



An analysis of risk management disclosure in the consumer goods sector

PT Mosiane

 **Orcid.org 0000-0001-5985-4287**

Mini-dissertation accepted in partial fulfilment of the requirements for the degree *Masters of Business Administration* at the North-West University

Supervisor:

Mr. MJ Botha

Graduation ceremony: October 2018
Student number: 20959117

ABSTRACT

South African companies face governance issues which could expose them to reputational damage. This is due to the regular detection of inadequate and ineffective internal controls, as reported by Auditor General, Makwetu in the media release on the plan to assist government departments in improving governance. In dealing with this challenge, South Africa has established principles of corporate governance which are not legislated but mandatory for listed companies on the Johannesburg Securities Exchange (JSE) to improve corporate governance. These principles are contained in a document known as the King Report on good governance. Within these principles of corporate governance, there is a component of risk management which is a measure of effective governance. The study evaluated the risk management disclosure elements regarding King Report. The target group of the study is on the JSE-listed companies in the consumer goods sector. The study results revealed that a majority of companies in the consumer goods partially complied with the principles of the King III report in 2014. There was a drop as well as inconsistency in reporting disclosures after the 2014 financial period by a majority of listed companies in the consumer goods sector. Out of eleven companies, there was an exception of two companies which achieved full compliance disclosure in 2015. Only one company achieved full compliance in 2016. Some companies reported extremely poor compliance results in all financial periods. They need to review and strengthen their respective reporting practices to align with the principles of the King III report. It is noteworthy to mention that two companies in the sample disclosed commitments in their chairmen's statements to comply with the King III and King IV in the 2018 financial period. Lastly, a lack of disclosure of risk management appetite framework and risk-based internal audit were discovered in the study of common issues not disclosed in the integrated reports of ten out of eleven companies.

Keywords: Integrated reporting, the King III report, consumer goods sector, risk disclosure, corporate governance, and compliance checklist.

ACKNOWLEDGEMENTS

I would like to acknowledge the following people who have supported me in the completion of this study;

- Firstly, I would like to thank the Almighty God for giving me the ability and strength to complete the study. Let me cite my favourite verse of Philippians 4:13 which say "I can do all things through Christ who gives me strength".
- To Mr Martin Botha, my study leader, for his amazing guidance and direction towards producing this study.
- To my lovely wife, Thokozile, who encouraged me to pursue an MBA.
- To my manager, Leon Bhima, for always allowing me to take half days at work and attend MBA classes.
- To my former manager, Zippora Mamabolo, who gave me her textbooks making it easy to pursue this study.
- To my group members, for always encouraging each other to complete our studies.
- To Lucky Pane, a friend who contributed by reviewing the research project before sending it to the supervisor.
- To Antoinette Bisschoff for language and typographical editing of the dissertation.

TABLE OF CONTENTS

CHAPTER 1:	10
1 NATURE AND SCOPE OF THE STUDY	10
1.1 INTRODUCTION	10
1.2 PROBLEM STATEMENT	11
1.3 RESEARCH OBJECTIVES	12
1.3.1 Primary Objective	12
1.3.2 Secondary literature objectives	12
1.3.3 Secondary empirical objectives	13
1.4 RESEARCH METHOD	13
1.4.1 Phase 1: Literature review	13
1.4.2 Research design	13
1.4.3 Phase 2: Empirical research	13
1.4.4 Population and sample	14
1.4.5 Measuring instrument	14
1.4.6 Data collection	14
1.4.7 Statistical analysis	14
1.5 RESEARCH OVERVIEW	14
CHAPTER 2:	16
2 LITERATURE REVIEW	16
2.1 INTRODUCTION	16
2.1.1 The importance of risk management	16
2.1.2 Background and development of risk management	17
2.2 RISK MANAGEMENT AND CORPORATE GOVERNANCE	18
2.3 DEVELOPMENT OF RISK MANAGEMENT DISCLOSURE	19
2.4 TRADITIONAL REPORTING VERSUS INTEGRATED REPORTING	20
2.5 INTEGRATED REPORTING FRAMEWORK AS A GUIDELINE TO RISK MANAGEMENT DISCLOSURE.	21
2.6 DISCLOSURE OF RISK MANAGEMENT IN PREVIOUS STUDIES	22
▪ STUDY 1: RISK MANAGEMENT DISCLOSURE AS AN ENABLER OF INVESTORS' SOUND INVESTMENT DECISION MAKING	22
▪ STUDY 2: THE IMPORTANCE OF RISK MANAGEMENT DISCLOSURE FOR MARKET CONDUCT AND EFFECTIVE GOVERNANCE.	24
▪ STUDY 3: A SHIFT FROM A NARROW RISK DISCLOSURE APPLICATION	24
▪ STUDY 4: THE ATTITUDE OF INSTITUTIONAL INVESTORS TO RISK MANAGEMENT DISCLOSURE.	25
▪ STUDY 5: THE INTEGRATED REPORTING AND THE DISCLOSURE OF RISKS AND OPPORTUNITIES	25
2.7 SUMMARY OF THE MAIN FINDINGS AND IMPORTANT ISSUES	26

2.8	THE IMPORTANCE OF KING III REPORT ON CORPORATE GOVERNANCE.....	26
2.9	THE ELEVEN (11) PRINCIPLES OF THE KING III REPORT ON CORPORATE GOVERNANCE	27
2.10	THE EMPHASIS OF THE KING III REPORT PRINCIPLES ON THE NEWLY ADOPTED KING IV REPORT	28
2.11	SUMMARY	29
CHAPTER 3:		29
3	RESEARCH METHODOLOGY	29
3.1	INTRODUCTION.....	29
3.2	SUBSTANTIATION OF NEED FOR THE STUDY.....	30
3.3	THE RESEARCH PROCESS.....	30
3.4	RESEARCH METHOD.....	31
3.5	TYPES OF RESEARCH.....	31
3.5.1	Descriptive versus analytical research	31
3.5.2	Pure versus applied research	32
3.5.3	Conceptual versus empirical research	32
3.5.4	Quantitative versus qualitative research	32
3.6	RESEARCH DESIGN.....	33
3.7	SELECTED METHOD.....	34
3.7.1	The definition of content analysis	34
3.7.2	Different approaches to content analysis	34
3.7.3	The measuring instrument: compliance checklist	35
3.8	POPULATION AND SAMPLE	35
3.8.1	Sample size	35
3.9	DATA ANALYSIS	36
3.9.1	Data process and administration	36
3.9.2	The objective of the data analysis	36
3.10	VALIDITY AND RELIABILITY.....	37
3.11	RESEARCH ETHICS	37
3.12	DELIMITATIONS.....	38
3.13	SUMMARY	38
CHAPTER 4:		39
4.	ANALYSIS AND DISCUSSION.....	39
4.1	INTRODUCTION.....	39
4.2	AN OVERVIEW OF THE PAST THREE (3) FINANCIAL YEARS	40
4.3	INDIVIDUAL TRENDS PER COMPANY OVER THE PAST THREE (3) YEARS.....	43
▪	ANALYSIS OF THE RESULTS.....	44

4.4	STATISTICAL MEASURE OF RISK DISCLOSURE COMPLIANCE.....	45
4.4.1	Definition and application of standard deviation	46
▪	Full compliance data collected from 11 listed companies in the past three (3) years to calculate the standard deviation	46
▪	ANALYSIS OF RESULTS	48
4.6	ANALYSIS OF DISCLOSURE PER PRINCIPLE	49
4.8	CONCLUSION	53
CHAPTER 5:		54
4	RECOMMENDATIONS.....	54
5.1	INTRODUCTION.....	54
5.2	RESEARCH OBJECTIVES	54
5.2.1	The review of the research objective: investigate the impact of risk management disclosure in the integrated reports of selected JSE-listed companies in the consumer goods sector.	54
5.3	RECOMMENDATIONS	56
5.3.1	Limitation of the study	57
5.4	CONCLUSION	58
6	REFERENCES.....	59
ANNEXURE 1: RISK DISCLOSURES IN THE PAST THREE (3) YEARS		66
ANNEXURE 2: LETTER FROM LANGUAGE EDITOR		78

