

**Figure 2.4: The benefits of One Report**



**Source: One Report (Eccles & Krzus, 2010:155)**

- Deeper engagement with all stakeholders:

Traditionally reporting was audience specific having annual reports that focused on financial performance and separate CSR reports that focused on non-financial performance. One Report eliminates the artificial and unhelpful

analytical distinction between shareholders and stakeholders. It creates the platform for one conversation in which all stakeholders can and must engage. Engagement provides the basis for an on-going dialogue between the company and its stakeholders (Eccles & Krzus, 2010:153).

- Lower reputational risk:

As corporate social responsibility and sustainability have increased in importance, so has managing reputational risk, one of the most important and difficult risks to manage. An integrated view of the company's financial and non-financial performance in One Report will help find areas of risk, since it will make clearer the areas where a company's reputation is based on overlapping performance outcomes (Eccles & Krzus, 2010:155)

Other benefits of integrated reporting have been identified by the IRCSA (2011:4):

- The report provides a holistic view of the organisation with increased transparency, which contains both positive and negative issues and challenges which will result in greater trust and confidence from stakeholders.
- The leadership of the organisation can, through the process of producing an integrated report, gain an in-depth understanding of the organisation's strategy and how it affects and is affected by environmental, social, financial and economic issues and further more improve the internal awareness of these issues and the impact they have on the organisation.
- Risks will be considered from an integrated perspective and thus enhance risk management.
- A lower cost of capital to the organisation could be achieved through the leadership's ability to demonstrate its effectiveness, coupled with the increase in transparency.
- A culture of innovation in the organisation could be encouraged through the process of integration.
- Organisations are likely to be more competitive in the market place, and enjoy enhanced brand value and improved customer support when they understand and address their external challenges.

- Organisations are in a better position to exploit new business opportunities when they understand their external environment.

### **2.4.3 Objections to integrated reporting**

Eccles and Krzus (2010:170) identified objections that can be organised into three arguments:

- Capital market perspective: The markets are efficient.  
Non-financial information is to extend value-relevance but the market is already taking into account, and is reflected in the company's stock price. Thus, there is no reason for companies to package this information in a single report.
- Company perspective: Companies are already optimally managed.  
If there were a clear benefit to an integrated report, companies would have been doing it since they are optimally managed.
- Stakeholder perspective: Integrated report hinders the development of a sustainable society. If companies only pursue sustainable strategies that create value for stakeholders, there is a risk that One Report will make it easier for companies to see that some of their sustainable decisions are actually value destroying for shareholders and, as a result, will reduce their commitment to these activities.

## **2.5 THE INTEGRATED REPORT**

Eccles and Krzus (2010:10) explain in simplest terms, One Report means producing a single report that combines the financial and narrative information found in a company's annual report with the non-financial (such as environmental, social, and governance issues) and narrative information found in a company's Corporate and Social Responsibility or sustainability report.

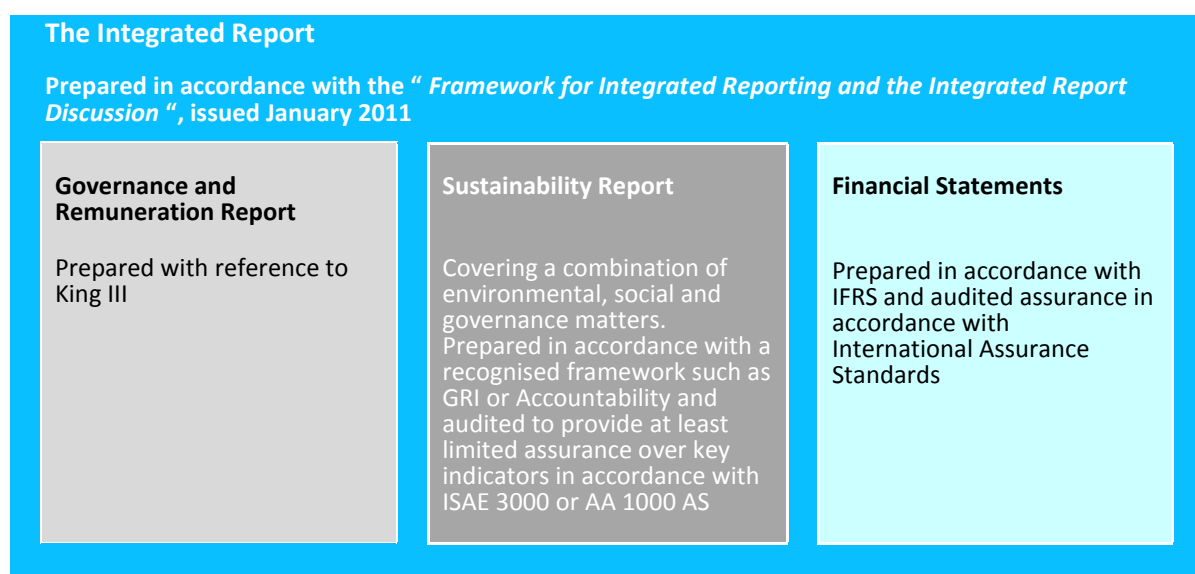
It is much more than a combined paper document of financial and non-financial reports. It involves using the Internet to provide integrated reporting in ways that



cannot be done on paper. There should be one report that integrates the company's key financial and non-financial information that is of particular interest to different stakeholders (Eccles and Krzus, 2010:10)

The IRCSA (2011:7) describes an integrated report as a report that tells a story to stakeholders on strategy, performance and activities of the organisation in a manner that allows stakeholders to assess the ability of that organisation to create and sustain value over a short-, medium- and long-term in clear and understandable language. An effective integrated report reflects an appreciation that the organisation's ability to create and sustain value is based on financial, social, economic and environmental systems and by the quality of its relationships with its stakeholders (IRCSA, 2011:7).

**Figure 2.5: Integrated report building blocks**



**Source: Navigating your way to a truly integrated report (Deloitte, 2012:14)**

The integrated report comprises the proposed building blocks (Figure 2.5), and is built on the foundation provided by the financial statements, sustainability report, governance and remuneration report, and other reports relevant to the business of the company (Deloitte. 2012:13).

It is clear that an integrated report is not just a combination of reports or the merger thereof but rather a new way of reporting. One Report is both a tool and a symbolic representation of a company's commitment to sustainability and it is about moving from a periodic static document to on-going reporting about a company's financial and non-financial successes and failures (Eccles and Krzus, 2010:26). To achieve the goal of creating an integrated report, the overall objective of an integrated report should be met.

### 2.5.1 Differentiation of an integrated report

In order to help users and preparers understand how integrated reporting differ from traditional corporate reporting, the IIRC also contrasts eight differences (Table 2.2) between current and integrated reporting (KPMG, 2011:3).

**Table 2.2 : Difference between integrated and current reporting**

Feature	Current Reporting	Integrated Reporting
<b>Trust</b>	Narrow disclosures	Greater transparency
<b>Stewardship</b>	Financial	All forms of capital
<b>Thinking</b>	Isolated	Integrated
<b>Focused</b>	Past, financial	Past & future; connected; strategic
<b>Time Frame</b>	Short-term	Short-, medium- and long-term
<b>Adaptive</b>	Rule bound	Responsive to individual circumstances
<b>Concise</b>	Long and complex	Concise and material
<b>Technology enabled</b>	Paper based	Technology enabled

**Source: Integrated Reporting (KPMG, 2011:3)**

In addition to the differences the IRCSA and the IIRC have identified the objectives of an integrated report and guiding principles to be kept in mind with the aim to meet the objectives of integrated reporting (IRCSA, 2011:5).

### **2.5.2 The objectives of the integrated report**

The overarching objective of the integrated report is to report to stakeholders on the strategy, performance and activities of the organisation in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term. It is to foster appreciation within the organisation and among its stakeholders, of the extent to which the organisation's ability to create and sustain value is based on financial, social, economic and environmental systems and by the quality of its relationships with its stakeholders (IRCSA, 2011:6).

The IRC suggests that the integrated report should:

- Reflect the extent to which:
  - the organisation's governing body has applied its mind in identifying and addressing the social, environmental, financial and economic issues and these issues have been integrated into the organisation's strategy;
  - a systematic process exists to take into account these issues in the organisation's strategic decision-making, in determining its key performance and risk indicators and in reviewing and reporting on its performance and performance metrics adopting a more forward-looking and holistic perspective without an undue emphasis on short-term financial performance.
- Providing sufficient material information about the organisation's performance to respond to the information needs of stakeholders.
- Provide high level information about how efficiently and effectively the organisation's executive team and governing structure have discharged their responsibilities to use the organisation's resources responsibly and the resources of the organisation and any claim against it (IRC, 2011:6).

The IIRC argues that central to integrated reporting is the organisation's business model – a business model is often seen as the process by which an organisation seeks to create and sustain value. A business model is determined through choices which recognise that value is not created by or within the organisation alone but is influenced by external factors.

Integrated reporting aims to provide insights about:

- Significant external factors that affect an organisation.
- The resources and relationships used and affected by the organisation.
- How the organisation's business model interacts with external factors and resources and relationships to create and sustain value over time (IIRC, 2011:10).

Integrated report result in a broader explanation of performance than traditional reporting, in particular, it makes visible all the relevant capitals on which performance depends, how the organisation uses those capitals and its impact on them. A reporting framework centred on an organisation's business model, provides a better basis for management to explain what really matters, bringing reporting closer to the way the business is run (IIRC, 2011:10).

To achieve these objectives, it is important to understand the reporting principles that should be considered when exercising the judgement required in preparing an integrated report (Deloitte. 2011:15).

### **2.5.3 Reporting and Guiding Principles**

The IRCSA has identified three reporting principles that should be considered when exercising the judgement required in preparing an integrated report. The reporting principles are intended to assist the organisation to prioritise the various issues to be addressed in the report, and judgment is required when determining the extent of the detail disclosed about the organisation's strategy. More detailed reports, such as the

annual financial statements and sustainability report, may be supportive to the information included in the integrated report (IRC SA, 2011:8).

The three categories of reporting principles according to the IRC SA are –

- Principles informing the report scope and boundary:  
The organisation needs to define the scope and boundary of the integrated report – full disclosure on scope and boundary setting and can involve determining the entities to be represented in the report and the nature of the information to be provided for each entity.
- Principles informing the selection of the report content:  
Determining the report content necessitate a high degree of judgement, care and skill. Information needs to be both relevant and faithfully represented - that is complete, neutral and free from error. Relevance has to do with providing information that assists stakeholders to evaluate the organisation's performance and to make assessments about the ability of the organisation to create and sustain value over the short-, medium- and long-term. Items that are not material to making such decisions should not be included in the integrated report.
- Principles informing the quality of the reported information:  
Information should be presented as effectively as possible. The process of preparing information for the report should be consistent with principles of comparability and consistency, verifiability, timeliness and understandability or clarity (IRC SA, 2011:7-11).

The IIRC has issued a set of five guiding principles underpinning the preparation of an integrated report. As the reporting principles identified by the IRC SA, the guiding principles should be applied in determining the content of an integrated report. In essence, the respective principles are very similar.

The five guiding principles according to the IIRC are:

- **Strategic focus:**

An integrated report provides insight into the organisation's strategic objectives, and how those objectives relate to its ability to create and sustain value over time and the resources and relationships on which the organisation depends. From a strategic perspective the integrated report should communicate the organisation's strategic objectives, the plans to implement and achieve them and how they relate to the business model.

- **Connectivity of information:**

An integrated report shows the connection between the different components of the organisation's business model, external factors that affect the organisation, and the various resources and relationships on which the organisation and its performance depends. Connectivity helps to break down established silos in the way information is reported and presents the linkage between financial performance and the use of - and impact on resources.

- **Future orientation:**

An integrated report includes management's expectations about the future, as well as other information to help report users understand and assess the organisation's prospects and the uncertainties it faces.

- **Responsiveness and stakeholder inclusiveness:**

An integrated report provides insight into the organisation's relationships with its key stakeholders and how and to what extent the organisation understands, takes into account and responds to their needs.

- **Conciseness, reliability and materiality:**

An integrated report provides concise, reliable information that is material to assessing the organisation's ability to create and sustain value in the short-, medium- and long-term. (IIRC, 2011:13).

The reporting and guiding principles describe the outcomes an integrated report. The principles should be applied to guide decisions relating the report boundary, information and the manner information is presented based on the key elements as suggested by the IRC SA and the IIRC.

## 2.6 ELEMENTS OF AN INTEGRATED REPORT

Both the IRC SA and IIRC have published a series of key components to help guide companies to practice integrated reporting and prepare an integrated report. In essence, topics to be included in the integrated report as set out in the respective papers are, although organised slightly differently, very similar - as illustrated in Table 2.3 (Deloitte. 2012:13).

The IRCSA proposed elements as key components of the integrated report and is built on the foundation provided by the financial statements, sustainability report, governance and remuneration report, and other reports relevant to the business of the company.

**Table 2.3 : IIRC SA & IIRC Key Components of an integrated report**

IRCSA	IIRC
Key components of an Integrated Report	Key components of an Integrated Report
<b>Report profile: What is the scope and boundary of the rapport?</b>	
<b>Organisational overview, business model, and governance structure:</b> How do we create value and make decisions?	<b>Organisational overview and business model:</b> What does the organisation do and how does it create and sustain value in the short-, medium- and long-term?
<b>Remuneration policies:</b> What is our approach towards remuneration?	<b>Governance and remuneration:</b> What is the organisation's governance structure, and how does governance support the strategic objectives of the organisation and relate to the organisation's approach to remuneration?
<b>Understanding the operating context:</b> What are the circumstances under which we operate?	<b>Operating context, including risks and opportunities:</b> What are the circumstances under which the organisation operates, including the key resources and relationships on which it depends and the key risks and opportunities that it faces?
<b>Strategic objectives, competencies, KPIs and KRIs:</b> Where do we want to go and how do we intend to get there?	<b>Strategic objectives and strategies to achieve those objectives?</b> Where does the organisation want to go and how is it going to get there?
<b>Account of the organisation's performance:</b> How have we fared over the reporting period?	<b>Performance:</b> How has the organisation performed against its strategic objectives and related strategies?
<b>Future performance objectives:</b> Informed by our recent performance, what are	<b>Future outlook:</b> What opportunities, challenges and uncertainties is the

our future objectives?	organisation likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?
Analytical commentary: What are the views of the leadership about the organisation?	

**Source: Integrated reporting (Deloitte, 2012:13)**

The focus of this study is on the elements as suggested by the IRCSA framework for integrated reporting and the integrated report. Table 2.4 gives a summary of the elements that should be included. If an integrated report is to meet the stated objectives, those elements are seen as being appropriate to consider for inclusion. The elements are provided for broad guidance purposes only and judgement should be exercised in determining which elements should be reported on and the structure of the report (IRCSA, 2011:12).

As mentioned before, the overarching objective of an integrated report is to report to stakeholders on the strategy, performance and activities of the organisation in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term.

**Table 2.4 : IRCSA suggested elements of an integrated report**

Element	Element description
1	Report Profile – Description of scope & boundary
2	Organisational overview, business model, and governance structure
3	Understanding the operating context
4	Strategic objectives, competencies, KPIs and KRIs
5	Account of the organisation's performance
6	Future performance objectives
7	Remuneration policies
8	Analytical commentary

**Source: Integrated reporting framework (IRCSA, 2011:7)**

An effective integrated report reflects an appreciation that the organisation's ability to create and sustain value is based on financial, social, economic, environmental systems and by the quality of its relationships with its stakeholders. To meet the objective of an integrated report, the suggested elements are those that are seen as



being appropriate to consider for inclusion in the integrated report. The following eight elements are discussed as set out in the IRCSA framework for integrated reporting and the integrated report discussion paper (IRCSA, 2011:12).

### **2.6.1 Report Profile**

The report profile includes a brief description of the scope and boundary of the report and in terms of King III, the governing structure of the organisation should, in a statement, acknowledge its responsibility for ensuring the integrity of the report. The general characteristics of the report address the key requirements of integrated reporting, specifically focusing on the length of the report, to who the report is addressed and the balance between financial and non-financial data in the salient features disclosed in the report (Deloitte , 2012:24).

To a give brief description of the scope and boundary of the report the following can be taken in consideration:

- King III clearly stipulates that an integrated report should be prepared every year (IODSA, 2009:49). It is thus appropriate to report on the reporting cycle and the period covered by the report.
- The report should include any restatements from prior reporting periods.
- The geographical scope of the business with the entities represented in the report such as subsidiaries, joint ventures and franchisees. The nature of the information provided for each entity such as operational performance, management performance or general narrative description thus the reporting boundary.
- The process that was considered to identify the reporting boundary.
- All reporting principles that have been applied to compile the report such as the integrated reporting principles, the principles relating to financial statements in terms of IFRS, the sustainability elements in terms of the GRI and the principles provided by King III.

- Any separate major supporting documentation such as the annual financial statements, sustainability report and any other communication to stakeholders should be referenced.

#### **2.6.1.1 Assurance of an integrated report**

The organisation should report on the policy and practice relating to assurance on the report, the nature & scope of assurance, any qualifications arising from the assurance, and the relationship between the company and the assurance providers.

The trust and credibility of a company it engenders with its stakeholders, is of fundamental importance. A pivotal element of establishing and building high levels of credibility and trust is to demonstrate that there is a proper assurance plan in place, which is implemented as part of a journey where the destination is clear (Deloitte, 2012:74). The independent audit of financial statements plays a critical role in the worlds capital markets, and independent assurance of sustainability reports is recognised as best practise. If an integrated report is an organisations primary report, investors and other stakeholders will expect that the report be subject to independent assurance (IIRC, 2011:24).

King III recommends that the sustainability reporting and disclosures should be independently assured and that the audit committee should engage the external auditors to provide assurance on summarised financial information. The audit committee should review the sustainability issues in the integrated report to ensure that they are reliable and that there is no conflict with the financial information, although the board should ensure the integrity of the integrated report (IRCSA, 2011:17).

The extent and level of assurance will be a journey in developing the ideal integrated report and with time all material environmental, social, financial, economic, and governance issues could be covered with reasonable assurance. Information on the future cannot be generally assured; however, organisations can obtain assurance on the processes and assumptions leading to forward-looking statements (IRCSA, 2011:17).

## **2.6.2 Organisational overview, business model, and governance structure**

In terms of King III, the integrated report should describe how the company has made its money (IODSA, 2009:49). The company should give a concise overview of its activities, the manner in which it creates and sustain value in the short-, medium- and long-term, and an overview of its government structure. The detail of the overview should include how efficiently and effectively the executive team and governing structure have discharged their responsibilities to use the organisation's resources responsibly.

To give an organisational overview, the business model and governance structure, the following can be included in the integrated report:

- A brief organisational overview noting:
  - The company name, size, and the location of its operations and activities.
  - The principle activities of the organisation, including its products and services.
  - The organisational structure, including the principle divisions, subsidiaries, associates and joint venture.
- A description of the manner in which the company currently creates value by means of a concise statement of the business model.
- A brief description of the material aspects of the governance structure, which may include:
  - A diagram of the governance structure, an exposition of the committees and authority levels.
  - An outline of general governance aspects, including the key policies, ethical approaches, and commitments approved by the organisation's governing structure, as well as the ancillary processes for determining key strategic and tactical approaches.