LIST OF TABLES

Table 2.1:	Old risk management approach versus new enterprise-wide risk management approach	10
Table 2.2:	Risk disclosures in the study	14
Table 4.1:	Disclosure index: KING III	33
Table 4.2:	An overview of the overall compliance trends	34
Table 4.3:	King III Compliance status trend by eleven (11) listed companies in consumer goods sector in the Financial Year 2014	35
Table 4.4:	King III Compliance status trend by eleven (11) listed companies in consumer goods sector in the Financial Year 2015	36
Table 4.5:	King III & IV Compliance status trend by eleven (11) Listed companies in consumer goods sector in the Financial Year 201	36
Table 4.6:	Full compliance data over the past three (3) years	39
Table 4.7:	Full compliance data collected from 11 listed companies in the consumer goods sector in 2014 used to calculate standard deviation	39
Table 4.8:	Full compliance data collected from 11 listed companies in the consumer goods sector in 2015 used to calculate the standard deviation	40
Table 4.9:	Full compliance data collected from 11 listed companies in the consumer goods sector in 2016 used to calculate the standard deviation	40
Table 4.10:	Overall disclosures per principle	43
Table 4.11:	Results per company (2016)	45
Table 4.12:	Overall results per company	53

LIST OF FIGURES

Figure 4.1:	King III Full-Compliance status by Eleven (11) listed	34
Figure 4.2:	King III Partial-Compliance status by Eleven (11) listed companies in consumer goods sector in the past three (3) years	34
Figure 4.3:	King III No-Compliance status by Eleven (11) listed companies in consumer goods sector in the past three (3) years	35
Figure 4.4:	Overall Compliance in 2014	35
Figure 4.7	Overall Disclosure per principle (%)	43
Figure 4.5	Overall Compliance in 2015	35
Figure 4.6	Overall Compliance in 2016	36
Figure 4.7	Overall Disclosure per principle in 2016 (%)	43
Figure 4.8	Overall Disclosure per company in 2016 (%)	53

LIST OF ABBREVIATIONS

FMCG	Fast moving consumer goods
JSE	Johannesburg Securities Exchange
IIA	Institute of Internal Audit
King III	The King III report on risk governance for South Africa
ERM	Enterprise Risk Management
CFO	Chief Finance Officer
INEDs	Independent Non-Executive Directors
IoDSA	Institute of directors in South Africa
IRMSA	Institute of Risk Management South Africa
WEF	World Economic Forum
AGSA	Auditor-General South Africa
OECD	Organisation for Economic Co-operation and Development

CHAPTER 1:

1 NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Risk Management has gained much attention and has become increasingly important following the 2008/09 global financial crisis (Draghi, 2009:8). It was stated that companies which effectively execute sound internal controls achieve high quality reporting structures (OECD, 2014:38). In contrast, studies also depict elements of uncertainties in the area of corporate governance for some companies as a result of risk management disclosure omissions in financial reporting (Viljoen Bruwer & Enslin, 2016:209). Prior to the 2008/09 financial crisis, the integrated reporting landscape was perceived to be inadequate. Kirkpatrick (2009:25) highlighted that the Institute of Chartered Accountants for England is of the view that the requirements of risk management reporting is insufficiently addressed as governing bodies (boards of directors) do not effectively delegate the responsibility of risk management to the managers. The latter does not embrace and embed the culture of risk management across the business as a fiduciary duty (Kirkpatrick, 2009:3). A South African study conducted by McGregor (2008:3) highlights the need to take corporate governance to the next level as post-apartheid South Africa inherited positive and negative aspects of governance. A proper framework for good governance is needed.

In responding to the uncertainty of risk management and governance as discussed above, the study investigates the disclosure of risk management in the integrated annual reports of JSE-listed companies, in the consumer goods sector. The aim is to determine the level of risk management maturity within the sector and how adequate it is. Upon analysis of the research findings, a view will be formed about the state of corporate governance in the consumer goods sector for JSE-listed companies. The King III report will be used as a measure to test the risk maturity level of reporting

. The report is a mandatory requirement for JSE listed companies to comply with. International sets of standards were established in South Africa to close the gap of corporate governance as South Africa was isolated from international governance bodies from 1964 to 1994. The first principles of good governance were introduced in 1994, known as the King I report. The second report (King II) was established in 2002, and the third report (King III) was established in 2009. The King III report became the first standard to emphasize the importance of risk management by introducing several principles to

ensure effective internal control embedment (King II report on Corporate Governance for SA, 2002:5). King IV was introduced in 2017 since it is a new requirement, it will not be considered in this study, only the King III report will be used to test compliance.

Companies focussed on serving the consumer goods industry will start to report on King IV in the 2018 financial year.

1.2 PROBLEM STATEMENT

South African is facing a challenge of governance failure as a result of many issues such as political instability, lack of accountability and overly prescriptive regulation. Businesses are discouraged to invest, and some are withdrawing their investments due to corporate governance standards which do not include robust risk management processes (UNCTAD, 2017:9). The World Economic Forum (WEF) conducted a global risk survey where a failure of national governance was identified as the 1st out of 16 risks in the global risks report. The identified risk of national governance has a high consequential impact and probability of occurrence. The risk of poor governance is ranked 2nd in South Africa (Global Risk Report, 2017:68). According to the South African Risk Survey Report, governance failure was ranked 2nd out of 5 risks in 2015 and was ranked the 5th out of 5 risks in 2016 (IRMSA Risk Report, 2017:5).

The Organisation for Economic Co-operation and Development (2014:15) presented a view that investors perceive risk management reports as being too basic and generic to assure the effectiveness of internal controls. There is a need to redefine the risk reporting processes in a manner that articulates key risk issues and how they are to be managed. This need entails a new approach to risk management to enable stakeholders and shareholders to make informed decisions about the direction of the company.

There has been an evolution in respect to how companies roll-out risk management over the years. It is no longer an exclusive function of the financial sector. There is now a concept of enterprise-wide risk management which implies that risk management has to be embedded in all business industries and at all levels of business, namely; strategic, tactical and operational. This concept should be driven by a culture of awareness in the entire risk management process up to the reporting phase (CIMA: 2010:2). Public companies face a challenge in transitioning from the traditional reporting style into the new reporting requirements to provide detailed disclosures to a broader report which

follows the King III report principles. Many companies are still at the infancy level regarding the required reporting disclosure (Hubbard, 2014:4).

The research study is essential to address the challenges above in the risk management field. There are at present no significant studies conducted regarding the risk management disclosure in terms of the King III report which is mandatory standards by the Johannesburg Securities Exchange (JSE) for listed consumer goods companies. This is because the King report has been reviewed and re-introduced in the industry in 2016 (Nyembe *et al.*, 2016:4).

To assess companies' preparedness to comply with the King III requirements, the following research question can be asked:

To what degree do companies in the consumer goods sector report on risk management information utilizing the King III report in their respective integrated annual reports?

The study will assess the information as disclosed in the reports to determine whether companies comply with the principles of King III to report on risk management and governance.

1.3 RESEARCH OBJECTIVES

1.3.1 Primary Objective

The primary objective of this study is to investigate risk management disclosures in the integrated reports of selected JSE-listed companies in the consumer goods sector.

1.3.2 Secondary literature objectives

The following secondary objectives are set to reach the primary objective:

- To conceptualize from literature the reporting and disclosure requirements of risk management.
- Conceptualize from literature the importance of good reporting and disclosure practices.
- Conceptualize the requirements of the King III report on risk management.

1.3.3 Secondary empirical objectives

- To identify the consumer goods sector companies listed in JSE.
- To develop a measuring instrument (checklist) from literature, that can be used to measure the disclosures of the selected companies in the consumer goods sector.
- To analyze the identified companies' disclosure practices in terms of risk management.
- To determine whether companies are complying with the reporting and disclosure requirements of the King III report.
- To make conclusions and recommendations about how to improve the current compliance status and achieve full compliance with the King III report.

1.4 RESEARCH METHOD

This study is made of two phases. Phase 1 is a literature review, while phase 2 is an empirical analysis. These phases will be executed to achieve the primary research objective.

1.4.1 Phase 1: Literature review

The primary objective of the research study will be achieved by analysis of academic journal articles available in the North-West University library portal EBSCO host, internet articles, dissertations, private sector and government publications, textbooks and discussion papers to gain an understanding of the theory which explains risk management reporting disclosure.

1.4.2 Research design

The qualitative and quantitative data are collected at the same time to enable the researcher to assimilate the data as part of the interpretation and generate research findings (Creswell, 2014:14). This research study will utilise the quantitative research and qualitative research methods to collect data for analysis purposes. It relies on the collection of data from the primary source, the integrated annual reports of companies in the consumer goods sector.

1.4.3 Phase 2: Empirical research

The primary objective of the research study will further be achieved by the execution of the secondary empirical objective through the collection of primary data from the annual report of selected JSE companies in the consumer goods sector.

1.4.4 Population and sample

The population identified for the study focuses on JSE listed companies in the consumer goods sector. Eleven companies have been selected in the industry. These companies are exposed to similar operational, market risks and audit issues because of their complementary business characteristics which make it feasible to cluster them in the same group for the study. The King III report on corporate governance in chapter 7 provides a detailed description of the risk management requirements. The risk management components in the integrated reports using the King III report will be assessed instead of the King IV report. The latter was only introduced in 2017. Therefore, companies have not yet reported on it since it is a newly approved report.

1.4.5 Measuring instrument

The compliance checklist will be developed as a measuring tool based on the principles of the King III report to test the compliance status in the consumer goods sector. The study focuses on assessing the integrated reports of companies which are competitors regarding the sale of related product offerings such as non-alcoholic beverages and food.

1.4.6 Data collection

Data collection for the study will be conducted through a content analysis method. This method is effective for this study as it assists in the process of identifying keywords and themes to achieve the research objective.

1.4.7 Statistical analysis

The data will be measured, and statistical analysis will be used in the study to predict the probability of future compliance with the principles of the King III report. It will be further used to provide a compliance overview in the industry. This includes the use of means, standard deviation and a probability model.

1.5 RESEARCH OVERVIEW

The study follows the mini-dissertation format and is made-up of five chapters:

Chapter 1: Nature and scope of the research

The first chapter introduces the study and provides the background of integrated disclosure requirement for JSE-listed companies, and the importance of risk-based

internal audit. The chapter presents the problem statement and highlights the research objectives set to address the problem statement. The research method has been introduced, and an overview of the study has been provided.

Chapter 2: Review of the literature

Various literature sources will be accessed from the NWU library portal (EBSCO) such as internet articles, dissertations, government and private sector information, publications, textbooks and discussions papers to have an understanding of the theory.

Chapter 3: Research methodology and design

Chapter three will discuss the research methodology used to undertake the study.

Chapter 4: Analysis of results

Chapter four is presented in the form of research results analysing the data from 11 listed companies in the consumer goods sector. The focus is on the information of risk governance in the integrated disclosure. The results of the empirical study are presented.

Chapter 5: Discussion of findings

The discussion will include a summary of the findings, an interpretation of these findings and a proposed framework on how companies can explore better approaches to comply with the principles of the King III report, conclusions and generalization of the research findings.

CHAPTER 2:

2 LITERATURE REVIEW

2.1 INTRODUCTION

The chapter will collate literature studies which have contributed to the body of knowledge on integrated reporting and established standards of practice to guide the reporting disclosure of risk management. Various studies will be investigated to identify evidence which supports or refutes the problem statement. This is done by exploring the depth and length that studies have reached regarding the practice of risk management disclosure as the standard of good governance.

2.1.1 The importance of risk management

Raemaekers (2014:22) defines risk management in its study as an essential aspect of corporate governance which is aimed at assisting companies to identify threats to their business in order to take appropriate action before any damage is caused. The definition of risk as “taking of risk for a reward” (IoDSA King IV, 2009:73) is a constant reminder to companies to understand that the act of conducting business implies that risks cannot be eliminated, but efforts should be made to identify those risks, which can then be effectively managed and converted into opportunities. Risk management entails a process of identification, analysis, mitigation, monitoring and reporting of risk (Van Wyk Bowen, & Akintoye, 2008:5). It also entails risk evaluation and quantification where this is practicable (IoDSA King IV, 2009:73). Risk management activities should be planned before execution through coordinated efforts by various functions in the organisation. A risk management policy should, therefore, set the tone for risk management and should also indicate how risk management supports the company’s strategy (IOD, 2009:6). Regular monitoring and evaluation of the risk management processes is an important aspect in determining whether or not the company is on course to achieve its objectives (Power and McCarty, 2000:225). While risk management is the responsibility of the board, King III (IOD, 2009:6) recommends the delegation of this function to a risk committee comprising both executive and non-executive directors. The involvement of executive directors is important given their intimate knowledge of the business. The following section will provide insights of how risk management is advocated by a standard of governance known as the King report.

2.1.2 Background and development of risk management

Janse van Vuuren (2016:16) argues that the root cause analysis reveal that preventative measures could have been put in place to avoid the economic crisis caused by large international companies. The measures that could have prevented the crisis are principles of good governance which include sound risk management practices to be implemented. The author indicates that a high number of European countries' financial institutions experienced governance failures due to ineffective means to manage risks. There is no risk appetite and risk tolerance framework in place to measure the amount of risk to be absorbed. As a result, companies absorb excessive risks which they cannot mitigate against. South Africa encountered similar challenges that international companies were exposed to and resulted in the Global financial crisis experienced in 2008/09. This is was as a result of inadequate measures to respond effectively to materialisation of risks. The findings in the study of Janse van Vuuren (2016:192) discovered a need for further work to be done to adhere to all the requirements rather than partial achievements of corporate governance. The findings further support the idea that full compliance is a developmental process and will be achieved by companies every year when they prepare annual reports and remain committed to the evolving principles of the King code of governance. Company directors and governing bodies need to realise that risk management forms an integral part of the business and will always have an impact on the business because, when opportunities (Upside risk) are created, there will always be associated risks to be mitigated (Downside risk). If risks are ignored and not effectively managed, they have the potential to compromise the value of the designed strategy. It is critical for companies to adopt an approach that is effective to design risk management strategies which proactively deal with uncertainties (Janse van Vuuren, 2016:160).

Moumen *et al.* (2015:5) hold the view that effective corporate governance influences the quality of risk management disclosure and greater openness about companies' affairs. The relationship that exists between governance processes and the accounting information is based on the premise that the quality of corporate governance influences the extent of disclosure about executive management activities and integrity of reporting processes. The study conducted by Moumen *et al.* (2015:5) revealed that boards' composition also has a major impact on how the culture of reporting disclosure is embraced in the company. If the boards are dominant by executive management and

have less independent directors, there are fewer disclosures of accounting management with the inclusion of risk management information. The absence of independent directors' limits opportunities for a company to receive objective and expert advice about best standard practices of corporate governance. These parties play a critical role in ensuring shareholders' and investors' preference for accountability and openness. Small boards are not sufficient to deal with issues of risk management disclosure as accounting officers tend to dominate them. The study hypothesised that the number of independent executive directors, CEOs (accounting officers) and board size influence the quality of disclosure reporting and further revealed that risk disclosure informativeness is to some extent the result of corporate governance changes irrespective of lack of strict regulation to enforce compliance with acceptable standards. The companies in the selected sample of the study proved that there are elements of compliance to disclose risk management information due to companies' commitment to promoting a high number of independent board members and this has significantly improved the performance of the company and abilities to issue risk disclosures.