For a business to create and sustain value in the short-, medium- and long-term and its interaction with external factors, relationships and resources, it has to rely on resources. The IIRC identifies six capitals which is in essence the financial and non-financial resources (Deloitte,2012:16). The IRCSA suggests that high-level

information on the appropriate existing resources or capitals should be given as well as any claims against it.

The extent to which organisations are running resources down or building them up has an important impact on the availability of the resources and the strength of the long-term viability of those organisations. These resources and relationships can be conceived as different forms of capital (IIRC, 2011:11):

- Financial capital: The pool of funds available to the organisation obtained through financing, equity, and grants or generated through operations or investments.
- Manufactured capital: Manufactured physical objects, as distinct from natural physical objects including buildings, equipment and infrastructure.
- Human capital: People's skills and experience, and their motivations to innovate.
- Intellectual capital: Intangibles that provide competitive advantage such as patents, copyrights, software and protocols.
- Natural capital: It includes water, land, minerals and forests; and biodiversity and eco-system health.
- Social capital: It includes an organisations' social license to operate. The relationships established and institutions within and between each community, group and other networks to enhance individual and collective well-being (Deloitte, 2012:16).

### **2.6.3 Understanding the operating context**

The operating context can be described as the circumstances under which the organisation operates. For stakeholders to understand the operating context of the organisation, the integrated report should include information based on financial, social, environmental and economic systems and its relationships with key stakeholders. This will enable stakeholders to assess the extent to which the organisation's ability to create and sustain value is in the short-, medium- and long-term (IRCSA, 2011:13).

Information to be included in the integrated report for stakeholders to understand the organisation's operating context are:

#### **2.6.3.1 Material issues, impacts and relationships**

The composer of the integrated report should only report on important information through the application of materiality and avoid the tendency to overload the report with irrelevant information. Materiality is determined by ascertaining whether the omission or manner of presentation of information would influence the stakeholder's evaluation of the organisation's performance and the organisation's ability to create and sustain value (Deloitte. 2012:16).

- The integrated report should thus include a brief description of the financial, social, environmental, economic and governance issues and trends that are relevant to the organisation's activities, its sector, its products and services, the markets and regions where it operates, as well as the issues and trends that may be specific to the organisation itself. Only material issues and trends that have an immediate and a future effect on the organisation should be included, such as global issues and trends for example exchange-rate fluctuations, commodity prices, climate change as well as local issues and trends for example broad-based black economic empowerment, HIV/Aids and socio-economic inequality.
- Any decisions and activities that have a material impact on financial, social, environmental and economic systems, both positive and negative, should be reported on. The IRCSA suggests that this could be done through a concise statement focusing on direct and indirect impacts in the integrated report.
  - Direct impacts include the impact on natural resources or material contribution to societal issues such as skills development and broad-based black economic empowerment.
  - Indirect impacts include the indirect contribution to employment generation and wealth distribution.

- The quality of the relationship with stakeholders should be described in relation to the potential impact on the organisation's ability to create and sustain value. Thus the key stakeholders should be identified and the organisation should describe the current and anticipated approach to develop and maintain an effective relationship with these key stakeholders.

The Account Ability 1000 Stakeholder Engagement Standard defines stakeholders as: those groups who affect and/or could be affected by an organisation's activities, products or services and associated performance. This does not include all those who may have knowledge of or views about the organisation. Organisations will have many stakeholders, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns (Deloitte. 2011:64).

- The process followed to identify the issues, impacts & relationships that are material to the organisations ability to create and sustain value should be described. For the organisation not to be accused of being selective in reporting on material issues, the organisation should explain why any issues that might often be relevant to its sector or location have not been reported on. The Sustainability Reporting Guidelines of the GRI could be used as reference.

#### **2.6.3.2 Identifying risks & opportunities**

Based on the organisations identified material issues, impacts and relationships, a concise statement of the principle risks and opportunities should be included in the integrated report. Coupled to the statement, the following could be included:

- A table listing the risks & opportunities and the organisation's response to each, with a cross-reference to a more detailed response elsewhere in the report.
- It should be communicated in the report if there may be a going concern regarding the organisation or a component of the organisation, the reasons for that concern and the factors that may influence the outcome.

#### **2.6.4 Strategic objectives, competencies, key performance indicators (KPIs) and key risk indicators (KRIs)**

The strategic objectives of an organisation and its strategies to achieve those objectives, the measurement thereof and the targeted outcomes describes where the organisation want to go and how it is going to get there (IIRC, 2011:14).

The preceding elements should give an outlined analysis to enable organisations to provide a statement of its strategic objectives and targets, an indication of the organisational competencies required to realise these objectives, and a succinct list of KPIs and KRIs that will track performance against the strategic objectives and competency requirements covered over the short-, medium- and long-term period.

The following could be taken in consideration when reporting on:

- **Strategic objectives:** A concise statement of the strategic objectives that clearly demonstrate how these strategic objectives are informed by the organisation's business model, its material issues, impacts and relationships, and its identified risks and opportunities with the aim of creating and sustaining value over the short-, medium- and long-term. The strategic objectives should have an organisation's holistic approach but broad objectives at a business unit level could be included where appropriate.
- **Competencies:** To realise the identified strategic objectives, the organisation should indicate its required competencies which may include the systems, personnel and culture relating to compliance management, trends analysis, data management, stakeholder relationships, risk management and innovation.
- **KPIs and KRIs:** The organisation should list and briefly describe the priority KPIs & KRIs and how they have been identified and if any frameworks were used.

#### **2.6.5 Account of the organisation's performance**

The account of the organisation's performance is an important part of the integrated report. Throughout the report, the performance review should be integrated in a holistic manner. The performance review should include the current financial

performance, a brief description of the organisation's activities taken in respect of its strategic objectives and targets and a concise review of the outcome of these activities. A high level review of performance for significant business units may also be included.

The following could be included to report on how the organisation has fared over the reporting period:

- An account of activities addressing the strategic objectives, material impacts and organisational competencies.
- A concise description of the outcome, both successes and failures, in terms of the organisations strategic objectives, targets, material impacts, KPIs and KRIs.
- The integrated report should be a standalone report and the financial information provided should be sufficient to enable informed opinions. The financial information should be derived from and be aligned with the audited annual financial statements, including recognition, measurement and presentation principles of IFRS. The integrated report may be separate from the more detailed annual financial statements but it is suggested that the following financial information should be included:
  - Abridged financial statements which include the statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flow.
  - Factors influencing change in profits such as changes in volume of inputs or outputs, selling price, input costs, exchange rates, acquisitions or disposals of business or discontinued operations.
  - Identification of non-operating items included in the results with a reconciliation to headline earnings or whatever measure management believes to be the most meaningful measure of financial performance.
  - Segmented information where relevant.
  - Financial investment in future capacity such as capital expenditure, research and development expenditure, acquisition of business.
  - Factors that may influence future cash flows, such as capital commitments and contingencies.



- Financial value added by the business and how it was applied which include employee benefits, taxes paid, providers of capital and reinvestments.
- Economic value as opposed to financial issues should be specifically addressed such as value added to the community, sharing of wealth and distribution of wealth (IRCSA,2011:15).

### **2.6.6 Future performance objectives**

The objective of an integrated report is to provide information to stakeholders to enable them to assess the ability of an organisation to create and sustain value - not only now but also in the future. Thus an integrated report should include a forward-looking statement of the organisation's anticipated activities and performance objectives, informed by its assessment of recent performance and understanding of societal trends and stakeholders expectations.

An integrated report should thus include the organisations future objectives which are based on the recent performance. Including the following:

- A clear statement of intent regarding future performance including specific targets which are aligned with the organisation's assessment of the changing societal context that are consistent with its strategy and KPIs and KRIs, and responsive to the expectations of key stakeholders.
- A forward-looking reflection on and development of the internal systems, personnel and culture which is required to address its identified risks and opportunities to ensure delivery on its strategy(IRCSA,2011:16).

### **2.6.7 Remuneration policies**

The King III report and other regulatory requirements, such as IFRS and the JSE Listings Requirements, require disclosure of an organisation's approach towards remuneration. Disclosure on how employees in general and senior executives in particular are remunerated in the current period, as well as factors that will influence future remuneration should be included in an integrated report:

- Current remuneration disclosure should indicate the extent to which the remuneration is fixed and variable, and the factors that influence the variable element.
- The major components of employment cost should be disclosed, which include salaries and wages, housing benefits and post-employment benefits. Consideration should also be given to disclosing comparatives for the total cost to the organisation per employee at the different levels. Other disclosures could be included if significant in relation to either current or future remuneration such as wage agreements and or material share-based payment awards.
- Separate disclosure should be given for senior executives, for example the executive directors of a company because executives are instrumental in determining the strategy of the organisation. The strategy and KPIs that could influence senior executive remuneration should be identified as well as the extent to which that could influence future remuneration(IRCSEA,2011:16).

#### **2.6.8 Analytical commentary**

The members of the organisation's governing structure and executive team should give a brief analytical commentary included in the integrated report that reflects their understanding regarding the nature of the organisation's current and anticipated performance in the context of the organisation's strategic objectives.

The organisation should report on material impacts; how it can improve positive impacts and how it can eradicate or eliminate its negative impacts. Appropriate ratios of financial, economic, environmental, social and governance information for the current period, and historic information could be included in the report.

Both the nature of the organisation as well as the reporting principles should be taken in consideration in deciding on the issues to be addressed and the information to be presented.

An integrated report is intended for investors, stakeholders or any party who has an interest in the organisation. Organisations have to identify key stakeholders to report to on the strategy, performance and activities of the organisation in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term (IRCSA, 2011:16)..

## 2.7 EMPLOYEES AS STAKEHOLDERS

The overarching objective of integrated reporting in general and the integrated report in particular, is to report to stakeholders in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term (IRCSA, 2011:6). Stakeholders are thus the main audience the integrated report is addressed to.

### 2.7.1 Stakeholders defined

Stakeholders can be defined as entities or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products and services, and whose actions can reasonably be expected to affect the organisation's ability to successfully implement its strategy (IRCSA, 2011:5). Stakeholders can be identified as entities and individuals that are significantly affected by its activities and those which can significantly impact its ability to implement strategies and achieve objectives (First Rand Limited, 2011:59).

Organisations could identify the key stakeholders as defined by the IRCSA above. Specific to the South African financial sector the following major financial institutions have identified its stakeholders as per Table 2.5:

**Table 2.5 : Major SA financial institutions self-identified stakeholders**

Stakeholders of the four major SA financial institutions			
ABSA Limited	Nedcor Limited	Standard Bank Limited	First Rand Limited
Customers	Clients	Customers	Customers
Employees	Staff	Employees	Employees

Shareholders	Shareholders	Shareholders	Shareholders & analysts
Government and Regulators	Regulators	Regulators and supervisors	Government and Regulators
Community	Communities	Governments	Communities
		Media	Suppliers
			Civil Society

**Source: Annual integrated report of ABSA Limited (2011:3), Nedbank Limited (2011:17), Standard Bank Limited (2011:18) and First Rand Limited (2011:59)**

The four major SA financial institutions have identified similar key stakeholders. One similarity is the employees or staff of the organisations. The King III report also refers to employees as stakeholders at the principle on managing stakeholders relationships (SAICA, 2009:45).

Stakeholder groups can vary from one organisation to another as seen in Table 2.5. The focus of this study is on employees as stakeholders of the selected financial institution under investigation. The objective of an integrated report is to report to stakeholders, which include employees, in a manner that enables them to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term.

## **2.7.2 The benefits of an integrated report for employees as stakeholders**

One of the critiques of traditional or financial reporting is that it became very complex (Eccles & Krzus, 2010:76). The IRCSA framework recommends that the integrated report should be written in clear and understandable language in order for it to be a useful resource for all stakeholders (IRCSA, 2011:7). King III specifically refers to the importance to align the employee's best interests with those of the company and for the company to strategically engage its employees (SAICA, 2009:45).

The views and interests of the organisation's key stakeholders should be considered as part of the process of identifying the material risks and opportunities. This could be undertaken by assessing the views expressed as part of existing processes of engagement with investors, employees and other stakeholders, and/or it could be an engagement process undertaken specifically as part of the organisation's integrated reporting process (IRCSA, 2011:21).

The IRCSA, King III and the IIRC highlight employees as stakeholders and the importance for the organisation to make them part of the integrated reporting process and to report to them as stakeholders. The IIRC IR framework has identified specific benefits to employees:

- Future prospects – Current and prospective employees will be able to gain an integrated perspective on the future prospects of their employer. They will also be better able to discern whether their employer's values are consistent with their own (IIRC, 2011:24).
- Connecting the organisation – Integrated reporting facilitates the breaking down of reporting silos and the introduction of integrated thinking. This allows employees to gain a better understanding of how their performance links to the objectives of the organization and to identify how they contribute to the ability of the organization to create and sustain value over time (IIRC, 2011:24).

### **2.7.3 Employees as stakeholders and the elements of an integrated report**

An effective integrated report reflects an appreciation that the organisation's ability to create and sustain value is based on financial, social, economic, environmental systems and by the quality of its relationships with its stakeholders. To meet the objective of an integrated report, the suggested elements are those that are seen as being appropriate to consider for inclusion in the integrated report (IRCSA, 2011:12).

The overarching objective of an integrated report is to report to stakeholders on the strategy, performance and activities of the organisation in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term.

For an integrated report to be effective and to meet the integrated reporting objective, the appropriate elements should be included in the integrated report. This

study focused on employees as stakeholders and their opinion on the appropriateness or relevance of the suggested elements.

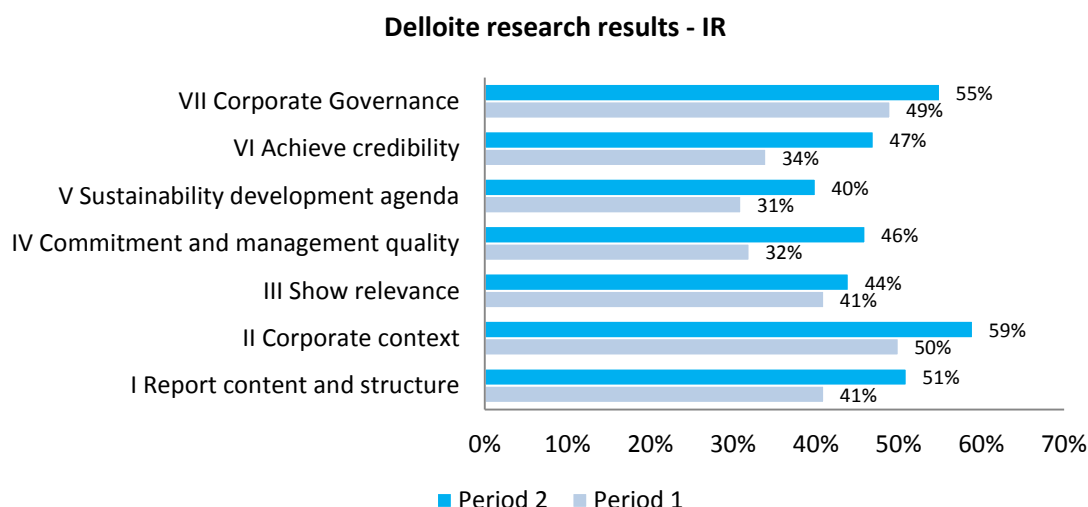
Recently research has been conducted in the field of integrated reporting. A special interest has been on the South African adoption of integrated reporting because, as mentioned earlier, South Africa is the first to implement integrated reporting on the adopt or explain basis applicable to JSE listed companies.

## **2.8 RESENT INTEGRATED REPORTING RESEARCH CONDUCTED AND RELEVANT FINDINGS**

The reporting trends and compliance with the King Code III were analysed by Nkonki Inc (2011) who carried out a survey among South African Top 40 listed entities and those included in the JSE Socially Responsible Investment (SRI) Index. The study revealed that many companies have adopted the King III recommendation on integrated report already before the compliance date and the adoption rate was higher for companies in the SRI index.

Deloitte has undertaken research into the quality and extent of integrated reports produced during the transition from the traditional financial report, supported by a sustainability report, to the integrated report. The research covers 100 JSE listed companies split into two periods. Period 1 covers those companies with year-ends between March 2011 and May 2011 and Period 2 covers companies with year-ends between June 2011 and September 2011. The results are illustrated in Figure 2.6.

**Figure 2.6 : Results of the Deloitte research into the quality and extent of Integrated reports of JSE listed companies**



**Source: Integrated reporting (Deloitte, 2012:23)**

The research considered a combination of the codes, standards and regulations and other good practice criteria such as the strength of the link between strategy, risk and key performance; the manner in which the sustainable development agenda is addressed; and the extent to which the report covers matters relevant to the organisation and its stakeholders (Kass, 2012:26).

The research revealed that although there has been a marked improvement in the overall quality of integrated reports between the reports submitted in Period 1 and those submitted in Period 2, there is no definite overall best practiced integrated report at this stage. However there were found pockets of excellence within the documents studied (Deloitte, 2012:20).

A mini-survey was conducted by Ernst & Young SA in 2011 among entities listed on the JSE. They obtained the current view on the values, challenge, content and process of integrated report. Most of the respondents agreed that integrated reporting is a good idea and most strongly believed that integrated reporting provides more value than separate annual and sustainability reports and most indicated that integrated reporting generated internal benefits (Kass, 2012:26).

The Black Sun (2011), one of the leading European corporate reporting consulting companies, published the paper “*Integrated Thinking in Reporting*”. This paper demonstrates how companies are approaching integrated reporting principles and they point out that the integrated reporting process involves several challenges. They recognised that the only way to achieve integrated reporting is by way of fundamental rethinking of business systems and activities that also require closer collaboration between different teams and individuals inside an organisation.

Integrated reporting is a fairly new concept worldwide. It is likely that more comprehensive research will be conducted as more companies practice integrated reporting. It is evident from the aforesaid research that companies are in favour of integrated reporting and that there is an improvement in the overall quality of integrated reports.

The integrated report has an exciting future. Various parties concerned are developing technology driven integrated reporting with technological innovations such as XBRL, web-based and real-time reporting (KPMG, 2011:8).

## **2.9 THE FUTURE TECHNOLOGICAL OUTLOOK ON INTEGRATED REPORTING**

One of the differences between traditional reporting and integrated reporting is respectively paper based versus technology based reporting. While paper documents will not go away any time soon, more and more people are accessing information online (Eccles & Krzus, 2010:186).

The essence of an integrated report is the integrated presentation of financial and non-financial information and the relationship between different types of performance outcomes. There are severe limitations to this presentation when it is only done in a paper document (Eccles & Krzus, 2010:191).

When the web is used to provide information, much higher degrees of integration are made feasible. The Internet and its associated web 2.0 tools and technologies make



it possible to shift from one-way information to a mutual conversation and on-going dialogue between company and all of its stakeholders. This adds much greater dimension to the integrated report (Eccles & Krzus, 2010:191).

Other current developments in business reporting automation include those made possible by technological innovations such as eXtensible Business Reporting Language (XBRL), web-based and real-time reporting (KPMG, 2011:8). XBRL was originally developed for the purpose of automating business information requirements — such as the preparation, sharing and analysis of financial reports, statements and audit schedules (Eccles *et al.*, 2010:156).