The evidence of the study presented above is in line with the principles of the King III and the King IV reports which state a need for companies to attract a high number of independent executive members ensuring that risk is inseparable from the company strategy. Investors are of the view that a mix of independent board members increases the expertise in the board structure to drive the company to greater heights in governance to eliminate uncertainties and enhance the wealth of information capacity, as stated by the study conducted by Moumen *et al.* (2015:5). The concept of good governance is still partly understood by many corporates, the measuring instruments used might be biased and there is a considerable amount of work to be done to explore all components of corporate governance and risk management disclosure requirement.

2.2 RISK MANAGEMENT AND CORPORATE GOVERNANCE

Sobel and Reding (2004:36) argue about the importance of aligning the enterprise risk management with corporate governance. This in practice means that internal and external auditors, as well as risk managers, must work interdependently. Corporate failures and lapses in financial reporting remain a high-level priority on the agenda of every organisation's governance structure meeting (board, audit committees and risk committees). There is a need to have a proper process to integrate risk management with corporate governance and the work of internal and external auditors.

Table 2.1: Old risk management approach versus new enterprise-wide risk management approach

An old risk management approach	The new approach to enterprise-wide risk management
Stand-alone risk identification with no regard to how it influences the business.	Risk impact assessed with respect to the organisation's strategy
Risk identification and evaluation	Risk maturity levels
Risk treatment	Risk embraced to identify opportunity
Risk tolerance	Risk inputs to strategic intents
Risk management without accountability and responsibility	Risk ownership to the first line of defence clearly defined
The unstructured process of unpacking risk exposure	Effective management of risk through monitoring of controls to minimise identified risks
Avoidance of risk roles; poor risk culture	Risk roles are integrated into the organisation

Source: (Hall 2007:4)

The old approach of enterprise risk management was unstructured where risks were addressed in isolation without adequate reporting to various levels of management for decision making. There is a new approach which has been introduced to reach a structured and robust risk management model linked to a company's strategy. The table above illustrates the move from the old risk management approach into the new approach. When organisations implement the new risk management model, the risk maturity of companies will improve.

2.3 DEVELOPMENT OF RISK MANAGEMENT DISCLOSURE

The robust discussions to introduce risk management as an element in the integrated report started early 1998 by the Institute of Chartered Accountants in England and Wales

(ICAEW). This was done by publishing a paper known as "Financial reporting of risk management" (Azlan-Amran *et al.*, 2008:2). The paper presented proposals for management of companies and governing bodies to include and approve a risk management section to provide assurance on how companies are effectively dealing with pressing challenges which are material in nature and could result into catastrophic exposure when not properly managed. The study further investigated the disclosure of risk management in the annual reports of companies in Malaysia by emphasizing the performance information of the reports instead of financial information. The authors further tested the sample of 100 companies with similar qualities to determine risks faced by these companies putting reliance on the disclosures in the reports. It is important to perform this exercise by reliance on the non-financial component of the annual report as it is a major channel of communicating material information to stakeholders and shareholders of companies to inform decision making. The report is important as it is demanded by boards of companies as a result of major corporate failures (scandals and fraudulent) accounting practices by Enron and Lehman Brothers as an example. The study further presented that out of 100 listed companies in Malaysia, the majority of the companies provide a sufficient risk management disclosure in the integrated annual reports. This would mean that companies may not fully comply with the objectives of the integrated reporting requirements. In some organisations, risk management is articulated in the chairman's report to highlight the importance of its disclosure (Azlan-Amran *et al.*, 2008:12).

Linsley and Shrives (2006:12) acknowledge that financial reports of various organisations do indeed contain risk management disclosures. Although there is a limitation in the articulation of risks, current reports are prepared in a manner that does not provide adequate risk exposures and mitigation plans to assure the effective management process to stakeholders and shareholders.

2.4 TRADITIONAL REPORTING VERSUS INTEGRATED REPORTING

Traditional annual reports only focused on historical financial performance information without emphasis on strategy, risk and opportunities with material impact on the company value. In 2012, the United Nations General Assembly (2012:52) encouraged companies to think beyond financial focus regarding reporting and focus on all elements which drive the direction of the company's success and all factors of sustainability should be reported. Integrated reporting will bring a shift in the management of financial and non-financial

performances from silo arrangements into integrated approaches to managing systems, processes, strategy, risks and opportunities. Shareholders do require companies to commit in disclosing risks about sustainability and the environment. This is important for shareholders to make executive management and independent directors to be accountable. The results of the findings present that integrated reporting has influenced how companies disclose risk and opportunities by the JSE-listed companies. This study contradicts the study that was conducted by Stubbs and Higgins (2014:56) which presented a view that integrated reporting has no impact on integrated thinking and innovation. The results of the study did not provide a significant impact on the change provided by the use of the integrated reporting framework. The research findings of this study revealed that risk management disclosure by integrated reporting is open about sources of risk and opportunity identifications (internally and externally). However, only a minority of companies disclose the sources of risks while others regard risk source disclosure as a sensitive matter for public consumption as it may make them vulnerable to competitors if disclosed

2.5 INTEGRATED REPORTING FRAMEWORK AS A GUIDELINE TO RISK MANAGEMENT DISCLOSURE.

Risk management disclosure regarding the guidelines for an integrated reporting framework is the responsibility of executive management and the governing body to validate whether this approach to reporting benefits investors and stakeholders alike. On the other hand, investors and shareholders need to keep executive management accountable by ensuring that the disclosures meet the standard of the IR framework (Moolman *et al.* (2016:601).

The above study is in line with the study that was conducted by PWC (2013:1) highlighting that only 18% of companies are willing to quantify risk exposures. Not all companies listed on the JSE are of the view that integrated reporting enhances the ability to conduct risk assessment to get deeper risk and opportunity insights. The study concluded by unfolding that there is an opportunity to investigate why companies do not disclose risk exposures and the extent thereof to effectively manage the quantified risk exposures (Janse Van Vuuren, 2006:206).

Moolman (2015:11) conducted a study which presented findings in respect to the maturity of reporting as shown by South African companies which is far ahead of its peers in the

African continent. This style of reporting reveals that majority of South African companies are now applying integrated thinking when preparing annual reports. They incorporate strategy, risk and financial information disclosures in the integrated reporting as guided by the principles of the King report. The results of Moolman's study reveal the following aspects of disclosure requirement:

- The influence of integrated reporting on the organisational focus towards integrating risks into overall strategic objectives.
- The influence of integrated reporting in encouraging managers to ensure the integration amongst strategy, risk and opportunities.
- The influence of integrated reporting to foster integration between strategy and key risk indicators (KRIs).
- The influence of integrated reporting to improve risk assessment processes.
- The influence of integrated reporting to ensure open, accurate and timely disclosure of risks and KRIs.

2.6 DISCLOSURE OF RISK MANAGEMENT IN PREVIOUS STUDIES.

In some countries, the disclosure of risk management is a regulatory requirement which is enshrined in the Financial Reporting Act No 88 of 1997 and Bursa Malaysian listing in Malaysia (Low and Foo, 2015:2). The objectives of the regulatory reporting frameworks are to encourage companies to report the statement of corporate governance, statement of the internal control and risk management and the statement by the chairman of the overall strategic direction of the company. This initiative was introduced to achieve transparency, accountability and integrity of information both financial and non- financial (Linsley and Shrives, 2005).