XBRL can be applied to a wide variety of reporting needs however, its most recognized and common function remains business reporting. There are a number of projects around the world that aim to use XBRL in a non-financial context, and where XBRL taxonomies have been developed. Relevant taxonomies are available or becoming available and preparers has already made investments in systems supporting XBRL and users seeing financial information in interactive format are starting to require non-financial information in the same format, indicating the need for XBRL and integrated reporting taxonomy (Eccles *et al.*, 2011:158).

It is evident from these developments that organisations will have no other choice but to ensure that their integrated report is technology enabled as more and more stakeholders are technology driven. The World Wide Web Consortium explains that the new web 3.0 digital technologies, so called Semantic Web, will enable both humans and machines to make complex queries across large sets of diverse data on the web. Web 3.0 will provide users with their own versions of an integrated report, whether the company is practicing it or not (Eccles & Krzus, 2010:204).

## **2.10 SUMMARY**

This chapter comprised of a detailed literature review on integrated reporting and the integrated report. Concepts such as traditional, financial, sustainability and triple bottom line reporting were discussed. With reference to the Integrated Reporting Committee of South Africa's framework for integrated reporting and the International

Integrated Reporting Committee's discussion paper, the suggested contents of an integrated report were discussed.

The development if integrated reporting were elaborated on, as well as the content of the integrated report. The objectives and suggested principles of an integrated report were discussed. The importance of assurance of an integrated report was accentuated. The benefits and objections of integrated reporting were also discussed.

Special focus was given to the elements to be included in an integrated report as suggested by the IRCAs framework and employees as stakeholders of organisations. The latter was used as basis of the empirical study that follows. The chapter were concluded with recent integrated reporting research and the future developments regarding integrated reporting and technology.

The business environment has changed rapidly in the past decade therefore a need to change corporate reporting has emerged. South Africa is one of the first countries to implement integrated reporting and it ought to be the answer to the future of corporate reporting. Based on the literature study, integrated reporting should enable stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term.

In the next chapter an empirical study was conducted. The results obtained from this study were thus presented and defined in chapter 3. Constructs were identified and integrated in the questionnaire used to determine if the eight elements, as suggested by the IRCSA framework, are relevant to consider for inclusion in an integrated report, and if the ability of an organisation to sustain value in the future has to be assessed.

## **CHAPTER 3**

### **EMPIRICAL STUDY: RESULTS AND DISCUSSION**

---

#### **3.1 INTRODUCTION**

The primary objective of this study was to investigate the opinion of employees as stakeholders of a financial institution and their perception on the relevance of the elements in an integrated report. In order to address the primary objective, secondary objectives were identified and divided into a literature and empirical study.

The literature study focused on the subject discipline of integrated reporting, with special reference to the integrated report's eight elements to be included in the integrated report as suggested by the IRCSA integrated report framework.

This chapter – the empirical study - focused on the opinion of employees as stakeholders of a financial institution and their perception of the relevance of the eight elements to be considered for inclusion in a report, if the employees have to assess the ability of an organisation to sustain value in the future.

The empirical study was conducted by means of a questionnaire administered to various employees of different management levels within the financial institution. The questionnaire was constructed, face validity was done and the reliability thereof was calculated with the assistance of the North-West University Statistical Consultation Services and the supervisor.

This chapter provides insight into the methods and procedures used in gathering the information for the empirical research of this study, the sample used (including the sampling method and size), the demographic structure of the sample, the method used for gathering information, the presentation and discussion of the research results.

The internal consistency and reliability of the questionnaire were assessed by calculating Cronbach alpha coefficients. Frequency distributions, mean values and standard deviations were calculated for every construct and individual statements. Independent *t*-tests and Anovas were performed to determine the differences between the means of different groups within the selected demographic variables and the constructs. Furthermore, effect size values (*d*-values), as discussed by Ellis and Steyn (2003:5) was used to indicate if there is a practical significant difference between the groups of any demographical variables regarding the constructs.

### **3.2 GATHERING OF DATA**

Permission was obtained from the South African bank under investigation and a confidentiality agreement was signed. The agreement stipulated that the bank's identity may not be disclosed and should be referenced as a financial institution or the bank in scope. The questionnaires were distributed to the participating respondents, after acknowledgement was received from the head of the participating business unit.

The respondents, who have chosen to complete the hard copy questionnaire, had to follow the instructions, complete the survey by marking the appropriate choice and return the completed questionnaires to the sender via e-mail, facsimile or in hard copy format.

The respondents, who have chosen to complete the Excel questionnaire, had to follow the instructions and complete the survey by selecting the appropriate choice from a drop down list. The completed Excel questionnaires were saved by the respondents and returned to the sender via e-mail.

### **3.3 TARGET AND STUDY POPULATION**

The target population was the employees of the financial institution under investigation. One hundred and forty (140) questionnaires were distributed to employees on different management levels, business units in three geographical areas, the Gauteng Province, North West Province and the Free State Province.

This represented the study population. Eighty-two (82) employees or respondents completed the survey. One (1) questionnaire was discarded, thus eighty-one (81) questionnaires was analysed. The response rate was 57.85%.

### **3.4 QUESTIONNAIRE USED IN THIS STUDY**

A covering letter outlining the purpose of the study accompanied each questionnaire. The anonymity of the respondents was guaranteed, and the confidentiality of individual respondents' response was emphasized.

In order to confirm and substantiate the results of the study a structured questionnaire was used to investigate the opinion of employees as stakeholders of a financial institution and their perception of the relevance of the eight elements in an integrated report, if they have to assess the ability of an organisation to sustain value in the future.

The questionnaire was constructed, face validity was done and the reliability thereof was calculated with the assistance of the North-West University Statistical Consultation Services and the supervisor. The criteria suggested by Best and Kahn (2003:307) were taken into consideration when constructing the questionnaire. The following is a summary of criteria to be met in a questionnaire:

- The significance of the questionnaire should be clearly and carefully stated on the questionnaire itself, or in the letter that accompanies it.
- It should only seek information that cannot be obtained from other sources.
- It must be as short as possible and only long enough to obtain the essential data. The writing required of the subject must be kept to a minimum and the response system must be clear and easy.
- The presentation of the questionnaire must be attractive, neatly arranged, and clearly duplicated or printed.
- Directions need to be clear and complete. Important terms must be defined. Each question must deal with a single idea and must be worded as simply and

clearly as possible. Two questions should not be contracted into single questions.

- The questions must be objective, with no leading suggestions as to the responses desired.
- Questions have to be presented in good psychological order, proceeding from general to more specific responses. If possible, annoying or embarrassing questions should be avoided. When questions of a delicate nature are necessary, the questionnaire should be anonymous.
- Code numbers should be allocated to all possible responses to permit easy transference to the format of a computer programme.

The questionnaire consisted of two sections:

### **3.4.1 Section A: Relevant reporting information**

This section posed the following main question to the respondent: In your opinion, to what extent are the following information seen as being appropriate (relevant) to consider for inclusion in a report, if you have to assess the ability of an organisation to sustain value in the future?

The respondents had to mirror their opinion on a 4-point Likert scale ranging from not relevant (1), slightly relevant (2), moderately relevant (3) to totally relevant (4), regarding the inclusion of the eight elements of an integrated report (refer to Annexure A for a copy of the questionnaire). The eight elements consisted of 37 statements the respondents had to consider. The eight elements also represented the eight constructs used in this study.

The eight constructs included in the questionnaire comprised of the following:

#### **3.4.1.1 Report Profile – description of scope and boundary**

The first suggested element that has to be included in an integrated report is a description of the scope and boundary of the report. Four statements regarding the

scope and boundary included were: a description of the period covered, the reporting boundary, the applied reporting principles and the assurance of the report. Respondents were expected to indicate how relevant these four items were, if included in an integrated report.

#### **3.4.1.2 Organisational overview, business model, and governance structure**

The second element to be included in an integrated report is an overview of the business activities, the business model, and an overview of its governance structure.

Four statements regarding the organisational overview, business model, and governance structure were included: the principle activities of the organisation, the organisational structure, statement of the business model and a brief description of the material aspects of the governance structure. Respondents were expected to indicate how relevant these four statements were, if included in an integrated report.

#### **3.4.1.3 Understanding the operating context**

The third element recommended to be included in an integrated report is the organisation's operating context or information provided to stakeholders to enable them to assess the extent to which the organisation's ability to create and sustain value based on financial, social, environmental and economic systems and its relationships with key stakeholders.

Respondents were expected to indicate how relevant the following five statements regarding the operating context were, if included in an integrated report: a description of the risks that are material to the organisation's current activities, an assessment of the organisation's material impacts on financial, social and economic issues and a review of the organisation's relationships with key stakeholders.

#### **3.4.1.4 Strategic objectives, competencies, KPIs and KRIs**

The fourth element that could be included in an integrated report is a statement of the organisation's strategic objectives and targets, an indication of the organisational

competencies required to realise these objectives, and a succinct list of KPIs and KRIs that will track performance against the strategic objectives and competency requirements covered over the short-, medium- and long-term period.

Four statements were included for respondents to indicate how relevant these are to be included in a report: a statement of the strategic objectives of the organisation, an indication of the organisation's competencies and a list of priority key performance indicators and key risk indicators.

#### **3.4.1.5 Account of the organisation's performance**

An important element (fifth) to be included in an integrated report is the account of the organisation's performance. Five statements regarding the organisational account of performance were included: the outcome of the organisation's strategic objectives, material impacts, KPIs, KRIs and the organisation's financial performance. Respondents were expected to indicate how relevant these five statements were, if included in a report.

#### **3.4.1.6 Future performance objectives**

A forward-looking statement of the organisation's anticipated activities and performance objectives, informed by its assessment of recent performance and understanding of societal trends and stakeholders expectations are recommended to be included as the sixth element in an integrated report.

Four statements were identified for respondents to indicate how relevant these are to be included in a report: a statement of intent regarding future performance, specific future performance targets, a forward-looking reflection on the internal systems and on the personnel to address its identified targets.



#### **3.4.1.7 Remuneration policies**

A seventh element to be included in an integrated report is high-level information on how employees in general and senior executives in particular are remunerated in the current period as well as factors that will influence future remuneration.

Three statements regarding remuneration policies were included and respondents were expected to indicate how relevant these three items were, if included in a report: statement on how the organisation remunerate employees and senior executives and factors that could influence future remuneration.

#### **3.4.1.8 Analytical commentary**

As a final element (eighth) to be included is a brief analytical commentary from the organisation's governing structure and executive team regarding the nature of the organisation's current and anticipated performance in the context of the strategic objectives.

Eight statements regarding analytical commentary were included for respondents to indicate how relevant it was if included in a report: the organisation's leadership commentary on financial, economic, environmental and governance information and a ratio analysis on financial, economic, environmental and governance information.

#### **3.4.2 Section B: Demographic information**

Section B comprised of the gathering of demographical information where respondents had to indicate their gender, age group, number of years worked, business unit at which they work, management level and the geographical area where they work. Two questions were also asked: if the respondents were familiar with the concept of an integrated report and if they were familiar with the financial institution's annual integrated report. The respondents were expected to give a yes or no answer.

### 3.5 CONFIDENTIALITY

Confidentiality was ensured to all respondents. Respondents' individual results were handled anonymously and were not disclosed. A confidentiality agreement was signed between the writer and the financial institution under investigation.

### 3.6 STATISTICAL ANALYSIS OF DATA

The data collected was analysed by the Statistical Consultation Services of the North-West University (Potchefstroom Campus) using IBM SPSS Statistics Version 20, Release 20.0.0 (SPSS, 2011).

The internal consistency and reliability of the questionnaire was assessed by calculating Cronbach alpha coefficients. Frequency distributions, mean values and standard deviations were calculated for every construct and individual statements. Independent *t*-tests and Anovas were performed to determine the differences between the means of different groups within the selected demographic variables and the constructs. Furthermore, effect size values (*d*-values), as discussed by Ellis and Steyn (2003:5), was used to indicate if there were practical significant differences between the groups of any demographical variables regarding the constructs.

### 3.7 RESPONSES TO THE SURVEY

Table 3.1 presents a tabular presentation of the responses of the survey.

**Table 3.1 : Responses to the survey**

Response Type	Frequency	Percentage
Number of questionnaires distributed	140	100%
Number of questionnaires returned	82	58.57%
Number of questionnaires discarded	1	0.71%
Number of questionnaires analysed	81	57.85%

The financial institution under investigation is geographically represented nationally (South Africa) and have in excess of 36 000 employees. The writer had access to three provinces in SA, thus a convenience sample was used in this study.

A total of 140 questionnaires were sent to employees in the North West Province, Gauteng and Free State Province and 82 were returned by the cut-off date of 24 August 2012. One questionnaire had to be discarded since the respondent completed only the demographic sections of the questionnaire. Ultimately 81 questionnaires were analysed and thus the response rate was 57.85%.

### **3.8 DEMOGRAPHIC INFORMATION OF RESPONDENTS**

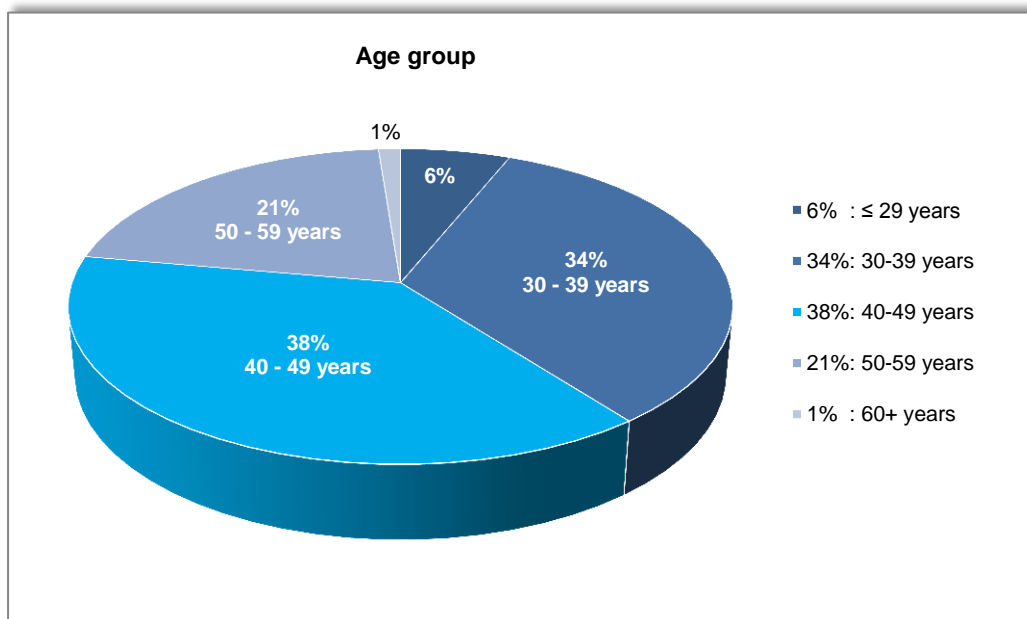
Section B of the survey questionnaire captured the demographical information of respondents where they had to indicate gender, age group, number of years worked, business unit in which they work, management level and the geographical area where they work (refer to Annexure A for a copy of the questionnaire).

The respondents were expected to give a yes or no answer if they were familiar with the concept of an integrated report as well as the financial institution's annual integrate report.

#### **3.8.1 Age group classification of respondents**

Respondents were requested to indicate their age group in one of the predetermined categories. The results of the age group classification of the participating respondents are presented in Figure 3.1.

**Figure 3.1 : Respondents by age group**

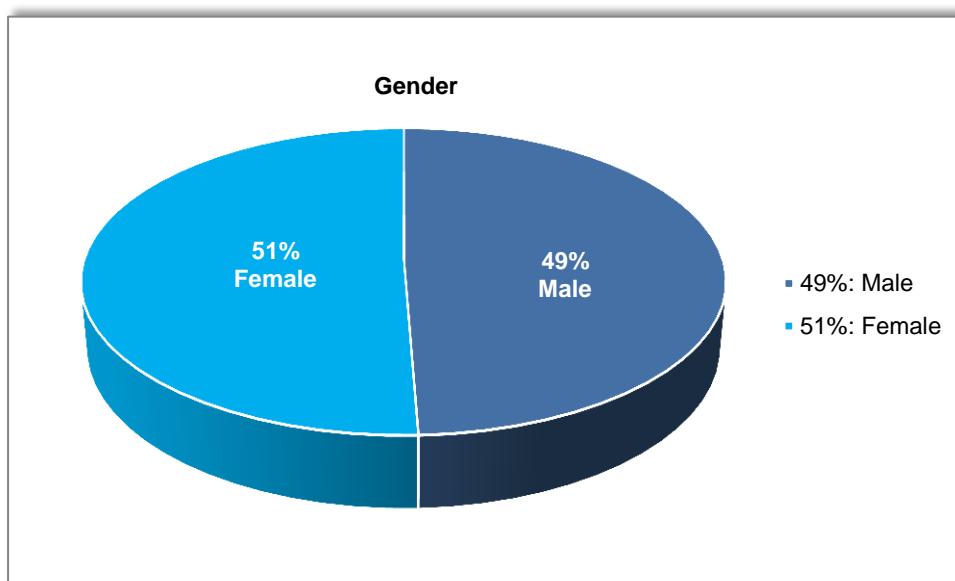


The majority of the participating respondents fall in the age group category of 40 to 49 years (38%) with the second largest group 30 to 39 years (34%).

### 3.8.2 Gender of the respondents

Respondents indicated their gender, male or female in section B of the questionnaire. The results are presented in Figure 3.2.

**Figure 3.2 : Gender of respondents**



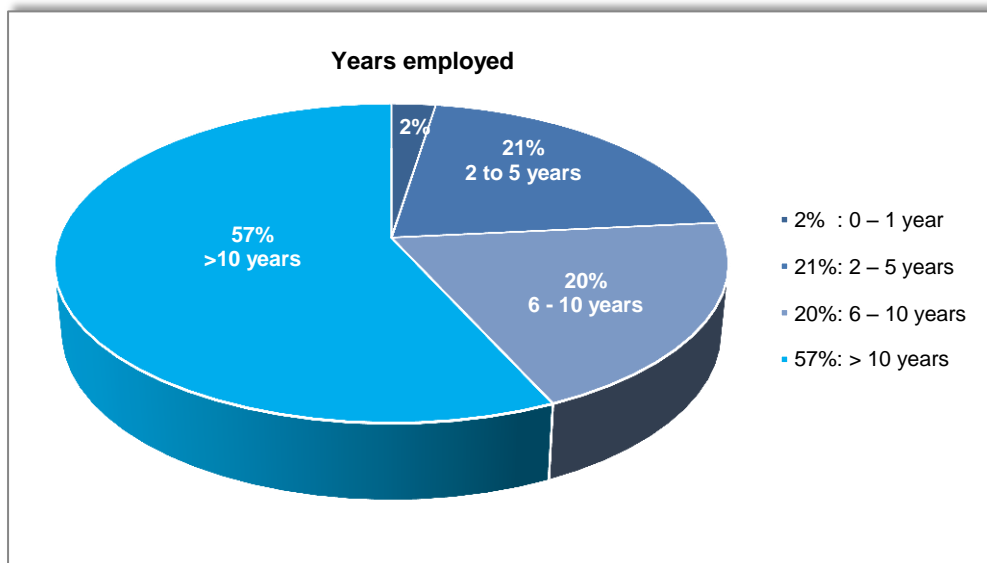
There were an even spread between males and females with 40 (49%) male and 41 (51%) female respondents.