- **STUDY 1: Risk management disclosure as an enabler of investors' sound investment decision making.**

The study conducted by Kim and Yasuda (2017:11) examined the disclosures regarding words used to address the content of mandatory business risk disclosures. The study tested risk disclosures provided as public information and the impact thereof towards investors' perceptions. The context of the study was based on changes in the business environment in Japan. The findings reveal that risk management disclosure in Japan has had a positive impact in minimizing companies' magnitude of risk exposures. This is

discussed in the annual report. The use of risk management disclosures has encouraged companies to reduce the cost of capital by inspiring investor confidence in respect to the presentation of how risks are managed to enhance shareholder value in the business. The study tends to contrast with other studies which presented that risk management disclosures do not provide adequate insights to assess the magnitude of risks confronting a company. The study further revealed that risk management disclosure in Japan is essential to enable investors to make informed decisions when considering investment in the company. There is a high number of risk types included in the report by Kim and Yasuda as indicated in the table.

Table 2.2: Risk disclosures in the study

Risk categories Main keywords	Risk categories Main keywords
Goods and Services quality standards	Product withdrawals from the shelves, hazardous content in the products etc.
Strategy	Changes in the strategy, a partnership with other companies; direction focus.
Organisational structure	Organogram, processes, systems, culture and leadership.
Vendor and Service provider management	Agreements, sourcing and procurement processes.
Financial Reporting	Financial reporting, internal controls
Information security and Data Integrity	Cyber-crime, phishing, and security management
R & D investment	Information Technology, creativity and innovation, feasible projects
Intellectual property	Data protection and license maintenance.
Litigation	Legal losses, litigations, reputation
Human resources	Attraction and retention of staff, disciplinary cases, adherence to HR policies.
Consolidated companies	parent, subsidiary, affiliate, consolidated, group companies, special purpose company
Going concern	Maintenance of corporate image, standardisation, financial stability and marketing strategies.

(Source: Kim and Yasuda, 2017)

For any organisation to develop an advanced risk management culture, there are Keywords which indicate categories of risk management maturity. These are keywords which investors focus on when assessing the governance of a company.

- **STUDY 2: The importance of risk management disclosure for market conduct and effective governance.**

A previous study conducted revealed that the disclosure of operational risks is important in the banking sector for market discipline and effectiveness of governance. The Islamic bank has committed to ensuring that a framework is in place to assess risks and disclose them to keep stakeholders informed at all times. An effective risk management culture fosters better communication and openness in the business world. The author recommends that additional research should be undertaken to discover the effect of risk disclosure in annual reports to determine if there will be any impact on the firm's value (Jarboui and Neifar, 2017:14).

- **STUDY 3: A shift from a narrow risk disclosure application.**

Prior to 2008, the concept of risk management reporting concentrated more on quantitative risk data such as market risk with less focus on qualitative risk data such strategic and business risks. There is a requirement for Securities and Exchange Commission (SEC) registrants to disclose qualitative and quantitative market risk information in annual reports. Plans to effectively address the exposures in the MDA section should also be included. The requirement was issued in the Financial Reporting Release No. 48 (FRR 48), in the USA. Canada has a rich regulatory framework that forces companies to disclose risk information in the management, discussion and analysis (MDA) section. UK introduced in 1993 a process to guide risk management disclosure reporting which is equivalent to the MDA section which is a regulatory requirement for the countries above. This applies to all listed companies; the process is known as operating and financial reviews (OFR). The content should include key risk indicators and trends relating to future implications thus giving direction to companies. Germany, growth arrest-specific 5 (GAS5) requires companies to prepare a specific section in the financial reports to address risk management information. Australia established the Australian Securities Exchange (ASX) Corporate Governance Principles. Principle number seven is aimed at

promoting the importance of risk management as an integral part of good governance practices (Azlan-Amran *et al.*, 2008:2).

- **STUDY 4: The attitude of institutional investors to risk management disclosure.**

The study examined the relationship between business ownership, governance and US listing characteristics to the amount of risk disclosure. The results of the study show a despondent relationship between institutional ownership and risk management disclosure, which means that institutional investors are not pleased with the status quo of risk management disclosures. There is more work to be done to improve the disclosures (Abraham and Cox, 2007).

- **STUDY 5: The integrated reporting and the disclosure of risks and opportunities.**

Moolman, Oberholzer and Steyn (2016:600) are of the view that there is a need for a new approach on how companies should disclose information in a manner that promotes integrated thinking. The elements of disclosure in the integrated reporting have been provisioned in the guidelines contained in the integrated reporting framework. The study conducted by the trio assessed how integrated reporting influences the change of culture that enables executive management to ensure that strategy, opportunities and risk are inseparable from the success of the organisation. The study presented the following factors which drive effective risk management processes:

1. Company and industry-specific risks and opportunities which either compromise or elevate company value.
2. Impact of risks and opportunities on the quality, availability and affordability of needed capital.
3. Sources of risk identifications (internal).
4. Sources of risk identifications (external).
5. The probability and quantitative exposure of risks and opportunities.
6. Controls and proposed mitigation control to minimise the magnitude and chances of risk occurrence
7. Organisation's position to effectively manage material risks in line with company risk-bearing capacity, risk appetite and risk tolerance levels (Moolman *et al.*, 2016:604).

2.7 SUMMARY OF THE MAIN FINDINGS AND IMPORTANT ISSUES

The five (5) studies in a nutshell, provided insights about the importance of risk management disclosure to strengthen the governance environment. Study 1 and study 2 revealed that risk management disclosure as public information is appreciated by investors and management as a tool to enable them to make informed investment decisions. The studies further provided educational opportunities to stakeholders of companies to understand all types of risk exposures, their impact on strategic objectives and the value derived from effectively managing the exposures.

Study 3 revealed that stakeholders are showing interest in wanting to see a shift from one-sided risk type known as a market risk to a general approach of risk management to address enterprise-wide risks which negatively affect the strategic, tactical and operational environments of organisations.

Study 4 presented findings that operational risk management information is necessary to enable the business to make the effective capital allocation as a provision for unplanned risks with associated costs. This is important to ensure that entities do not face financial crisis as a result of lack of proper risk awareness as the bank needs to be liquid at all times. Study 5 concluded with important findings that risk management reporting disclosure needs to inspire integrated thinking, studies conducted indicate that the disclosure should avail information such as risk impact on the business, opportunities identified as a result of risk assessment and plans to ensure that risk exposures are minimised.

2.8 THE IMPORTANCE OF KING III REPORT ON CORPORATE GOVERNANCE

The King III report was introduced as a result of the promulgated Companies Act No 71 of 2008 and changes in international standards of governance. The King reports are recognised in the international platform as a drive for corporate governance. The governance principles are designed to guide companies on how to manage risks and realise financial value out of their businesses. King III provides additional features about the guidance of positive economic impact of companies in areas in which operate business and sustainability of the company. South Africa is amongst 56 Commonwealth countries in the world that have accepted the principles of good governance but not on a statutory basis. There is an option to comply or explain to make provision for companies that have not yet matured in governance (IoDSA, 2009:7-8). This gives them an opportunity to grow and comply over time. This code is only meant to be a recommendation standard on how companies should conduct governance. The board of

every company should drive the adoption of the code in the event the code is not accepted. The board should provide an alternative code which has been adopted and implemented by the company. It is also important for the board to thoroughly explain why the principles of King Code were not adopted. It is a JSE mandatory requirement for listed companies to remain in good and regular standing as sound companies to invest in (IoDSA, 2009: 7-8).