### 3.8.3 The number of years employed by the organisation

The respondents were also classified according to the number of years they had been working for the financial institution. The results are presented in Figure 3.3.

The majority of the respondents have been in service for more than ten years (57%) at the financial institution and secondly two to five years (21%) and closely followed by six to ten years (20%) of service.

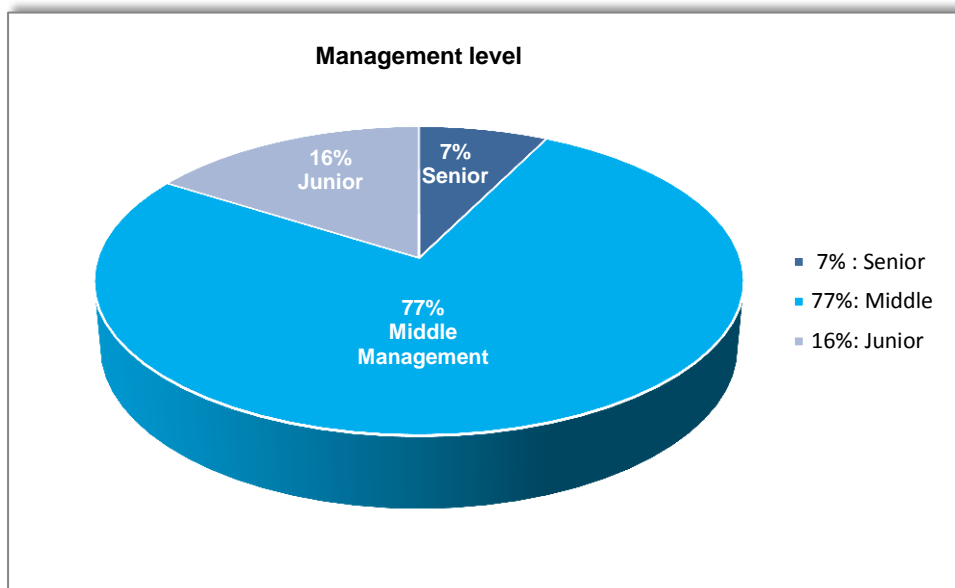
**Figure 3.3 : Number of years employed by the organisation**



### 3.8.4 Distribution of management level of the respondents

The respondents were classified as senior (E and T band Patterson grading), middle (M and P band Patterson grading) or junior level (A, B and C band Patterson grading) managers. Figure 3.4 presents the management level of the respondents.

**Figure 3.4 : Management level of respondents**

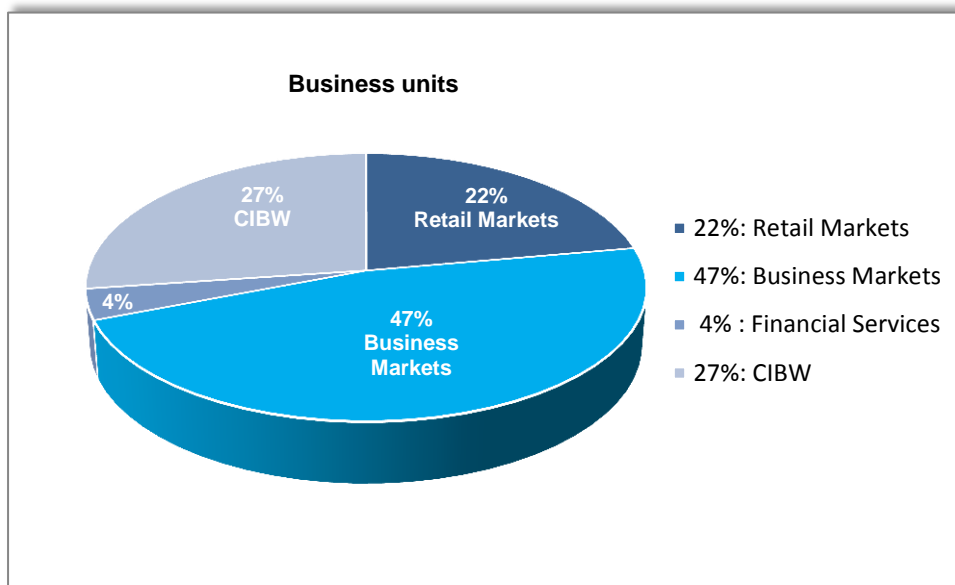


The highest number of respondents (76.5%) falls within the middle management level (M & P Band). Only 7.4% of the respondents were in the senior management level (E & T Band), with 16% in the junior management level (A, B & C Band).

### **3.8.5 Business units where respondents worked**

Respondents from different business units within the financial institution participated in the study. Figure 3.5 presents the different business units within the financial institution.

**Figure 3.5 : Business units**

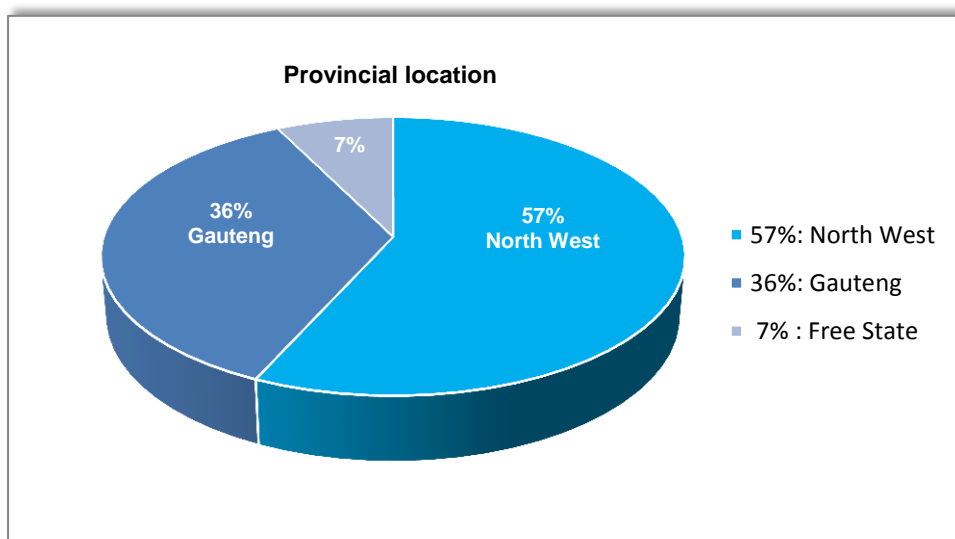


Business Markets (47%) were the largest group, with Corporate and Investment Bank and Wealth (CIBW) (27%) the second largest group. Following CIBW was retail markets with 22% and only 4% of the respondents represented Financial Services.

### 3.8.6 Geographical area where respondents worked

Information on the geographical location of respondents is summarized in Figure 3.6.

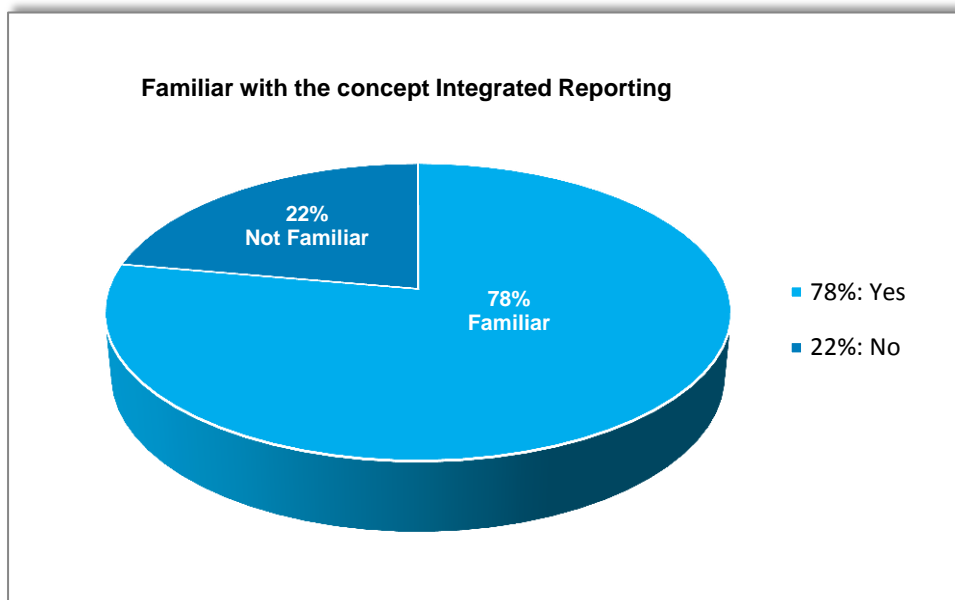
**Figure 3.6 : Location (province) of workplace**



Respondents from the North West Province represented the largest group (57%), secondly the Gauteng Province (36%), followed by the Free State Province (7%). The questionnaires were only distributed to the mentioned provinces due to easier access. Figure 1.1 gives a geographical exposition of South Africa with reference to the North West, Gauteng and the Free State Province.

### 3.8.7 Respondents familiar with the concept of integrated reporting

**Figure 3.7 : Respondents familiar with the concept of integrated reporting**



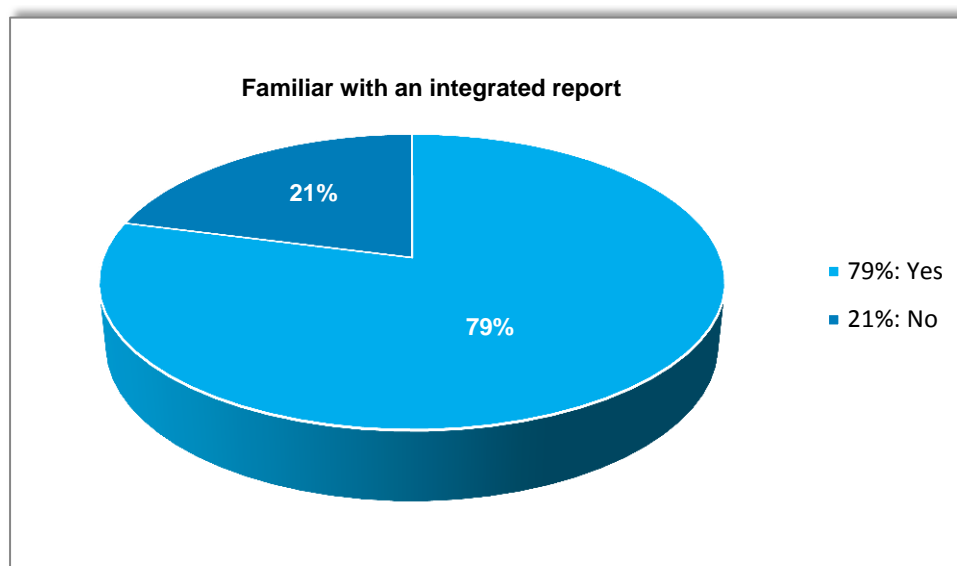
The respondents were expected to answer yes or no to the question: if they were familiar with the concept of integrated reporting as summarized in Figure 3.7. Most of the respondents (78%) indicated that they were familiar with to concept integrated reporting and (22%) acknowledged that they were not familiar.

### 3.8.8 Respondents familiar with the annual integrated report of the financial institution

The respondents were expected to answer yes or no to the question if they were familiar with the financial institution's annual integrated report as summarized in Figure 3.8.



**Figure 3.8 : Familiar with annual integrated report of the financial institution**



Most of the respondents (79%) indicated that they were familiar with the financial institutions annual integrated report and (21%) acknowledged they were not familiar.

### **3.9 FREQUENCY DISTRIBUTION, MEAN AND STANDARD DEVIATION OF THE RELEVANT REPORTING INFORMATION**

The respondents had to mirror their opinion on a 4-point Likert scale ranging from not relevant (1), slightly relevant (2), moderately relevant (3) to totally relevant (4) regarding the 37 statements presented in Table 3.2 to Table 3.9 as being appropriate (relevant) to consider for inclusion in a report, if they had to assess the ability of an organisation to sustain value in the future.

The eight sections consisted of 37 statements the respondents had to consider. The eight sections represented the eight elements of an integrated report. The eight elements represented the eight constructs used in this study. The frequency distribution of each statement was calculated as well as the mean and standard deviation. The results of the calculations have been presented in table 3.2 to table 3.9 and some aspects have been highlighted.

**Table 3.2 : Responses to the element: Report profile**

A	Report Profile – Description of scope & boundary In your opinion the report should include :	Likert Scale & Frequency				Mean	s
		1	2	3	4		
A01	a description of the period covered	-	6	16	59	3.65	0.62
A02	the reporting boundary (e.g. geographical scope, entities represented in the report).	1	2	27	51	3.58	0.61
A03	the reporting principles that have been applied (e.g. IFRS, GRI, and King III).	-	3	23	55	3.64	0.55
A04	the assurance on the report (e.g. qualifications of assurance).	-	1	22	57	3.70	0.49

At the element, **report profile** as presented in Table 3.2, most of the respondents selected the options moderately relevant (3) and totally relevant (4). The statement, inclusion of the assurance on a report, had the highest mean of ( $\bar{x} = 3.70$ ) as well as the smallest standard deviation of ( $s = 0.49$ ).

**Table 3.3 : Responses to the element: Business model**

B	Organisational overview, business model, and governance structure In my opinion the report should include:	Likert Scale & Frequency				Mean	s
		1	2	3	4		
B01	the principal activities of the organisation	-	-	22	59	3.73	0.45
B02	the organisational structure	0	13	30	38	3.31	0.74
B03	a statement of the business model	1	8	29	43	3.41	0.72
B04	a brief description of the material aspects of the governance structure	3	9	38	31	3.20	0.78

At the element, **business model** as presented in Table 3.3, most of the respondents selected the options moderately relevant (3) and totally relevant (4). The statement, the principle activities of the organisation, had the highest mean of ( $\bar{x} = 3.73$ ) as well as the smallest standard deviation of ( $s = 0.45$ ).

**Table 3.4 : Responses to the element: Operating context**

C	Understanding the operating context In my opinion the report should include:	Likert Scale & Frequency				Mean	s
		1	2	3	4		
C01	a description of the risks that are material to the organisation's current activities	-	2	21	58	3.69	0.52
C02	an assessment of the organisation's material impacts on financial issues	-	2	21	58	3.69	0.52
C03	an assessment of the organisation's material impacts on social issues	-	15	38	28	3.16	0.72

C04	an assessment of the organisation's material impacts on economic issues	-	2	34	45	3.53	0.55
C05	a review of its relationships with key stakeholders	-	6	36	39	3.41	0.63

At the **operating context** element, as presented in table 3.4, the respondents had the same options selected for description of the risks that are material to the organisation's current activities and the inclusion of an assessment of the organisations material impacts on financial issues. Both statements had mean values of ( $\bar{x} = 3.69$ ) and a standard deviation of ( $s = 0.52$ ).

**Table 3.5 : Responses to the element: Strategic objectives**

D	Strategic objectives, competencies, KPIs and KRIs In my opinion the report should include:	Likert Scale & Frequency				Mean	S
		1	2	3	4		
D01	a statement of the strategic objectives of the organisation	-	1	22	58	3.70	0.49
D02	an indication of the organisational competencies	-	4	34	43	3.48	0.59
D03	a list of priority (key performance indicators) KPIs	-	9	21	51	3.52	0.69
D04	a list of priority (key risk indicators) KRIs	-	2	23	56	3.67	0.52

At the **strategic objective** element, as presented in table 3.5, most of the respondents selected the option, totally relevant (4), for a statement of the strategic objectives of the organisation to be included in a report. This statement had the highest mean ( $\bar{x} = 3.70$ ) and the smallest standard deviation ( $s = 0.49$ ). KRIs had a higher mean value ( $\bar{x} = 3.67$ ) than KPIs (0.52).

**Table 3.6 : Responses to the element: Organisation's performance**

E	Account of the organisation's performance In my opinion the report should include:	Likert Scale & Frequency				Mean	S
		1	2	3	4		
E01	the outcome of its strategic objectives	-	1	14	64	3.80	0.43
E02	the outcome of its material impacts	-	6	37	38	3.40	0.63
E03	the outcome of its (key performance indicators) KPIs	-	5	23	53	3.59	0.61
E04	the outcome of its (key risk indicators) KRIs	-	4	26	51	3.58	0.59
E05	the organisation's financial performance	-	-	9	71	3.89	0.32

At the **organisation's performance** element, as presented in table 3.6, most respondents selected the option, totally relevant, for the inclusion of the outcome of an organisation's strategic objectives and financial performance in a report. The

mean values were ( $\bar{x} = 3.80$ ) and ( $\bar{x} = 3.89$ ) respectively with standard deviations of ( $s = 0.43$ ) and ( $0.32$ ). Financial performance had the highest mean of all statements.

**Table 3.7 : Responses to the element: Future performance**

F	Future performance objectives In my opinion the report should include:	Likert Scale & Frequency				Mean	S
		1	2	3	4		
F01	a statement of intent regarding future performance	-	6	27	48	3.52	0.63
F02	specific future performance targets	-	3	25	53	3.62	0.56
F03	a forward-looking reflection on the internal systems to address its identified targets	1	5	31	44	3.46	0.67
F04	a forward-looking reflection on the personnel to address its identified targets	3	4	34	40	3.37	0.75

At the **future performance** element, as presented in table 3.7, most respondents almost equally selected the options moderately relevant and totally relevant. The statement, specific future performance targets had the highest mean of ( $\bar{x} = 3.62$ ) with the smallest standard deviation of ( $s = 0.56$ ).

**Table 3.8 : Responses to the element: Remuneration policies**

G	Remuneration policies In my opinion the report should include:	Likert Scale & Frequency				Mean	S
		1	2	3	4		
G01	how the organisation remunerates employees	4	14	24	39	3.21	0.90
G02	how the organisation remunerates senior executives	-	7	14	60	3.65	0.64
G03	factors that could influence future remuneration	6	3	31	41	3.32	0.86

At the element, **remuneration policies**, as presented in Table 3.8, the respondents had selected relative different options regarding how the organisation remunerates employees with a high standard deviation of ( $s = 0.90$ ). The statement, that a report should include how the organisation remunerates senior executives had a higher mean value ( $\bar{x} = 3.65$ ) than how the organisation remunerates employees ( $\bar{x} = 3.21$ ).

**Table 3.9 : Responses to the element: Analytical review**

H	Analytical commentary In my opinion the report should include:	Likert Scale & Frequency				Mean	S
		1	2	3	4		
H01	the organisation's leadership commentary on financial information	-	3	26	52	3.60	0.56
H02	the organisation's leadership commentary on economic information	-	5	39	37	3.40	0.61
H03	the organisation's leadership commentary on environmental information	1	13	41	26	3.14	0.72
H04	the organisation's leadership commentary on governance information	-	6	42	33	3.33	0.61
H05	ratio analysis on financial information	-	2	25	54	3.64	0.53
H06	ratio analysis on economic information	1	8	40	32	3.27	0.69
H07	ratio analysis on environmental information	-	2	12	49	3.02	0.69
H08	ratio analysis on governance information	-	8	48	25	3.21	0.61

At the element **analytical review**, as presented in Table 3.9, the statements regarding financial information had the highest mean values of ( $\bar{x} = 3.60$ ) and ( $\bar{x} = 3.64$ ) and environmental information had the smallest ( $\bar{x} = 3.14$ ) and ( $\bar{x} = 3.02$ ). Thus, the respondents selections regarding the relevance of analytical review of financial information lean more towards totally relevant than the relevance of analytical review of environmental information which lean more towards moderately relevant.