The updated version which is the latest report of governance exists to simplify the requirements. The report is demonstrating more benefits of compliance. Organisations are now required to provide more insights in their disclosures. The principles were reduced from 75 to only 17 for ease of compliance (IoDSA King IV, 2016:4). The King Committee chairman (King, 2016:4) further alludes the benefits of the report below;

- Promote openness and transparency to stakeholders.
- To ensure operation of the organisation in a manner that promotes an ethical culture, good performance and legitimacy.
- Making the report easily accessible.
- To ensure that governance is not regarded as a compliance function, but stimuli of ethical conduct; and
- To promote enterprise-wide integration of activities through integrated thinking culture.

2.9 THE ELEVEN (11) PRINCIPLES OF THE KING III REPORT ON CORPORATE GOVERNANCE

The King Report on corporate governance refers to the principles of governance which exist to outline systems and structures to be adopted by companies. These principles are aimed at strengthening internal controls and increase company value in a manner that increases value for stakeholders and shareholders of the company. The Institute of the board of Directors South Africa (2016:3) drafted an article which explains that a company is governed by the Memorandum of Incorporations (MOI), frameworks and principles. It is for this reason that South Africa has developed its own governance report to promote fairness, accountability, responsibility, transparency, independence, and discipline (FARTID) in companies, Government, state-owned entities and other formations. The report on Corporate Governance is a pillar providing guidelines for the governance structures and operation of companies in South Africa. The report is prepared by the King Committee on Corporate Governance. Thus far, the King committee has issued four (4)

reports with the first one being issued in 1994 (King I), 2002 (King II), and 2009 (King III) and a fourth revision (King IV) in 2016. The King reports are a mandatory requirement for companies listed on the Johannesburg Securities Exchange). The King Committee which administers all King reports was established in 1993 by the Institute of Directors in South Africa. It is chaired by the retired judge Mervyn E. King (IoDSA, 2016:3).

The integrated reporting disclosure is a requirement which is based on the King III report for corporate governance and is made up of ~~key~~ Eleven (11) key principles aimed at fostering effective management of risks, namely;

1. The board should be responsible for the governance of risk;
2. The board should determine the levels of risk tolerance;
3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities;
4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan;
5. The board should ensure that risk assessments are performed on a continual basis.
6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
7. The board should ensure that management considers and implements appropriate risk responses;
8. The board should ensure continual risk monitoring by management;
9. The board should receive assurance regarding the effectiveness of the risk management process;
10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
11. Ensuring there is a risk-based internal audit approach (IoDSA King III, 2016:3).

These are principles that listed companies are expected to comply with when executing risk management. The evidence of compliance should be provided in the integrated financial reports annually for public consumption.

2.10 THE EMPHASIS OF THE KING III REPORT PRINCIPLES ON THE NEWLY ADOPTED KING IV REPORT

The King IV report has revised the risk management disclosure requirement, and this is available in principle 4 of 17 and principle 11 of 17. Principle 4 states that, the governing

body should ensure that the core purpose, risks, opportunities, strategy, business model and sustainable development are inseparable. Principle 11 states that the governing body should ensure that risk management is applied in the organisation in the manner that helps to achieve the established objectives. The King IV report is more outcomes based than rule-based (IoDSA, 2016:41).

2.11 SUMMARY

The chapter focused on providing insights of literature studies conducted by researchers regarding the risk management disclosure in the integrated reporting. The principles of the King report on risk governance were traced from King I, II, III and IV from 2002 to 2016. The concept of integrated reporting was unpacked to present the culture of integrated thinking which should be adopted by companies to effectively deal with both financial and nonfinancial risks. The chapter further assessed previous studies performed on risk management disclosure practices in other countries and in the South African context.

CHAPTER 3:

3 RESEARCH METHODOLOGY

3.1 INTRODUCTION

The chapter defines the research methodology suited for this study and presents the theories that support the research process to be followed. Research is a scientific approach which explores a phenomenon with the objective to obtain a new perspective into a specific branch of knowledge. It is a pursuit that progressively seeks to be abreast of knowledge in an evolving context (Wilson, 2008:22).

Kumar (2008:6) also describes research as an intensive and purposeful movement to obtain a fuller understanding of the unknown. The main purpose of research is to obtain new insight into a specific phenomenon and to formulate answers and solutions about previously identified research questions. Based on the above information regarding research, a conclusion can be reached that the objective of the research is to arrive at the truth by answering the established research question. It is essential for the discovery of the new information for the development in the society (Pellissier, 2007:75). The

purpose of the research method is to provide insights into the research activity that will be pursued. It also defines the process of how the research activity will be executed, monitored for progress and measured to get the research outcomes (Clarke, 2005:4). The other significant component of research methodology is to present how the results will be interpreted and effectively communicated (Merriam, 1998). Under the research methodology component, the researcher is required to provide details and supporting evidence as to how the data will be collected, how the keywords, themes and super-themes will be decided and justifications/substantiations for decisions made.

3.2 SUBSTANTIATION OF NEED FOR THE STUDY

It is necessary for the research question to be answered for the study to make a valuable contribution to the risk discipline. The findings of the study will avail information that will enhance the quality of risk management reporting to improve corporate governance for listed companies. The study conducted by Abraham and Cox (2007) found that investors are not pleased with the status quo of risk management reporting. They have indicated that more work needs to be done to improve disclosures. Another study conducted by Kim and Yasuda (2017:11) discovered the importance of risk management reporting. The view is expressed by stakeholders as they need information that enables them to make informed decisions. In a nutshell, there is sufficient evidence from all previous studies showing the need to investigate and assess the risk management disclosures as practised by listed companies and make necessary recommendations to enhance the reporting practice. It is mandatory as per JSE requirements for companies to meet high levels of compliance in reporting disclosure to maintain good listings.

3.3 THE RESEARCH PROCESS

The research process consists of considerable steps which are procedural to execute a successful research study. These steps are as follows:

1. Outlining the research question;
2. Research design;
3. Outlining of data collection method;
4. Data analysis; and
5. Recommendation and conclusion (Terre Blanche, Durheim & Painter, 2006:34).

3.4 RESEARCH METHOD

The purpose of the research method is to provide insights about what informs the research activity to define the process to be explored and used. The research method also enables the researcher to measure research progress and determine the results. A significant component of the research method is to present how the results will be interpreted and effectively communicated. Under the research methodology component, the researcher is required to provide details and supporting evidence as to how the data will be collected, how the keywords, themes and super-themes will be decided and justifications/substantiations for decisions made (Clarke, 2005). The data collection method applied in this study was the qualitative research method and the measuring tool developed is a compliance checklist. Its purpose is to assess whether selected companies meet the disclosure requirements of the King III report. The content analysis research technique is utilised to code and infer data. Integrated annual reports of selected listed companies in the consumer goods sector are utilised as a source of information to conduct the assessment.

3.5 TYPES OF RESEARCH

3.5.1 Descriptive versus analytical research

A descriptive study is purposed to establish answers to questions addressed to whom? How? What? When? And why? (Cooper and Schindler, 2014:170). A descriptive study is an objective oriented study with the desired outcome which is directed and defined Manoharan (2010:15). The significance of this study method assesses the current situation and condition with the goal to reach a particular destination (Gravetter and Forzano, 2009:147). Analytical research is a process to critically and rigorously uproot factual elements of the collected data. Kothari (2004:54) reveals that this study method focuses on the repeated usage of events which are related.

This study applies the combination of descriptive and analytical research approaches. In the context of a descriptive approach, the study is interested to explore the current status of disclosure reporting prepared by the selected companies in the study. The aim is to understand the logic of reporting, compare it with the required standards which are internationally recognised to scientifically attain views about the soundness of compliance with the requirements of disclosure reporting. The study further applies an analytical research approach to rigorously select and assess data disclosed in the annual reports

of the selected companies to examine the disclosure compliance profile. This is done at a granular level where words used in the reports are analysed and interpreted.

3.5.2 Pure versus applied research

The purpose of pure research is to investigate the merits of theories and research questions which are in the interest focus of the researcher (Kumar, 2011:10). This process aims to reach deeper meaning out of superficial hypotheses (Manoharan, 2010:12). Applied research involves a process where a manager or decision maker is presented with a solution or an alternative which is based on the research findings. The goal of applied research is to present different solution options to make a feasible decision (Pellissier, 2007:14). In a nutshell, pure research is all about a contribution of insights in the branch of knowledge while applied research provides insights which provide a solution to a problem (Gillies, 2004:16). The research project undertaken will be based on the applied method because, the research aims at providing solution to a problem of superficial reporting.

3.5.3 Conceptual versus empirical research

Conceptual research refers to a process of examining abstract theories to influence ideologies and frames of mind. This process is predominately applied in the philosophical world (Kothari, 2004:21). While empirical research is a research method that is applied in a practical manner using data, observation and experimental means to discover the truth (Cooper and Schindler, 2014:66). The present study is based on the empirical research as it is applied practically by analysing the reports of companies.

3.5.4 Quantitative versus qualitative research

There are two (2) research methods namely quantitative and qualitative research. The quantitative method of research is utilised when the researcher prefers to employ post-positivist claims in the study to establish knowledge with reliance on the use of surveys, structured interviews, observation checklists or archival records, such as government databases and experiments that dissect the insights regarding the research problem. Statistical data tools are used to analyse collected data (Creswell, 2003:18). On the other hand, Manoharan (2010:12) indicates that qualitative research assesses events and activities without any use of numerical data. This research method explores subject matter using various research methods and conceptual frameworks (Pellissier, 2007:23).

This type of research method is more responsive than the quantitative research method (Manoharan, 2010:13). Regarding the mixed methods these are coherent, cohesive, clearly defined, transformative, embedded or multiphase approaches could be identified (Creswell, 2014:13). Both quantitative and qualitative research methods could be narrow, limited and be subject to relativism. A process was identified to close a gap between qualitative and quantitative methods. This data source is known as triangulating and was first used in 1959 (Creswell, 2014:14). This process has created an opportunity to have a mixed approach which falls within the ambit of the convergent parallel mixed method. This is a form of mixed method design in which the researcher put together quantitative and qualitative data to provide an insightful analysis of the research problem. The qualitative and quantitative data are collected at the same time to enable the researcher to put together the data as part of the interpretation and generate research findings (Creswell, 2014:14). This research study is made up of content and data analysis of integrated annual reports. It is feasible to use both methods simultaneously. To assess data, a disclosure index/checklist will be developed based on the principles of the King III report on risk governance.

3.6 RESEARCH DESIGN

Mouton (2011:55) explains research design by making use of an illustration to build a house. It would be nonsensical to prioritise building material and issuing the date of completion without knowing about the building structure to be designed. The first element to be addressed is what type of a building needs to be constructed, whether it's residential property, office space, etc. When the design is not in place, a research project will not be undertaken. Myers (2013:19) views research design as a strategy to approach the formulated research problem or the hypothesis. It is in the research design phase where the researcher decides on various components of the research study, namely; the philosophical assumption, research method, data collection tool or technique as well as the means to quantify and analysis the data collected. The research design is a critical process in a research project; it enables the researcher to detect which data to collect, identify respondents to provide data and how the collected data will answer the research question (Jalil, 2013:5). The research design is not by any means related to the research method or specific data, so it is essential for a researcher to keep in mind the research question when deciding on the specific research design (Jalil, 2013:5).

3.7 SELECTED METHOD

The method followed to collect the data is called content analysis. The following segment of this study introduces the reader to the insights of content analysis and substantiation as to why this method of collecting data was selected will be provisioned.

3.7.1 The definition of content analysis

Content analysis is a method that is preferred in the financial sector particularly to evaluate the content of annual reports to improve the state of the accounting landscape (Steenkamp and Northcott, 2007:12). Content analysis is a step by step method which is coherent and cohesive to identify keywords and categorise key texts with the objective to identify the number of words and paragraphs which are used in the content of the reports and align them to these and super-themes (Smith, 2011:13).

3.7.2 Different approaches to content analysis

There are two distinct generic approaches to content analysis which can be identified, namely the “form orientated” (objective) analysis, which involves the routine counting of words, concepts, and themes, or the “meaning orientated” approach which is a more subjective approach focusing on interfering in the underlying meanings present in the texts being investigated (Smith and Taffler, 2002:626). Content analysis is perceived as having limitations about the extent of procedures used in evaluation and analysis of data. The method is less inclined to assess forms in content. Its strong point is centred on the ability to deal with meanings. It focuses on providing insights of the texts to its true meaning by quantification, identification of words and concepts as well as making contextualized inferences about meanings within the text (Steenkamp and Northcott, 2007:13). Krippendorff (2004:18) defines content analysis as an effective research tool or mechanism which can mine inferences from the texts and how they are purposefully applied. Furthermore, content analysis is perceived by other researchers as being a unifier of qualitative and quantitative research methods to gather and evaluate data in various forms such as verbal, digital communication, hardcopies with the objective to apply the knowledge in the academic field (Kondracki *et al.*, 2002:224). Content analysis is effectively useful to gather data when sources such as interviews, focus groups and open-ended questions are used (Kondracki *et al.*, 2002:224).

3.7.3 The measuring instrument: compliance checklist

To make good use of the data from the integrated annual reports of listed consumer goods companies, a disclosure index or checklist will be developed to measure compliance with the principles of the King III report on risk governance. This disclosure index is a research measuring instrument made up of items in the area of risk management reporting disclosure to quantify the extent to which companies report risk information (Coy, 1995:5). The developed checklist will be used to measure the compliance of the selected companies in the study.

3.8 POPULATION AND SAMPLE

The proposed population for the study is based on JSE listed companies operating in the consumer goods industry. The study focuses on the Johannesburg Securities Exchange Listed Companies in the consumer goods sector. These companies offer complementary products in the market. They are exposed to similar market risks and have similar business environmental challenges.

3.8.1 Sample size

Not all companies in the consumer goods sector were selected; only eleven (11) companies are selected for the research study. The rationale for choosing these companies is that they are listed on the JSE and are compelled to comply with reporting disclosures regarding the King III report. Furthermore, they have a presence in all provinces of South Africa and are registered as public companies, which mean they are compelled to publish the annual integrated reports for the public. It is easy to collect data for this research study based on the reasons above. The following companies were selected:

1. Clover Industries Limited
2. Danone
3. AVI
4. Pioneer Foods
5. Tiger Brand
6. Astral
7. Pick 'n Pay
8. Shoprite
9. Tongaat Hulett

10. Nestlé

11. Unilever

3.9 DATA ANALYSIS

Data is collected from the annual reports. The latest integrated annual reports for the financial period 2016 were assessed, and a comparison was drawn against reports in the financial period of 2014 and 2015. The disclosure focuses mainly on the governance of risk management as an integral part of an integrated report. There are eleven (11) principles of risk management governance on the King III report which are used to measure compliance.

3.9.1 Data process and administration

Content of analysis is utilised as a method of data collection as explained earlier. This approach was utilised to gather proof of risk reporting culture in the 11 selected companies relying on the eleven (11) principles of risk management based on the King III report.

3.9.2 The objective of the data analysis

The objective of data analysis was to assess whether listed companies in the consumer goods sector meet the risk disclosure principles of the King III report, as required by the JSE. Below are the principles of the King III report which are used in the measuring tool known as the compliance checklist (The King III Report and Code, 2016:33).