### 3.10 RELIABILITY OF THE QUESTIONNAIRE

In order to assess the internal consistency and reliability between the statements in each construct in the research instrument, Cronbach Alpha coefficients were calculated. The Cronbach Alpha coefficient is based on the average correlation of variables within a test (Struwig & Stead, 2004:132). The greater the value of the Cronbach Alpha coefficient, the higher the internal consistency and the more reliable the construct used in the study (Struwig & Stead, 2004:133).

Nunnally and Bernstein (1994:265) suggested that for acceptable reliability the Cronbach Alpha coefficient should be equal to or greater than 0.7 although Field (2009:675) suggested a coefficient greater than 0.5 is still acceptable. Table 3.10

indicates the Cronbach Alpha coefficients of the constructs measuring the elements of an integrated report.

**Table 3.10 : Cronbach alpha coefficients of the constructs**

<b>CONSTRUCTS MEASURING ELEMENTS OF AN INTEGRATED REPORT</b>		
<b>Nr.</b>	<b>CONSTRUCT</b>	<b>Cronbach alpha Coefficients</b>
1	Report Profile – description of scope and boundary	0.62
2	Organisational overview, business model, governance structure	0.70
3	Operating context	0.69
4	Strategic objective, competencies, KPIs & KRIs	0.76
5	Organisations performance	0.69
6	Future performance objectives	0.76
7	Remuneration policies	0.86
8	Analytical commentary	0.79

The results as indicated in Table 3.10 suggest that the research instrument used in this study to assess the eight elements, as suggested by the IRCSA framework, are reliable and internal consistent. For the purpose of this study, these constructs will be included in the research since the Cronbach Alpha coefficients are very close to 0.7 as confirmed by Nunnally and Bernstein's (1994:265) view.

### **3.11 RELEVANCE OF THE ELEMENTS OF AN INTEGRATED REPORT**

As previously discussed, a Likert scale was used to evaluate the thirty-seven statements related to these constructs. The respondents were instructed to mark their preferred opinion on a 4-point Likert scale ranging from not relevant (1), slightly relevant (2), moderately relevant (3) to totally relevant (4) regarding the inclusion of the eight elements of an integrated report.

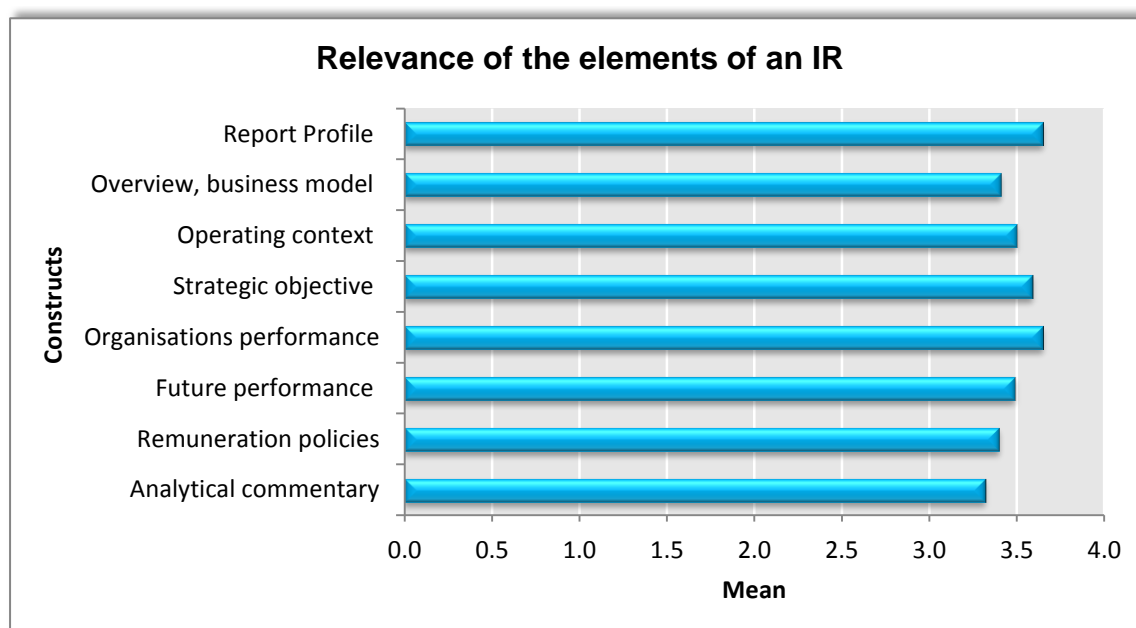
The mean and standard deviation of the constructs were calculated. In a normal distribution, the majority of values lie within an interval of plus-minus one standard deviation above or below the mean. The more dispersed the data, the larger the standard deviation (Levine, Stephan & Krehbiel., 2005:118). The results of the

descriptive analysis for the eight constructs are presented in Table 3.11 and illustrated in a clustered bar chart in Figure 3.9.

**Table 3.11 : Relevance of the elements of an IR survey results**

Nr.	CONSTRUCT	mean	s
1	Report Profile – scope and boundary	3.65	0.39
2	Organisational overview, business model, governance structure	3.41	0.50
3	Operating context	3.50	0.39
4	Strategic objective, competencies, KPIs & KRIs	3.59	0.44
5	Organisations performance	3.65	0.35
6	Future performance objectives	3.49	0.50
7	Remuneration policies	3.40	0.71
8	Analytical commentary	3.32	0.40

**Figure 3.9 : Relevance of the elements of an IR analysis**



All constructs had mean values greater than three. The option of three (3) on the Likert-scale was moderately relevant and four (4) was totally relevant. Thus, three of elements (Report profile, Strategic objective and Organisation performance) are leaning towards totally relevant and the remainder towards moderately relevant.

The highest mean values were **Report profile** ( $\bar{x} = 3.650$ ) ( $s = 0.39$ ) followed by **Organisation performance** ( $\bar{x} = 3.645$ ) ( $s = 0.35$ ). On the Likert-scale the mentioned constructs were totally relevant.

The construct, **Operating context's**, mean value was ( $\bar{x} = 3.50$ ) ( $s = 0.39$ ). The construct was between totally relevant and moderately relevant. The construct, Report Profile and Operating context, were later used in the study for further analysis.

The construct, **Analytical commentary**, had the lowest mean value of ( $\bar{x} = 3.32$ ) ( $s = 0.71$ ) which indicated that this construct is closer to moderately relevant than totally relevant.

### 3.12 THE RESULTS OF THE ANALYSIS ON DEMOGRAPHIC INFORMATION AND CONSTRUCTS

In order to test for differences in the means, the independent (two-sample) *t*-test was used. ANOVA and robust tests of equality of means (Welch) were used where more than two variables applied. The results of these tests are presented in the form of *p*-values and *d*-values. For the purpose of this study, the simple conservative approach was applied and the *t*-test that does not assume equal variances was used (Elliott & Woodward, 2007:59).

A small *p*-value, for example smaller than 0.05, indicates significance (Ellis & Steyn, 2003:51). However, Ellis and Steyn (2003:51) caution against the drawback of using the *p*-value, especially when random sampling was not used. A convenience sample was used in this study, thus the *p*-values will not be interpreted but reported for completeness.

For the purpose of this study, the effect-size (*d*-values) will be interpreted in accordance with Cohen's guidelines: Small effect or practical non-significant differences (*d*-value  $\approx 0.2$ ), medium effect or practical visible differences



( $d$ -value  $\approx 0.5$ ) and large effect or practical significant differences ( $d$ -value  $\approx 0.8$ ). (Field, 2005:32; Ellis & Steyn, 2003:51-53).

If a visible difference in terms of the  $d$ -value is determined, it would mean that should you split the respondents into two groups (e.g. male and female) and an outsider were to spend enough time with each group, he would be able to tell that a specific group has a more positive view regarding a specific construct or variable than the other group (De Villiers, 2008:164).

### **3.12.1 The results of the independent $t$ -tests**

The difference between the eight constructs measuring the relevance of the elements of an integrated report regarding the demographic information with two variables was calculated by using independent  $t$ -tests. The results of the calculations have been presented in Table 3.12 to Table 3.14. The mean ( $\bar{x}$ ), standard deviation ( $s$ ),  $p$ -value ( $p$ ) and effect-size ( $d$ ) have been included in the results.

#### **3.12.1.1 The results of the independent $t$ -tests: differences between the eight constructs regarding gender**

When taking the  $d$ -value into account, four of the constructs, as presented in Table 3.12, were more than 0.5; Operating context ( $d = 0.58$ ), Strategic objective ( $d = 0.55$ ), Performance ( $d = 0.53$ ) and Future performance ( $d = 0.56$ ). Thus these constructs have a medium size effect. Females tend to find these elements more relevant than males and it seems that females are more certain of their selections because the standard deviations of female selections were smaller.

**Table 3.12 : Difference between the eight constructs regarding gender**

		GENDER					
		Male		Female			
	Construct	$\bar{x}$	s	$\bar{x}$	s	<i>p</i>	<i>d</i>
1	Report profile	3.58	0.41	3.71	0.36	0.15	0.31
2	Business model	3.43	0.51	3.40	0.49	0.80	0.06
3	Operating context	3.38	0.42	3.61	0.34	0.01	0.58
4	Strategic objective	3.47	0.45	3.71	0.41	0.01	0.55
5	Performance	3.55	0.38	3.75	0.30	0.01	0.53
6	Future performance	3.33	0.56	3.65	0.38	0.01	0.56
7	Remuneration	3.28	0.72	3.51	0.69	0.12	0.33
8	Analytical	3.29	0.38	3.36	0.43	0.46	0.15

Note: *p*-value not for interpretation – reported for completeness only

### 3.12.1.2 The results of the independent *t*-tests: differences between the eight constructs regarding respondents familiar with the concept integrated reporting

**Table 3.13 : Difference between the eight constructs regarding the respondents familiar with the concept integrated reporting**

		Familiar with the concept IR					
		Yes		No			
	Construct	$\bar{x}$	s	$\bar{x}$	s	<i>p</i>	<i>d</i>
1	Report profile	3.62	0.41	3.72	0.30	0.26	0.24
2	Business model	3.44	0.46	3.31	0.60	0.39	0.23
3	Operating context	3.46	0.38	3.61	0.42	0.19	0.35
4	Strategic objective	3.56	0.46	3.70	0.37	0.22	0.28
5	Performance	3.64	0.36	3.68	0.33	0.69	0.10
6	Future performance	3.51	0.45	3.42	0.64	0.56	0.15
7	Remuneration	3.48	0.61	3.11	0.97	0.16	0.38
8	Analytical	3.40	0.39	3.22	0.45	0.26	0.32

Note: *p*-value not for interpretation – reported for completeness only

Three constructs, as presented in Table 3.13, **Operating context** ( $d$ -value = 0.35), **Remuneration policies** ( $d$ -value = 0.38) and **Analytical commentary** ( $d$ -value = 0.32), had a small to medium effect. The other construct's effect sizes had a small effect showing little differences.

### 3.12.1.3 The results of the independent $t$ -tests: differences between the eight constructs regarding respondents familiar with the financial institution's annual integrated report.

Two constructs, as presented in Table 3.14, **Report profile** ( $d$ -value = 0.46) and **Operating context** ( $d$ -value = 0.49) had medium size effect. The other construct's effect sizes had a small effect showing little statistical significance.

**Table 3.14 : Difference between the eight constructs regarding the respondents familiar with the financial institution annual integrated report**

		Familiar with the annual IR					
		Yes		No			
	Construct	$\bar{x}$	s	$\bar{x}$	s	$p$	$d$
1	Report profile	3.61	0.41	3.79	0.27	0.06	0.46
2	Business model	3.41	0.48	3.41	0.58	0.99	0.00
3	Operating context	3.46	0.39	3.65	0.37	0.07	0.49
4	Strategic objective	3.56	0.46	3.71	0.38	0.19	0.31
5	Performance	3.63	0.36	3.74	0.30	0.19	0.32
6	Future performance	3.48	0.48	3.53	0.59	0.75	0.08
7	Remuneration	3.42	0.69	3.31	0.80	0.63	0.13
8	Analytical	3.35	0.38	3.24	0.49	0.41	0.22

Note:  $p$ -value not for interpretation – reported for completeness only

### 3.12.2 The results of the ANOVA tests

The difference between the eight constructs measuring the relevance of the elements of an integrated report regarding the demographic information with more than two variables was calculated by using ANOVA calculations. The results of the

calculations have been presented in Table 3.15 and Table 3.16. The mean ( $\bar{x}$ ), standard deviation (s), effect-size ( $d$ ) and  $p$ -value ( $p$ ) ANOVA and Welch have been included in the results.

### 3.12.2.1 The results of the independent ANOVA tests: Difference between the eight constructs regarding the number of years employed

**Table 3.15 : Difference between the eight constructs and number of years employed**

		Number of Years Employed					
					Effect size ( $d$ )		$p$
Construct		Years Employed	$\bar{x}$	s	0 to 5 with	6 to 10 with	ANOVA
1	Report profile	0 to 5	3.61	0.43	-	-	0.58
		6 to 10	3.73	0.42	0.30	-	
		>10	3.63	0.36	0.06	0.25	
2	Business model	0 to 5	3.32	0.51	-	-	0.04
		6 to 10	3.69	0.35	0.73	-	
		>10	3.35	0.51	0.07	0.66	
3	Operating context	0 to 5	3.48	0.40	-	-	0.50
		6 to 10	3.60	0.42	0.28	-	
		>10	3.47	0.39	0.05	0.32	
4	Strategic objective	0 to 5	3.63	0.40	-	-	0.58
		6 to 10	3.67	0.34	0.10	-	
		>10	3.55	0.49	0.17	0.25	
5	Performance	0 to 5	3.59	0.35	-	-	0.20
		6 to 10	3.79	0.28	0.57	-	
		>10	3.63	0.37	0.10	0.43	
6	Future performance	0 to 5	3.53	0.42	-	-	0.15
		6 to 10	3.69	0.37	0.38	-	
		>10	3.41	0.55	0.22	0.51	
7	Remuneration	0 to 5	3.42	0.65	-	-	0.06
		6 to 10	3.75	0.38	0.51	-	
		>10	3.26	0.79	0.20	0.62	
8	Analytical	0 to 5	3.28	0.37	-	-	0.77
		6 to 10	3.38	0.38	0.26	-	
		>10	3.33	0.43	0.10	0.13	

Note:  $p$ -value not for interpretation – reported for completeness only

For the construct, **Business model**, as presented in Table 3.15, a  $d$ -value of 0.73 (medium to large effect size) was calculated when respondents employed from 0 to 5

years were compared to respondents employed from 6 to 10 years. The mean values for the mentioned comparison were ( $\bar{x} = 3.32$ ) and ( $\bar{x} = 3.69$ ) respectively. A  $d$ -value of 0.66 (medium to large effect size) was calculated, for the same construct, when respondents employed from 6 to 10 years were compared to respondents employed for more than 10 years. The mean values for the mentioned comparison were ( $\bar{x} = 3.69$ ) and ( $\bar{x} = 3.35$ ) respectively.

Respondents employed from 6 to 10 years indicated that the construct, **Business model** were more relevant compared to respondents employed from 0 to 5 years and respondents employed more than 10 years.

For the construct, **Remuneration policies**, as presented in Table 3.15, a  $d$ -value of 0.62 (medium effect size) was calculated when respondents employed from 6 to 10 years were compared to respondents employed more than 10 years. The mean values for the mentioned comparison were ( $\bar{x} = 3.75$ ) and ( $\bar{x} = 3.26$ ) respectively. Respondents employed from 6 to 10 years indicated that the construct **Remuneration policies** were more relevant compared to respondents employed for more than 10 years.

### **3.12.2.2 The results of the independent ANOVA tests: Difference between the eight constructs regarding the different age groups of the respondents**

For the construct, **Report profile**, as presented in Table 3.16, a  $d$ -value of 0.63 (medium effect size) was calculated when respondents, age group 40 to 49 years, were compared to respondents, age group older than 50 years. The mean values for the mentioned comparison were ( $\bar{x} = 3.56$ ) and ( $\bar{x} = 3.79$ ) respectively. Respondents, age group older than 50 years, indicated that the construct report profile were more relevant compared to respondents, age group 40 to 49 years.

For the construct, **Business model**, as presented in Table 3.16, a  $d$ -value of 0.50 (medium effect size) was calculated when respondents, age group 40 to 49 years, were compared to respondents, age group older than 50 years. The mean values for

the mentioned comparison were ( $\bar{x} = 3.30$ ) and ( $\bar{x} = 3.51$ ) respectively. Respondents, age group older than 50 years, indicated that the construct **Business model** were more relevant compared to respondents, age group 40 to 49 years.

**Table 3.16 : Difference between the eight constructs regarding the different age groups of the respondents**

		Age Groups					
					Effect size (d)		p
Construct		Age Group	$\bar{x}$	s	≤ 39 with	40 - 49 with	ANOVA
1	Report profile	≤ 39	3.65	0.42	-	-	0.12
		40 to 49	3.56	0.37	0.22	-	
		>50	3.79	0.32	0.34	0.63	
2	Business model	≤ 39	3.46	0.57	-	-	0.26
		40 to 49	3.30	0.44	0.28	-	
		>50	3.51	0.43	0.09	0.50	
3	Operating context	≤ 39	3.53	0.46	-	-	0.44
		40 to 49	3.43	0.30	0.23	-	
		>50	3.56	0.40	0.05	0.32	
4	Strategic objective	≤ 39	3.61	0.39	-	-	0.48
		40 to 49	3.52	0.49	0.17	-	
		>50	3.68	0.44	0.16	0.32	
5	Performance	≤ 39	3.69	0.30	-	-	0.27
		40 to 49	3.57	0.37	0.34	-	
		>50	3.71	0.41	0.04	0.35	
6	Future performance	≤ 39	3.54	0.53	-	-	0.54
		40 to 49	3.41	0.49	0.24	-	
		>50	3.54	0.46	0.00	0.26	
7	Remuneration	≤ 39	3.53	0.58	-	-	0.32
		40 to 49	3.26	0.88	0.31	-	
		>50	3.39	0.57	0.25	0.15	
8	Analytical	≤ 39	3.41	0.35	-	-	0.18
		40 to 49	3.23	0.44	0.42	-	
		>50	3.35	0.41	0.14	0.29	

Note: p-value not for interpretation – reported for completeness only

### 3.13 THE RESULTS OF FURTHER ANALYSIS ON DEMOGRAPHIC INFORMATION AND INDIVIDUAL STATEMENTS OF TWO CONSTRUCTS

The same calculations as explained in paragraph 3.12 were used in order to test for differences in the means namely, the independent (two-sample) *t*-test, ANOVA and robust tests of equality of means (Welch) where more than two variables applied.

The difference between the individual statements of the two constructs **Report profile** and **Operating context** measuring the relevance of the elements of an integrated report regarding the demographic information was calculated. The results of the calculations have been presented from Table 3.17 to Table 3.19. The mean ( $\bar{x}$ ), standard deviation (*s*), *p*-value (*p*) and effect-size (*d*) have been included in the results.

The construct **Report profile** was chosen because it included basic reporting items such as the reporting period, boundary, principles and assurance. The construct **Operating context** was chosen because it included the reporting items specifically pointed out by King III which are: material risks, material impacts on financial, social and economic issues and relationships with key stakeholders (SAICA, 2009:30).

#### 3.13.1 The results of the independent *t*-tests: differences between individual questions of two constructs regarding respondents familiar with the concept integrated reporting

The statement **material impact on social issues** (*d*-value = 0.52) and **material impacts on economic issues** (*d*-value = 0.44), as presented in Table 3.17, had a medium effect size.

Respondents that were not familiar with the concept integrated reporting indicated that these two aspects were more relevant. The mean values for the mentioned statements were ( $\bar{x} = 3.44$ ) and ( $\bar{x} = 3.72$ ) respectively versus respondents that were familiar with the concept integrated reporting mean values of ( $\bar{x} = 3.08$ ) and ( $\bar{x} = 3.48$ ).

**Table 3.17 : Differences between two constructs' individual statements regarding respondents familiar with the concept integrated reporting**

		Familiar with the concept IR					
		Yes		No			
Construct		$\bar{x}$	s	$\bar{x}$	s	p	d
<b>A</b>	<b>Report profile</b>						
A01	period covered	3.62	0.66	3.78	0.10	0.23	0.24
A02	reporting boundary	3.56	0.64	3.67	0.11	0.43	0.17
A03	reporting principles	3.62	0.55	3.72	0.14	0.50	0.18
A04	assurance on the report	3.69	0.47	3.72	0.11	0.85	0.05
<b>C</b>	<b>Operating context</b>						
C01	risks that are material	3.70	0.53	3.67	0.14	0.81	0.06
C02	material impacts on financial issues	3.68	0.50	3.72	0.17	0.79	0.07
C03	material impacts on social issues	3.08	0.70	3.44	0.11	0.06	0.52
C04	material impacts on economic issues	3.48	0.56	3.72	0.11	0.07	0.44
C05	relationships with key stakeholders	3.38	0.63	3.50	0.15	0.48	0.19

Note: *p*-value not for interpretation – reported for completeness only

### 3.13.2 The results of the independent ANOVA calculations: differences between individual questions of two constructs regarding the number of years employed.

The statement **assurance on the report**, as presented in Table 3.18, had a *d*-value of 0.47 (medium effect size) when respondents employed from 0 to 5 years were compared to respondents employed from 6 to 10 years.



The mean values for the mentioned comparison between years employed were ( $\bar{x} = 3.53$ ) and ( $\bar{x} = 3.81$ ) respectively. Respondents employed from 6 to 10 years indicated that the statement **assurance on the report** were more relevant to them compared to respondents employed from 0 to 5 years.

**Table 3.18 : Difference between the construct Report profile individual statements regarding number of years employed**

		Number of Years Employed						
					Effect size ( <i>d</i> )		<i>p</i>	<i>p</i>
Construct		Years Employed	$\bar{x}$	s	0 to 5 with	6 to 10 with	ANOVA	Welch
A	Report profile							
A01	period covered	0 to 5	3.63	0.60	-	-	0.72	0.82
		6 to 10	3.75	0.68	0.17	-		
		>10	3.63	0.61	0.00	0.18		
A02	reporting boundary	0 to 5	3.53	0.70	-	-	0.46	0.32
		6 to 10	3.75	0.45	0.32	-		
		>10	3.54	0.62	0.02	0.33		
A03	reporting principles	0 to 5	3.74	0.45	-	-	0.70	0.63
		6 to 10	3.63	0.62	0.18	-		
		>10	3.61	0.58	0.22	0.03		
A04	assurance on the report	0 to 5	3.53	0.61	-	-	0.18	0.27
		6 to 10	3.81	0.40	0.47	-		
		>10	3.73	0.45	0.34	0.18		

Note: *p*-value not for interpretation – reported for completeness only

**Table 3.19 : Difference between the construct Operating context statements regarding number of years employed**

					Effect size ( <i>d</i> )		<i>p</i>	<i>p</i>
Construct		Years Employed	$\bar{x}$	S	0 to 5 with	6 to 10 with	ANOVA	Welch
<b>C</b>	<b>Operating context</b>							
C01	risks that are material	0 to 5	3.68	0.48	-	-	0.99	0.99
		6 to 10	3.69	0.48	0.01	-		
		>10	3.70	0.55	0.02	0.01		
C02	material impacts on financial issues	0 to 5	3.63	0.60	-	-	0.56	0.47
		6 to 10	3.81	0.40	0.30	-		
		>10	3.67	0.52	0.07	0.27		
C03	material impacts on social issues	0 to 5	3.21	0.71	-	-	0.06	0.03
		6 to 10	3.50	0.52	0.41	-		
		>10	3.02	0.75	0.25	0.64		
C04	material impacts on economic issues	0 to 5	3.53	0.61	-	-	0.74	0.71
		6 to 10	3.63	0.50	0.16	-		
		>10	3.50	0.55	0.04	0.23		
C05	relationships with key stakeholders	0 to 5	3.37	0.50	-	-	0.91	0.90
		6 to 10	3.38	0.62	0.01	-		
		>10	3.43	0.69	0.10	0.09		

Note: *p*-value not for interpretation – reported for completeness only

The statement **impact on economic issues**, as presented in Table 3.19, had a *d*-value of 0.64 (medium to large effect size) when respondents employed from 6 to 10 years were compared to respondents employed for more than 10 years.

The mean values for the mentioned comparison between years employed were ( $\bar{x} = 3.50$ ) and ( $\bar{x} = 3.02$ ) respectively. Respondents employed from 6 to 10 years indicated that the statement **impact on economic issues** were more relevant compared to respondents employed for more than 10 years.

### 3.14 SUMMARY

A questionnaire was used in the empirical study as discussed in this chapter to investigate the relevance of the eight elements of an integrated report. The questionnaire consisted of two sections. Section A consisted of the relevant reporting information or the eight elements of an integrated report and Section B gathered the respondents' demographical information.

The target population was the employees of the financial institution under investigation. The study population consisted of one hundred and forty (140) employees on different management levels, business units and of three geographical areas. Eighty-two (82) employees or respondents completed the survey. One (1) questionnaire was discarded, thus eighty-one (81) questionnaires was analysed. The response rate was 57.85%. A convenience sample was used in this study.

The internal consistency and reliability of the questionnaire was assessed by calculating Cronbach Alpha coefficients. The results have proven to have an acceptable internal consistency and reliability, since most of the constructs had Cronbach alpha coefficient greater than or very close to 0.7 as confirmed by Nunnally and Bernstein's (1994:265).

The demographic information of the respondents were analysed in terms of gender, age group, number of years worked, business unit in which they work, management level and the geographical area where they work. Two questions were also asked: if the respondents were familiar with the concept of an integrated report and if they were familiar with the financial institution's annual integrated report. The respondents were expected to give a yes or no answer. Frequency distributions, mean values and standard deviations were calculated for every construct.

All the constructs had a mean value greater than ( $\bar{x} > 3$ ). The construct with the smallest mean value was analytical commentary ( $\bar{x} = 3.32$ ) followed by remuneration policies ( $\bar{x} = 3.40$ ), business model ( $\bar{x} = 3.41$ ) and future performance ( $\bar{x} = 3.49$ ). The fourth largest mean value were operating context ( $\bar{x} = 3.50$ ) followed by strategic objective ( $\bar{x} = 3.59$ ), report profile ( $\bar{x} = 3.645$ ) and organisational performance with the largest mean value of ( $\bar{x} = 3.650$ ).

Independent *t*-tests and Anovas were calculated to determine the differences between the means of different groups within the selected demographic variables and the constructs. Furthermore, effect size values (*d*-values), as discussed by Ellis

and Steyn (2003:5), were used to indicate if there is a practical significant difference between any demographical variables regarding the constructs.

Medium size effect or practical visible differences ( $d$ -value  $\approx 0.5$ ) and large effect or practical significant differences ( $d$ -value  $\approx 0.8$ ) were tabled and reported. Small effect or practical non-significant differences ( $d$ -value  $\approx 0.2$ ) were tabled but not reported. A convenience sample was used in this study, thus the  $p$ -values will not be interpreted but reported for completeness.

In the next chapter conclusions will be drawn and recommendations will be made from the findings obtained in this chapter and the information gathered from the literature study.

# **CHAPTER 4**

## **CONCLUTIONS AND RECOMMENDATIONS**

---

### **4.1 INTRODUCTION**

The purpose of this final chapter on the relevance of integrated reporting in a corporate company is to discuss the implications and draw conclusions from the findings of the empirical study and literature as presented in chapter 2 and 3.

This chapter will mainly consists of two sections, keeping the primary and secondary objectives in mind as formulated in chapter 1, the discussion focuses on findings of the opinion of employees as stakeholders of a financial institution and their perception of the relevance of the eight elements in an integrated report, if they have to assess the ability of an organisation to sustain value in the future.

The first section will focus on the conclusions drawn from the literature study and the findings of the empirical study on the assessment of the constructs representing the suggested elements of an integrated report. The differences between demographic variables such as gender, age group, number of years worked, business unit in which they work, the concept integrated report and the financial institution's annual integrated report and the constructs of the elements of an integrated report will be illustrated.

The second section of the chapter will focus on recommendations based on the conclusions drawn. Lastly, adherence to the objectives of the study is determined and areas subject to further research are proposed.

### **4.2 CONCLUSIONS**

The conclusions will follow the basic structure of the questionnaire, and will firstly address the demographic information, then the evaluation of the Cronbach Alpha coefficient. A discussion on the elements of an integrated report according to the

constructs will follow and finally the relationship between some demographic variables will be focused on.

#### **4.2.1 Demographic information**

Demographic information of respondents was obtained regarding gender, age group, number of years worked for the financial institution, business unit in which they worked, management level and the geographical area where they worked.

The respondents were also expected to confirm if they were familiar with the concept integrated reporting and if they were familiar with the financial institution's annual integrated report. From the results of the questionnaire, the following conclusions about demographical information could be drawn:

- The majority of the respondents fall in the age group 40 to 49 years (38.3%) with the second largest group 30 to 39 years (33.3%). Respondents younger than 30 years add up to 7% and older than 49 years represent 21%.
- The gender representation in the financial institutions under investigation is very even, with (51%) identified as female, and (49%) as male.
- The majority of the respondents (57%) have been employed for more than 10 years by the financial institution. The respondents that have been employed for 5 years or less (23%) were the second largest combined group.
- 77% of the respondents fall within middle management level (M & P Band). Only 7.4% of the respondents were senior management level (E & T Band), with 16% in the junior management level (A, B & C Band).
- The respondents representing the business units within the financial institution, Business Markets (47%) were the largest group, with CIBW (27%) the second largest group and following CIBW was Retail Markets with (22%) and only (4%) represented Financial Services.
- The majority of the respondents represented the North West Province (57%) followed by Gauteng (36%). The remainder (7%) respondents represented the Free State Province.

- 78% of the respondents acknowledged that they were familiar with the concept integrated reporting while 79% acknowledged that they were familiar with the financial institution's annual integrated report.

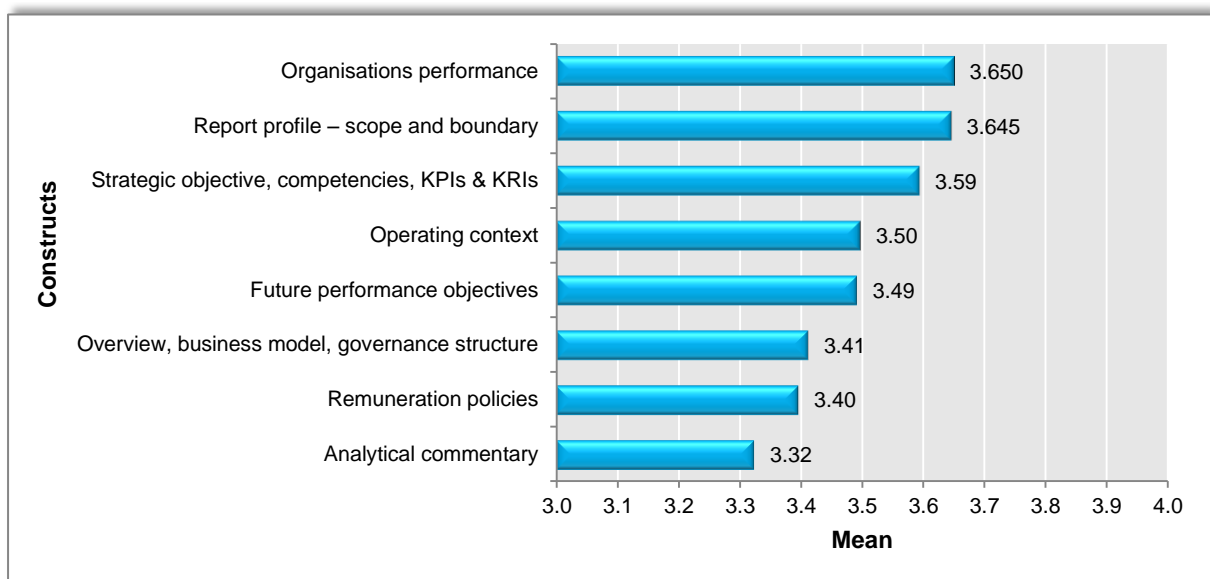
#### 4.2.2 Reliability of the questionnaire used

Taking the results of the survey into account all constructs' Cronbach Alpha coefficient were very close to 0.7. Only one construct's Cronbach Alpha coefficient, the Report profile, was less than 0.68. The results as indicated in Table 3.3 suggest that the research instrument used in this study to assess the elements of an integrated report within the financial institution under investigation, has a high acceptable reliability and internal consistency.

#### 4.2.3 Assessment of the constructs representing the suggested elements of an integrated report

A score of 3 on the four point Likert scale represented moderately relevant and 4 represented totally relevant. By calculating the mean of a construct, a mean value of  $\bar{x} < 3.50$  was used as a benchmark for the purpose of making recommendations in this study (Figure 4.1).

**Figure 4.1 : The mean values of the constructs**



The mean values of all constructs, as evaluated by the respondents, were greater than ( $\bar{x} = 3.00$ ). As discussed in chapter 3, the constructs represent the suggested elements of an integrated report. Conclusions for each individual construct are discussed in the order from the construct that received the highest mean value to the construct that received the lowest mean value as illustrated in Figure 4.1.

#### **4.2.3.1 Account of the organisation's performance**

This construct received the highest rating with ( $\bar{x} = 3.65$ ). From most of the respondents' perspective the element, **Organisation's performance** is totally relevant to be included in an integrated report. The IRCSA identified this element as an important part of an integrated report (IRCSA, 2011:14).

The individual statement with the highest rating was the organisation's financial performance with a mean of ( $\bar{x} = 3.89$ ) followed by the outcome of the organisation's strategic objectives ( $\bar{x} = 3.80$ ). The outcome of the organisation's KPIs and KRIs were rated almost the same with respective mean values of ( $\bar{x} = 3.59$ ) and ( $\bar{x} = 3.58$ ).

Reporting on the organisation's performance has been selected by the respondents as the element with the highest reporting relevance, with the organisation's financial performance as the most relevant aspect.

#### **4.2.3.2 Report profile – description of scope and boundary**

The **Report profile** has the second highest rating with a mean value of ( $\bar{x} = 3.645$ ). The Report profile consists of the basic reporting items that should be included in an integrated report. King III recommends reporting principles to be applied and the IRCSA recommends the assurance of integrated reports (IRCSA, 2011:17). From most the respondents' perspective the element, report profile is totally relevant to be included in an integrated report.



The individual statement with the highest rating was the inclusion of the assurance on the report with a mean of ( $\bar{x} = 3.70$ ) followed by inclusion of the reporting principles that have been applied ( $\bar{x} = 3.65$ ). The inclusion of a description of the period covered and the reporting boundary had respectively mean values of ( $\bar{x} = 3.65$ ) and ( $\bar{x} = 3.58$ ).

#### **4.2.3.3 Strategic objectives, competencies, KPIs and KRIs**

This construct obtained the third highest mean value of ( $\bar{x} = 3.59$ ). Most of the respondents were of the opinion that this construct was totally relevant to be included in a report. A statement of the strategic objectives of the organisation had a mean value of ( $\bar{x} = 3.70$ ) followed by a list of KRIs ( $\bar{x} = 3.67$ ), KPIs ( $\bar{x} = 3.52$ ) and an indication of the organisational competencies ( $\bar{x} = 3.48$ ). Thus, most respondents were of the opinion that reporting on the organisation's strategic objective was the most relevant statement of this construct.

#### **4.2.3.4 Understanding the operating context**

The construct, the **Operating context**, had the fourth highest rating with a mean value of ( $\bar{x} = 3.50$ ). The construct of understanding the operating context highlights the material impacts that organisations are facing as well as the relationships with key stakeholder. Materiality is determined by ascertaining the manner of presentation of information that would influence the stakeholder's evaluation of the organisation's performance and the organisation's ability to create and sustain value (Deloitte, 2012:16).

Most of the respondents were of the opinion that this construct was totally relevant to be included in a report. The statements included were, a description of the risks that are material to the organisation's current activities and an assessment of the organisation's material impacts on financial issues. Both these items had mean values of ( $\bar{x} = 3.69$ ). A review of the organisation's relationships with key stakeholders had a mean of ( $\bar{x} = 3.41$ ). Material impacts on economic and social issues had mean values of respectively ( $\bar{x} = 3.63$ ) and ( $\bar{x} = 3.16$ ). Again most

respondents have chosen the financial aspects being more relevant than social aspects and relationships with key stakeholders.

#### **4.2.3.5 Future performance objectives**

The construct, **future performance objectives**, had the fifth highest mean of ( $\bar{x} = 3.49$ ). The expectation was that this element would have been found as one of the most relevant because the main question posed to the respondents referred to the assessment of an organisation's ability to sustain value in the *future*. The element had the fifth highest mean value. One of the differentiation factors of an integrated report is that it should be forward-looking.

Most of the respondents were of the opinion that this construct was totally relevant to be included in a report. The statements included were, specific future performance targets that had the highest mean of ( $\bar{x} = 3.62$ ) followed by a statement of intent regarding future performance ( $\bar{x} = 3.52$ ). The respondents were mostly of the opinion that the inclusion of a forward-looking reflection on the internal systems to address the organisation's identified targets were totally relevant with a mean of ( $\bar{x} = 3.46$ ). A forward-looking reflection on personnel had a mean of ( $\bar{x} = 3.37$ ) which lean towards moderately relevant.

#### **4.2.3.6 Organisational overview, business model, and governance structure**

This construct obtained the sixth highest mean of ( $\bar{x} = 3.41$ ). Most of the respondents were of the opinion that the construct, organisational overview, business model, and governance structure was moderately relevant to be included in a report.

The statement included in the construct, the principle activities of the organisation, had a mean of ( $\bar{x} = 3.73$ ) thus, most of the respondents found this statement to be totally relevant to report on. The statement, a brief description of the material aspects of the governance structure, had a mean of ( $\bar{x} = 3.20$ ) thus, most of the respondents found this statement to be moderately relevant to report on.

#### 4.2.3.7 Remuneration policies

The construct with the second lowest mean ( $\bar{x} = 3.40$ ) was **remuneration policies**. Most of the respondents were of the opinion that this construct was moderately relevant to be included in a report. The King III report and other regulatory requirements, such as IFRS and the JSE Listings Requirements, require disclosure of an organisation's approach towards remuneration.

The statements included in the construct were, the disclosure on how the organisation remunerates senior executives and how the organisation remunerates employees. The mean values for these two statements were ( $\bar{x} = 3.65$ ) and ( $\bar{x} = 3.21$ ) respectively. Respondents are mostly of the opinion that remuneration disclosures of senior executives are more relevant than disclosures on how employees are remunerated.

#### 4.2.3.8 Analytical commentary

The construct with the lowest mean was **analytical commentary** with a mean of ( $\bar{x} = 3.32$ ). Most of the respondents were of the opinion that the construct was moderately relevant to be included in a report.

The statements which were included in this construct can be divided into two sections. The first section dealt with the organisation's leadership commentary on financial, economic, environmental and governance information. The second group dealt with ratio analysis on financial, economic, environmental and governance information.

The financial commentary and financial ratio analysis had the highest mean values ( $\bar{x} = 3.60$ ) and ( $\bar{x} = 3.64$ ) respectively. The same for environmental commentary and environmental ratio analysis which had the lowest mean values of ( $\bar{x} = 3.14$ ) and ( $\bar{x} = 3.02$ ) respectively. Most of the respondents were of the opinion that financial commentary and financial ratio analysis are more relevant to include in a report than environmental commentary and environmental ratio analysis.

The respondents are also of the opinion that economic commentary and economic ratio analysis are more relevant to include in a report than governance commentary and governance ratio analysis.

#### **4.2.4 Differences between the constructs regarding demographic information**

Conclusions based on the analysis in chapter 3, on the significance of differences between demographic variables such as gender (male versus female), age groups, number of years employed, and the eight constructs are indicated and discussed:

##### **4.2.4.1 Differences between the eight constructs regarding gender**

Based on the results of the analysis, differences between constructs regarding gender indicated that there were medium size effects or practical visible differences ( $d$ -value  $\approx 0.5$ ). Females were mostly of the opinion that the constructs operating context, strategic objective, organisational performance and future performance were more relevant to report on than most males. The largest difference was the construct operating context. Most of the males found this construct to be moderately relevant and females mostly found the construct to be totally relevant.

The size effect of the remaining four constructs were small, thus there were no significant differences between female and male opinions regarding the remaining constructs.

##### **4.2.4.2 Differences between the eight constructs regarding respondents familiar with the concept integrated reporting**

The results of the analysis, differences between constructs regarding respondents familiar with the concept integrated reporting, indicated that there were small to medium size effects or practical non-significant differences ( $d$ -value  $\approx 0.2$ ). The largest difference was the construct **Remuneration policies** ( $d$ -value = 0.38). Most of the respondents that were familiar with the concept integrated reporting found this

construct to be totally relevant. The respondents that were not familiar with the concept integrated reporting mostly found the construct to be moderately relevant.

The size effect of the remaining constructs were small, thus there were no practical significant differences between the mentioned groups regarding the remaining constructs.

#### **4.2.4.3 Differences between the eight constructs regarding respondents familiar with the financial institution's annual integrated report**

The results of the analysis indicated that there were medium size effects or practical visible differences ( $d$ -value  $\approx 0.5$ ). The largest differences were the construct **Report profile** ( $d$ -value = 0.46) and **Operating context** ( $d$ -value = 0.49). Most of the respondents that were not familiar with the financial institution's annual integrated report were of the opinion that the mentioned two constructs were more relevant to report on than most of the respondents that were familiar with the financial institution's annual integrated report.

The size effect of the remaining constructs were small, thus there were no practical significant differences between the mentioned groups regarding the remaining constructs.

#### **4.2.4.4 Differences between the eight constructs regarding the respondents' number of years employed at the financial institution**

The results of the analysis, differences between the constructs regarding the number of years employed, indicated that there were medium size effects or practical visible differences ( $d$ -value  $\approx 0.5$ ) and large size effects or practical significant differences ( $d$ -value  $\approx 0.8$ ). Practical significant differences could be identified at the construct, **Business model** and practical visible differences at the construct, **Remuneration policies**.

When the two groups, 0 to 5 years were compared with 6 to 10 years, regarding the construct **Business model** ( $d$ -value = 0.73), most of the respondents that worked 6

to 10 years found this construct to be totally relevant and most of the respondents that worked 0 to 5 years found this construct to be moderately relevant to report on.

When the two groups, 6 to 10 years were compared with more than 10 years, regarding the construct **Business model** ( $d$ -value = 0.66), most of the respondents that worked 6 to 10 years found this construct to be totally relevant and most of the respondents that worked more than 10 years found this construct to be moderately relevant to report on.

The two groups, 6 to 10 years were compared with more than 10 years, regarding the construct **Remuneration policies** ( $d$ -value = 0.62), most of the respondents that worked 6 to 10 years found this construct to be totally relevant and most of the respondents that worked more than 10 years found this construct to be moderately relevant to report on.

The size effect of the remaining constructs were small, thus there were no practical significant differences between the mentioned groups regarding the remaining constructs.

#### **4.2.4.5 Differences between the eight constructs regarding the different age groups of the respondents**

Based on the results of the analysis, differences between the constructs regarding age groups indicated that there were medium size effects or practical visible differences ( $d$ -value  $\approx$  0.5). There were practical visible differences at the construct **Report profile** and **Business model**.

When the two age groups, 40 to 49 years were compared with those older than 50 years, regarding the construct report profile ( $d$ -value = 0.63), most of the respondents that were older than 50 years found this construct to be more relevant than most of the respondents aged 40 to 49 years.

When the two age groups, 40 to 49 years were compared with older than 50 years, regarding the construct **Business model** ( $d$ -value = 0.50), most of the respondents

that were older than 50 years found this construct to be more relevant than most of the respondents aged 40 to 49 years.

The size effect of the remaining constructs were small, thus there were no practical significant differences between the mentioned groups regarding the remaining constructs.

#### **4.2.4.6 Differences between the individual questions of two constructs regarding respondents familiar with the concept integrated reporting**

The results of the analysis, differences between individual statements of the construct **Report profile** and the construct **Operating context** regarding respondents familiar with the concept integrated reporting, indicated that there were medium size effect or practical visible differences ( $d$ -value  $\approx 0.5$ ). The largest differences occurred at the construct operating context with the statement material impact on social issues ( $d$ -value=0.52) and material impacts on economic issues ( $d$ -value=0.44).

Most of the respondents familiar with the concept integrated reporting found the statement material impact on social issues moderately relevant to report on. Respondents not familiar with the concept integrated reporting mostly found the statement material impact on social issues totally relevant to report on.

Respondents not familiar with the concept integrated reporting mostly found the statement material impact on economic issues more relevant to report on than most respondents familiar with the concept integrated reporting.

The size effect of the remaining constructs were small, thus there were no practical significant differences between the mentioned groups regarding the remaining constructs.

#### 4.2.4.7 Differences between the individual questions of two constructs regarding the respondents number of years employed by the financial institution

Individual statements of the construct **Report profile** and the construct **Operating context** were analysed regarding the respondents number of years employed. Based on the results of the analysis, indicated that there were medium size effects or practical visible differences ( $d$ -value  $\approx 0.5$ ) and large size effects or practical significant differences ( $d$ -value  $\approx 0.8$ ).

The medium size effects or practical visible differences occurred at the construct **Report profile** with the statement assurance on the report ( $d$ -value=0.47). The large size effects or practical significant differences occurred at the construct operating context with the statement material impacts on social issues ( $d$ -value=0.65).

When the group, 0 to 5 years were compared with 6 to 10 years, regarding the statement assurance on the report (report profile) ( $d$ -value = 0.47), most of the respondents that worked 6 to 10 years found this statement to be more relevant to report on than most of the respondents that worked 0 to 5 years.

When the group, 6 to 10 years were compared with more than 10 years, regarding the statement material impacts on social issues (operating context) ( $d$ -value = 0.47), most of the respondents that worked 6 to 10 years found this statement to be totally relevant and the respondents that worked more than 10 years mostly found the statement moderately relevant to report on.

The size effect of the remaining constructs were small, thus there were no practical significant differences between the mentioned groups regarding the remaining constructs.



## 4.3 RECOMMENDATIONS

From the conclusions drawn on the 8 constructs measuring the relevance of the eight elements of an integrated report, it was evident that most of the respondents found the elements to be either moderately or totally relevant to be included in a report, if the ability of an organisation has to be assessed to sustain value in the future.

After the constructs were evaluated, three elements (*business model, remuneration policies and analytical commentary*) were identified as the elements that were found to be moderately relevant. All three these elements had mean values of less than ( $\bar{x} = 3.5$ ). Recommendations regarding these elements will be provided in order from the element that received the mean value closest to ( $\bar{x} = 3.5$ ) to the element that received the lowest mean value. The recommendations are based on the conclusions of this study and thus cannot be generalised.

The following recommendations were made regarding the three identified areas:

### 4.3.1 Organisational overview, business model, and governance structure

It is assumed that the employees of the financial institution under investigation are well aware of the business model (how the company makes its money), the organisational structure (the company size, location, principle activities, divisions and subsidiaries) and the governance structure (outline of governance structure, key policies and ethical approaches or company values).

Most of the employees found this element to be moderately relevant but when the employees were divided into demographic groups, two of the groups mostly found this element to be totally relevant: employees employed from 6 to 10 years and employees older than 50 year of age.

The IIRC refers to the advantages of the integrated report for employees which includes integrated reporting facilitates the breaking down of reporting silos and the introduction of integrated thinking (IIRC, 2011:24). Employees can use an integrated

report to ensure that they are fully aware of any changes in the organisation's business model, organisational overview and governance structure. This will rule out any assumptions as made in the previous paragraph.

Employees will be enabled to gain an eagles view of the organisation and close it down to the business unit and team that they are part of. This allows employees to gain a better understanding of how their performance links to the objectives of the organization and to identify how they contribute to the ability of the organization to create and sustain value over time. Current and prospective employees will be able to discern whether their employer's values are consistent with their own (IIRC, 2011:24).

#### **4.3.2 Remuneration policies**

The element of remuneration policies can be divided into three subgroups: employee, senior executive and future remuneration. Most respondents found reporting on remuneration regarding senior executives more relevant than future remuneration followed by remuneration regarding employees.

Senior executives are remunerated based on KPIs and are instrumental in determining the strategy of the organisation (IRCSA, 2011:16). The integrated report can be thus utilised by employees to link senior executives' remuneration to the performance and strategy of the organisation. This could be an indication of factors that might influence future remuneration.

Current and prospective employees could use the integrated report to compare current employee remuneration policies and total cost per employee at different levels to other companies. They will be enabled better to discern whether their organisation's employee remuneration policies, costs and benefits are consistent with peers. The organisation should disclose any factors that might influence future remuneration in the integrated report. Employees could use this information to make an informative decision regarding job security.

Employees familiar with the concept integrated reporting found this element to be more relevant to report on than employees not familiar with the concept integrated reporting. The reason for the difference in opinion could be that employees are not aware of suggested disclosures on remuneration policies. Employers can place focus on making employees aware of the concept integrated reporting and the annual integrated report.

#### **4.3.3 Analytical commentary**

As mentioned in paragraph 4.2.3.8, the element analytical commentary, can be divided into two sections. The first section dealt with the organisation's leadership commentary on financial, economic, environmental and governance information. The second group dealt with ratio analysis on financial, economic, environmental and governance information.

The real issue of analytical commentary could be reverted back to the literature study in chapter 2 regarding traditional reporting versus integrated reporting. The focus of traditional reporting was mostly on financial information and integrated reporting - focus should bring a balance to financial information and triple bottom line reporting (economic, environmental and social reporting).

Most of the respondents were of the opinion that financial commentary and financial ratio analysis are totally relevant to include in a report and environmental and economic commentary and environmental and economic ratio analysis were moderately relevant to report on. Environmental commentary and environmental ratio analysis had the lowest mean value of all the statements.

Ratio analysis is a measurement tool and makes interpretations and comparisons easier. Although financial information is very important to report on, it is by far not the only factor that needs to be taken into consideration to create and sustain value. For a sustainable future, the ever deteriorating environment will play a huge roll. Thus, employees and employers should place special focus on environmental awareness by using the integrated report.

## **4.4 ACHIEVEMENT OF OBJECTIVES**

The evaluation of the success of this study is based on the achievement of the objectives set in chapter 1, section 1.3.

### **4.4.1 Primary objective**

The primary objective of this study was to investigate the opinion of employees as stakeholders of a financial institution and their perception on the relevance of the elements in an integrated report, if they had to assess the ability of an organisation to sustain value in the future.

The primary objective was achieved by realising the secondary objectives of the study.

### **4.4.2 Secondary objectives**

In order to achieve the primary objective, the following secondary objectives were formulated:

#### **1. In the literature study:**

- Define the concept of integrated reporting and discuss the development of integrated reporting.
- Define and discuss traditional reporting, sustainability reporting and triple bottom line.
- Obtain insight into the South African framework for integrated reporting compiled by the Integrated Reporting Committee of South Africa and the International Integrated Reporting Committee's integrated reporting discussion paper.
- Discuss the benefits and objections of integrated reporting.
- Define the concept integrated report and discuss the differentiation, objectives and principles of an integrated report.

- Obtain insight and discuss the elements to be included in an integrated report as suggested by the South African integrated reporting framework
- Define stakeholders as suggested by the South African integrated reporting framework and discuss the stakeholder groups in the banking industry with the focus on employees as stakeholders.
- Discuss recent integrated reporting research conducted and relevant findings.
- Discuss the future technological outlook on integrated reporting.

## 2. In the empirical study:

- Determine the demography of the study population.
- Determine if the respondents are familiar with the concept of integrated reporting and the integrated report.
- Determine if the eight elements, as suggested by the IRCSA framework, are appropriate (relevant) to consider for inclusion in an integrated report, if the ability of an organisation to sustain value in the future has to be assessed.
- Validate the reliability of the questionnaire measuring the relevance of the eight elements, by means of statistical analysis.
- Examine the differences between the demographical variables with regard to the constructs measuring the relevance of the elements of an integrated report.
- Provide conclusions and recommendations based on the literature and empirical study

## In the literature study:

- The concept integrated reporting was defined and discussed in section 2.2.
- The development of integrated reporting was discussed in section 2.3.
- The concepts traditional reporting, sustainability reporting and triple-bottom line reporting were defined and discussed in sections 2.3.1 and 2.3.2.
- The South African framework for integrated reporting compiled by the Integrated Reporting Committee of South Africa and the International

Integrated Reporting Committee's integrated reporting discussion paper were discussed in section 2.4 and 2.4.1.

- The benefits and objections of integrated reporting were discussed in section 2.4.2 and 2.4.3.
- The concept integrated report, differentiation, objectives and principles of an integrated report were defined and discussed in section 2.5.
- The elements to be included in an integrated report as suggested by the South African integrated reporting framework were discussed in detail in section 2.6.
- The stakeholders as suggested by the South African integrated reporting framework with the focus on employees were defined and the stakeholder groups of the four major South African banks were identified on section 2.7.
- Resent integrated reporting research conducted and relevant findings were discussed in section 2.8.
- Future technological outlook on integrated reporting was discussed in section 2.9.

In the empirical study:

- The demography of the study population was determined in section 3.4.2 and section 3.8 as well as the respondents that are familiar with concept of integrated reporting and the integrated report.
- It was determined in section 3.9 that the eight elements, as suggested by the IRCSA framework, are appropriate (relevant) to consider for inclusion in an integrated report, if the ability of an organisation to sustain value in the future has to be assessed.
- In section 3.10 and 3.11 the reliability of the questionnaire measuring the relevance of the eight elements, by means of statistical analysis were validated.
- The differences between the demographical variables with regard to the constructs measuring the relevance of the elements of an integrated report were examined in section 3.12 and 3.13.
- Conclusions and recommendations based on the literature and empirical study were provided in chapter 4.

#### **4.4 SUGGESTIONS FOR FURTHER RESEARCH**

In the ever changing business environment, it is important that business reporting keeps track of the changes and adopt accordingly. Based on the limitations, conclusions and recommendations of this study several suggestions regarding future research can be made:

- The scope of the study was limited to the South African banking industry and narrowed down to only one South African bank. Similar research can be conducted on other industries and more organisations can be included.
- The study focused on only one stakeholder group. Further research can be done on other stakeholder groups, specifically investors and shareholders.
- The study only investigated the relevance of the elements of an integrated report. Several other aspects of the integrated report could be investigated such as the guiding principles of integrated reporting or the technological outlook on integrated reports.
- A final suggestion is to research the correlation between an organisation's integrated report and the organisation's share price.

#### **4.5 SUMMARY**

Conclusions drawn from the empirical research results provided in chapter three were discussed in detail in the final chapter. The basic demographics of gender, age, years' employed, managerial level, business unit, geographical area was briefly discussed as well as respondents familiar with the concept of integrated reporting and respondents familiar with the financial institution's annual integrated report.

The Cronbach Alpha Coefficient which determine the reliability of the relevance of the elements of an integrated report were discussed after which each of these 8 constructs present in the integrated report were examined in relation to the results obtained from the questionnaires distributed.

The differences between the constructs regarding the demographic variables were discussed in order to identify statistically significant variances and the differences

between individual questions in the constructs regarding demographic variables were discussed in order to identify statistically significant variances.

The second section of the chapter contains recommendations on the three elements (*business model, remuneration policies and analytical commentary*) that were identified as the elements that were found to be moderately relevant.

The chapter concluded by addressing the achievement of all the objectives of the study and by recommending possible future research that could be done based on this study.



## REFERENCE LIST

ABSA BANK Limited. 2010. Annual report 2010. <http://intranet.intra.absa.co.za/retailbanking/PL/Reports/Absa%20Group%202010%20Full%20Annual%20Report.pdf> Date of access: 3 Jan. 2012.

ABSA BANK Limited. 2011. Annual integrated report 2011. <http://www.absa.co.za/deployedfiles/Absacoza/PDFs/About%20Absa/Annual%20Reports/Group%20Reports/2012/Integrated%20Annual%20Report%2031%20December%202011.pdf> Date of access: 30 Apr. 2012.

Allbusiness. 2012. AllBusiness dictionary. <http://www.allbusiness.com/glossaries/annual-report/4942612-1.html> Date of access: 1 May 2012.

Africa deluxe tours. 2012. Topical bits and pieces Southern Africa. [http://www.afrilux.co.za/quickies/Africa\\_Deluxe\\_Tours.htm](http://www.afrilux.co.za/quickies/Africa_Deluxe_Tours.htm) Date of access: 7 Aug. 2012

Best, J. W., Kahn, J. V. 2003. *Research in education* (9th ed.). Boston: Allyn and Bacon.

Black Sun. 2011. Integrated Thinking in Reporting: A review of how international companies are evidencing their approach to Integrated Reporting [http://www.blacksunplc.com/corporate/ideas\\_insight/index.jsp](http://www.blacksunplc.com/corporate/ideas_insight/index.jsp). Date of access: 29 Oct. 2011.

Borkowski, S.C., Welsh, M.J. & Wentzel, K. 2010. Johnson & Johnson: A model for sustainability reporting. *Institute of Management Accountants Strategic Finance*, 2010:29-37, Sep.

Choudhuri, A. & Chakraborty, J. 2009. An insight into sustainability reporting. <http://nwulib.nwu.ac.za/login?url=http://>

search.ebscohost.com/login.aspx?direct=true&db=buh&AN=37253106&site=ehost-live Date of access: 18 Jan. 2012.

Deloitte. 2011. Integrated Reporting – Navigating your way to a truly Integrated Report. Creative solutions at Deloitte (1<sup>st</sup> ed.), Johannesburg. [http://www.deloitte.com/assets/DcomSouthAfrica/Local%20Assets/Documents/deloitte\\_integrated\\_reporting.pdf](http://www.deloitte.com/assets/DcomSouthAfrica/Local%20Assets/Documents/deloitte_integrated_reporting.pdf) Date of access: 25 Feb. 2012.

Deloitte. 2012. Integrated Reporting – Navigating your way to a truly Integrated Report. Second Edition. Creative solutions at Deloitte. (2<sup>nd</sup> ed.). Johannesburg. [http://www.deloitte.com/assets/DcomSouthAfrica/Local%20Assets/Documents/Integrated%20Reporting%20Publication%20II%20\(electronic2\).pdf](http://www.deloitte.com/assets/DcomSouthAfrica/Local%20Assets/Documents/Integrated%20Reporting%20Publication%20II%20(electronic2).pdf) Date of access: 17 Mar. 2012.

De Villiers, I. 2008. An assessment of corporate entrepreneurship in the South African Broadcasting Corporation limited (SABC). (MBA-dissertation). North-West University, Potchefstroom.

Eccles, R.G., Cheng, B. & Saltzman, D. 2010. The Landscape of Integrated Reporting – Reflections and Next Steps. Cambridge, MA: The President and Fellows of Harvard College.

Eccles, R.G. & Krzus, M.P. 2010. One Report: Integrated reporting for a sustainable strategy. Hoboken, NJ: Wiley.

Ellis, S.M. & Steyn, H.S. 2003. Practical significance (effect sizes) versus or in combination with statistical significance (p-values). *Management Dynamics*, 12(4):51-53.

Elliot, A.C. & Woodward, W.A. 2007. Statistical analysis quick reference guidebook with SPSS examples. London : Sage.

Enslin, S. 2010. An investigation of the perception of employees on environmental performance in a corporate company (MBA dissertation). North-West University, Potchefstroom.

Ernst & Young SA. 2012 . Ernst & Young's excellence in integrated reporting awards 2012. <http://www.sustainabilitysa.org/Portals/0/120830%20Excellence.indd.pdf> Date of access: 25 Aug. 2012.

Ernst & Young SA. 2011. Integrated Reporting Mini Survey. [http://www.ey.com/Publication/vwLUAssets/Integrated\\_Reporting\\_mini\\_survey\\_results/\\$FILE/Integrated%20Reporting%20mini%20survey%20results.pdf](http://www.ey.com/Publication/vwLUAssets/Integrated_Reporting_mini_survey_results/$FILE/Integrated%20Reporting%20mini%20survey%20results.pdf) Date of access: 25 July 2012

Field, A. 2005. Discovering Statistics Using SPSS. London: Sage.

Field, A. 2009. Discovering statistics using SPSS. (3<sup>rd</sup> ed.). London: Sage.

First Rand Limited. 2011. Annual integrated report 2011. <http://www.firstrand.co.za/InvestorCentre/Pages/annual-reports.aspx> Date of access: 18 Aug. 2012

Fourie, N. 2005. Corporate Social Responsibility – Evaluating three South African Companies' initiatives. (MBA dissertation). Nelson Mandela Metropolitan University, Business School. Johannesburg. Available from: <http://www.nmmu.ac.za/documents/theses/Neil%20Fourie%20MBA%20Thesis.pdf> Date of access: 14 Jan. 2012.

Gray, R. 2006. Social, environmental and sustainability reporting and organizational value creation? Whose value? Whose creation? *Accounting, Auditing and Accountability Journal*, 19(6):793-819.

Global Reporting Initiative (GRI). 2011. Sustainability reporting guidelines. Version 3.1. <https://www.globalreporting.org/reporting/reporting-framework-overview/Pages/default.aspx> Date of access: 21 Jan. 2012.

Institute of directors in South Africa (IODSA). 2009. King Code of Governance for South Africa 2009. <http://www.iodsa.co.za/PRODUCTSSERVICES/KingIIIReportPapersGuidelines/KingReportonCorporateGovernanceinSA/KingIII.aspx> Date of access: 14 Mar. 2012

International integrated reporting committee (IIRC). 2011. Towards integrated reporting: Communicating in the 21<sup>st</sup> century. [http://theiirc.org/wp-content/uploads/2011/09/IR-Discussion-Paper-2011\\_spreads.pdf](http://theiirc.org/wp-content/uploads/2011/09/IR-Discussion-Paper-2011_spreads.pdf) Date of access: 14 Jan. 2012.

Integrated reporting committee of South Africa (IRCSA). 2011. Framework for integrated reporting and the integrated report. Discussion Paper. <http://www.sustainabilitysa.org/Portals/0/IRC%20of%20SA%20Integrated%20Reporting%20Guide%20Jan%2011.pdf> Date of access: 14 Jan. 2012.

Kass, A. 2012. Towards Mainstreaming Integrated Reporting – Theoretical landscape and practical insights... (Master Thesis). Berlin School of Economics and Law, Berlin.

Khomba, J.K. 2011. Redesigning the balanced scorecard model: An African Perspective. (Doctor of Philosophy). University of Pretoria, Pretoria. Available from: <http://upetd.up.ac.za/thesis/available/etd-10142011-093347/unrestricted/05chapter5.pdf> Date of access: 3 Jan. 2012.

Kleine, A. & Von Hauff, M. 2009. Sustainability-driven implementation of corporate social responsibility: application of the integrative sustainability triangle. *Journal of Business Ethics*, 85:517-533.

Klynveld Peat Marwick Goerdeler (KPMG). 2010. Integrated reporting. Closing the loop of strategy. <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/Integrated-Reporting.pdf> Date of access: 25 Feb. 2012.

KPMG. 2011. Integrated reporting – Performance insight through better business reporting. (Issue1). <http://www.sustainabilitysa.org/Portals/0/Documents/road-to-integrated-reporting.pdf> Date of access: 4 Jan. 2012.

Lewis, A., 2005. The triple bottom line explained. <http://www.sustainabilitysa.org/Portals/0/Documents/road-to-integrated-reporting.pdf> Date of access: 14 Jan. 2012.

Levine, D.M., Stephan, D., Krehbiel, T.C. & Berenson, M.I. 2005. Statistics for managers. (4<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Prentice-Hall.

Liane, M. 2009. A way of seeing Corporate Sustainability Reporting. (MBA dissertation). University of Tampere, Finland. Available from: <http://acta.uta.fi/pdf/978-951-44-7935-9.pdf> Date of access: 7 Jan. 2012.

Mitchell, M., Curtis, A. & Davidson, P. 2008. Evaluating the process of triple bottom line reporting: Increasing the potential for change. [http://athene.riv.csu.edu.au/~acurtis/papers/mitchellcurtisdaavidson\\_2008pdf.pdf](http://athene.riv.csu.edu.au/~acurtis/papers/mitchellcurtisdaavidson_2008pdf.pdf) Date of access: 18 Jan. 2012.

Muller, L. 2011. What does King say? *Official Journal of the Institute of Municipal Finance Officers*, 11:24-26. [http://www.sabinet.co.za/abstracts/imfo/imfo\\_v11\\_n3\\_a9.html](http://www.sabinet.co.za/abstracts/imfo/imfo_v11_n3_a9.html) Date of access: 18 Jan. 2012

Nedbank Group Limited. 2011. Annual report 2011. [http://www.nedbankgroup.co.za/financial/Nedbank\\_ar2011/downloads/Nedbank\\_Group\\_AR\\_01.pdf](http://www.nedbankgroup.co.za/financial/Nedbank_ar2011/downloads/Nedbank_Group_AR_01.pdf) Date of access: 18 Aug. 2012.

Nkonki Inc. 2011. South African insights into Integrated Reporting: An analysis of the top 40 and SRI companies listed on the JSE – 2010. [http://www.nkonki.com/images/cmn/intergrated\\_reporting\\_2011.pdf](http://www.nkonki.com/images/cmn/intergrated_reporting_2011.pdf) Date of access: 25 Jul. 2012.

Nel, M.M. 2008. Integrating ISO 14001:2004 and sustainability reporting guidelines. (MBA Dissertation). Potchefstroom, North-West University. Available from: <http://dspace.nwu.ac.za/handle/10394/3746> Date of access: 14 Jan. 2012.

Nunnally, J. & Bernstein, I. 1994. Psychometric theory. (3<sup>rd</sup> ed.). New York, NY: McGraw Hill.

Pozen, R. 2008. Final report of the advisory committee on improvements to Financial Reporting to the United States Securities and Exchange Commission. Washington, DC. <http://www.sec.gov/about/offices/oca/acifr/acifr-finalreport.pdf> Date of access: 25 Apr. 2012.

SAICA. 2009. Summary of report on governance for South Africa – 2009 (King III). King committee on governance. <http://www.auditor.co.za/Portals/23/king%2011%20saica.pdf> Date of access: 14 Jan. 2012.

Senwes. 2011. Annual report. Integrated sustainable operations. [http://www.senwes.co.za/Files/main\\_Corporate/Annual\\_reports/2011/Integrated\\_sustainable\\_operations.pdf](http://www.senwes.co.za/Files/main_Corporate/Annual_reports/2011/Integrated_sustainable_operations.pdf) Date of access: 14 Jan. 2012.

SPSS Inc. 2011. IBM SPSS Statistics Version 20, Release 20.0.0, Copyright© IBM Corporation and its licensors. <http://www-01.ibm.com/software/analytics/spss/> Date of access: 31 Aug. 2012.

Skouloudis, A., Evangelinos, K. & Kourmoussis, F. 2009. Development of an evaluation methodology for triple bottom line reports using international standards on reporting. *Environmental Management*, 44: 298-311.

Standard Bank Limited. Annual report 2011. <http://annualreport2011.standardbank.com/downloads/Book-I-Business-Review.pdf> Date of access: 18 Aug. 2012.

Stead, W.E. & Stead, J.G. 2004. Sustainable strategic management. New Delhi: Prentice Hall.

Struwig, F.W. & Stead, G.B. 2004. Planning, designing and reporting research, Cape Town: Pearson Education.

Verschoor, C.C. 2011. Should Sustainability reporting be integrated? Institute of Management Accountants. *Strategic Finance*, 2011:13-15, Dec.

Vanclay, F. 2004. Impact assessment and the triple bottom line: Competing pathways to sustainability? Sustainability and social science: Round table Proceedings. 12 Dec 2003. p27-39.

White, G.B. 2009. How to report a company's sustainability activities. *Management Accounting*, 7(1):36-43.

**ANNEXURE: A**

**Code number:**

# **INTEGRATED REPORTING QUESTIONNAIRE**

**CONFIDENTIAL**

Note: All responses are confidential and neither the individual nor the organisation would be identified in any report or release.

**Copyright © reserved**



# INTEGRATED REPORTING QUESTIONNAIRE

Dear Respondent,

I am a final year MBA student at the Potchefstroom Business School part of the North- West University. I am conducting research on the *Relevance of Integrated Reporting in a Corporate Company*.

In South Africa, King III calls for organisations to prepare an integrated report, recognising that the impact of the organisation on the environment and society, and related reputational issues, are material issues that can affect the very existence of the organisation. Following the incorporation of King III into the Johannesburg Stock Exchange (JSE) Listings Requirements, listed companies are required to issue an integrated report for financial years starting on or after 1 March 2010, or to explain why they are not doing so.

The SA Integrated Report Framework suggests that certain elements should be included in the Report to provide appropriate information to stakeholders to assess the ability of an organisation to sustain & create value now and in the future.

ABSA Limited has issued an Annual Integrated Report for the period ended 31 Dec 2011. In this research ABSA employees (as stakeholders of a JSE listed company) are asked to give their opinion regarding the elements as being appropriate (relevant) to consider for inclusion in a report, if they have to assess the ability of an organisation to sustain value in the future.

The research is undertaken as partial fulfilment of an MBA degree under the supervision of Prof Anet Smit of the Business School. The questionnaire should take approximately **8 minutes** to complete. The information you provide will be treated in strictest confidence and will only be used for academic purposes.

For further information please contact the researcher or supervisor at the following addresses:

Researcher / Student  
Contact: Derick Dahms  
Cell: 079 880 4476  
E-mail: [Derick.Dahms@absa.co.za](mailto:Derick.Dahms@absa.co.za)

Supervisor / Study Leader  
Contact: Prof Anet Smit  
Cell: 082 568 1503  
E-mail: [Anet.Smit@nwu.ac.za](mailto:Anet.Smit@nwu.ac.za)

**Your contribution is highly valued and appreciated.**

Regards,

Derick Dahms

### General Instructions:

**Please complete every question / statement to ensure the validity and reliability of the study.**

Virtually all questions may be answered by ticking (X) or **highlighting** the relevant block.

Use the following key to indicate your preference:

SCALE	TERM USED
1	Not Relevant
2	Slightly Relevant
3	Moderately Relevant
4	Totally Relevant

Please select the number which best describes your opinion about a specific question or statement.  
In the example beneath, the respondent finds the question moderately relevant.

		Not Relevant	Slightly Relevant	Moderately Relevant	Totally Relevant
<b>A01</b>	In your opinion, the report should include a description of the period covered	1	2	3 X	4

## SECTION A: RELEVANT REPORTING INFORMATION

**Main Question:**

**In your opinion, to what extent are the following information seen as being appropriate (relevant) to consider for inclusion in a report, if you have to assess the ability of an organisation to sustain value in the *future*?**

		Not Relevant	Slightly Relevant	Moderately Relevant	Totally Relevant
<b>A</b>	<b>Report Profile – Description of scope &amp; boundary</b> In your opinion the report should include :				
A01	a description of the period covered	1	2	3	4
A02	the reporting boundary (e.g. geographical scope, entities represented in the report).	1	2	3	4
A03	the reporting principles that have been applied (e.g. IFRS, GRI, and King III).	1	2	3	4
A04	the assurance on the report (e.g. qualifications of assurance).	1	2	3	4
<b>B</b>	<b>Organisational overview, business model, and governance structure</b> In my opinion the report should include:				
B01	the principal activities of the organisation	1	2	3	4
B02	the organisational structure	1	2	3	4
B03	a statement of the business model	1	2	3	4
B04	a brief description of the material aspects of the governance structure	1	2	3	4
<b>C</b>	<b>Understanding the operating context</b> In my opinion the report should include:				
C01	a description of the risks that are material to the organisation's current activities	1	2	3	4
C02	an assessment of the organisation's material impacts on financial issues	1	2	3	4
C03	an assessment of the organisation's material impacts on social issues	1	2	3	4
C04	an assessment of the organisation's material impacts on economic issues	1	2	3	4
C05	a review of its relationships with key stakeholders	1	2	3	4
<b>D</b>	<b>Strategic objectives, competencies, KPIs and KRIs</b> In my opinion the report should include:				
D01	a statement of the strategic objectives of the organisation	1	2	3	4
D02	an indication of the organisational competencies	1	2	3	4
D03	a list of priority (key performance indicators) KPIs	1	2	3	4
D04	a list of priority (key risk indicators) KRIs	1	2	3	4

		Not Relevant	Slightly Relevant	Moderately Relevant	Totally Relevant
<b>E</b>	<b>Account of the organisation's performance</b> In my opinion the report should include:				
E01	the outcome of its strategic objectives	1	2	3	4
E02	the outcome of its material impacts	1	2	3	4
E03	the outcome of its (key performance indicators) KPIs	1	2	3	4
E04	the outcome of its (key risk indicators) KRIs	1	2	3	4
E05	the organisation's financial performance	1	2	3	4
<b>F</b>	<b>Future performance objectives</b> In my opinion the report should include:				
F01	a statement of intent regarding future performance	1	2	3	4
F02	specific future performance targets	1	2	3	4
F03	a forward-looking reflection on the internal systems to address its identified targets	1	2	3	4
F04	a forward-looking reflection on the personnel to address its identified targets	1	2	3	4
<b>G</b>	<b>Remuneration policies</b> In my opinion the report should include:				
G01	how the organisation remunerates employees	1	2	3	4
G02	how the organisation remunerates senior executives	1	2	3	4
G03	factors that could influence future remuneration	1	2	3	4
<b>H</b>	<b>Analytical commentary</b> In my opinion the report should include:				
H01	the organisation's leadership commentary on financial information	1	2	3	4
H02	the organisation's leadership commentary on economic information	1	2	3	4
H03	the organisation's leadership commentary on environmental information	1	2	3	4
H04	the organisation's leadership commentary on governance information	1	2	3	4
H05	ratio analysis on financial information	1	2	3	4
H06	ratio analysis on economic information	1	2	3	4
H07	ratio analysis on environmental information	1	2	3	4
H08	ratio analysis on governance information	1	2	3	4

## SECTION B: BACKGROUND INFORMATION

The following information is needed to help with the statistical analysis of data for comparisons among different interest groups. All your responses will be treated confidentially. Your assistance in providing this important information is appreciated. Please mark the applicable block with a cross (X).

<b>01</b>	<b>Indicate your age group</b>	≤ 29 1	30 – 39 2	40 – 49 3	50 – 59 4	60+ 5
-----------	--------------------------------	-----------	--------------	--------------	--------------	----------

<b>02</b>	<b>Indicate your gender</b>	Male 1	Female 2
-----------	-----------------------------	-----------	-------------

<b>03</b>	<b>How long have you been working for Absa</b>	0 – 1 Year 1	2 – 5 Years 2	6 – 10 Years 3	More 4
-----------	--	-----------------	------------------	-------------------	-----------

<b>04</b>	<b>Indicate your management level</b>	(E,T) 1	(M,P) 2	(A,B,C) 3
-----------	---------------------------------------	------------	------------	--------------

<b>05</b>	<b>Which ABSA business do you work for?</b>	Retail Markets 1	Business Markets 2	Financial Services 3	CIBW 4
-----------	---	---------------------	-----------------------	-------------------------	-----------

<b>06</b>	<b>Indicate your area where you are located</b>	North West 1	Gauteng 2	Free State 3	Other 4
-----------	---	-----------------	--------------	-----------------	------------

<b>07</b>	<b>Are you familiar with the concept integrated reporting?</b>	Yes 1	No 2
-----------	--	----------	---------

<b>08</b>	<b>Are you familiar with ABSA's annual integrated report?</b>	Yes 1	No 2
-----------	---	----------	---------

**THANK YOU VERY MUCH FOR YOUR VALUED INPUT**