1. The Board should be responsible for the governance of risk;
2. The Board should determine the levels of risk tolerance;
3. The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities;
4. The Board should delegate to management the responsibility to design, implement and monitor the risk management plan;
5. The Board should ensure that risk assessments are performed on a continual basis;
6. The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
7. The Board should ensure that management considers and implements appropriate risk responses;

8. The Board should ensure continual risk monitoring by management;
9. The Board should receive assurance regarding the effectiveness of the risk management process; and
10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
11. Ensuring there is a risk-based internal audit approach (IoDSA King III, 2016:3).

3.10 VALIDITY AND RELIABILITY

The importance of validating data in this study is to assure that the selected research method is adequate and effective to measure the results accurately (Golafshani, 2003:598). To ensure that research method is reliable means that the same data collected by the researcher should be presented in the future considering the same conditions in which it was collected using the same collection methods and unit of analysis. (Brynard and Hanekom, 2008:48). The measuring instrument is deemed effective and reliable if the outcome of the research can be re-generated under similar conditions with the application of the same research methodology in the future (Golafshani, 2003:598). It is essential for both qualitative and quantitative research methods to present the studies with integrity and precision. Reliability exists to assess the value of quantitative research with the purpose of providing insights, while a qualitative study focuses in generating an understanding of a hypothesis (Stenbacka, 2001:551). The measuring instrument for the chosen research study is effective to provide accurate results to answer the research question. Data collected is reliable and can be accessed at all times. It is loaded on the website of the selected companies. The results were recorded and verified using an MS Excel tool for accuracy and effective analysis.

3.11 RESEARCH ETHICS

Ethics refers to moral attitude to do things with integrity by treating others with fairness (Adams *et al.*, 2009:35). According to Walliman (2006:148) it is an obligation and mandatory requirement for researchers to be ethical when conducting a research project to maintain work that is credible, honest and legitimate. There should be a demonstration of adequate fitness to undertake the proposed study. It is critical for the researcher to uphold high ethical standards when using research methods, particularly content analysis. There should include maintenance of consistent and fair coding and analysis of the data obtained from annual reports of companies. The present study is conducted with integrity and honesty. The data is collected and managed ethically with no prejudice.

3.12 DELIMITATIONS

The study will only explore integrated reports of JSE listed companies in the FMCG industry for the following reasons:

- The study will not interview executive management and the governing body. This puts limits as there is too much reliance on the annual reports which may not contain comprehensive risk information or management may choose to disclose bias risk information.

The next chapter will provide an analysis and discussion of the research study.

3.13 SUMMARY

In this chapter, the research methodology was articulated with the conclusion to incorporate both qualitative and quantitative methods to collect data. A structured research approach and applied research methods were selected, a population and sample size of the study was established. This was succeeded by the content analysis as a collection method chosen for the study to provide better insights into best standards of reporting in the accounting fraternity. A compliance disclosure checklist is designed as the effective measuring tool applied in line with the literature review.

CHAPTER 4:

4. ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

The purpose of this chapter is to provide an overall report of the results derived from the empirical study conducted. The study intends to analyse risk disclosure in the consumer goods sector. The study will utilise a disclosure index to analyse and discuss the results from analysing the integrated reports. A process of validity and reliability of the research techniques used will be reported. Qualitative and quantitative approaches were applied in the study to analyse the reporting disclosure of risk management in the integrated annual reports. Du Preeze (2016:1) indicated that in South Africa, the JSE has made the risk report a mandatory requirement through the principles of the King III report on risk governance. Although some companies endeavour to comply with the King III report, there is a need to engage in deeper levels of understanding of the reporting principles to meet the desired standards consistently. As presented in chapter two (2), studies conducted revealed how companies are lacking behind in the implementation of an advanced risk management reporting practice. This chapter will analyse the results to support findings discovered in the previous studies as an attempt to answer the research question.

In Table 4.1 presented below, the disclosure index used for this study is provided.

Table 4.1: Disclosure Index: King III

DISCLOSURE ITEMS – THE KING III REPORT	
GOVERNANCE OF RISK PRINCIPLES	
1	The board should be responsible for the governance of risk.
2	The board should determine the levels of risk tolerance.
3	The Risk Committee or Audit Committee should assist the board in carrying out its risk responsibilities.
4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.
5	The board should ensure that risk assessments are performed on a continual basis.

6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.
7	The board should ensure that management considers and implements appropriate risk responses.
8	The board should ensure continual risk monitoring by management.
9	The board should receive assurance regarding the effectiveness of the risk management process.
10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
11	Ensuring there is a risk-based internal audit approach

(IoDSA King III, 2016:3).

The grid presented in table 4.2 below is designed to provide a disclosure compliance dashboard of the selected companies. It explains compliance regarding all eleven (11) principles of the King III report. Companies that fully comply with principles of the King report will receive a score of (2) which means they have a "Yes" status. Companies that only list each principle in their annual reports without providing details on how they have complied with each principle of the King III report will receive a score of (1) "Partial disclosure" status. Companies that do not list or say anything about each principle of the King III report in their integrated annual report will receive a score of (0) which means "No disclosure status".

Table 4.2: Grid

Yes	2	
Partial	1	More work to be done to articulate risk exposure (quantification) and mitigation plans
No	0	

4.2 AN OVERVIEW OF THE PAST THREE (3) FINANCIAL YEARS

The results of the study are presented by making a comparison between the past three (3) financial periods of public companies in the consumer sector. The aim is to establish whether these companies are progressing or regressing about disclosure on risk management as per the King III report on good governance. The disclosure index is made

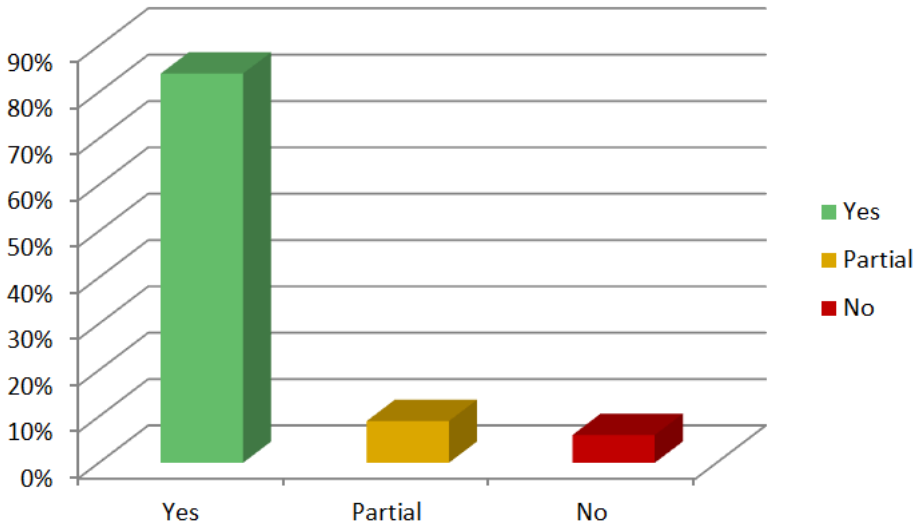
up of eleven (11) principles according to the King III report. The King IV report has been introduced recently, and therefore its disclosure requirements are expected to be met in 2017. Thus far not all companies have released audited integrated reports based on the King IV report.

Table 4.2: An overview of the overall risk disclosure compliance trends of companies over the past three (3) years

2014			2015			2016		
Yes (%)	Partial (%)	No (%)	Yes (%)	Partial (%)	No (%)	Yes (%)	Partial (%)	No (%)
89	9	6	86	6	5	82	11	8

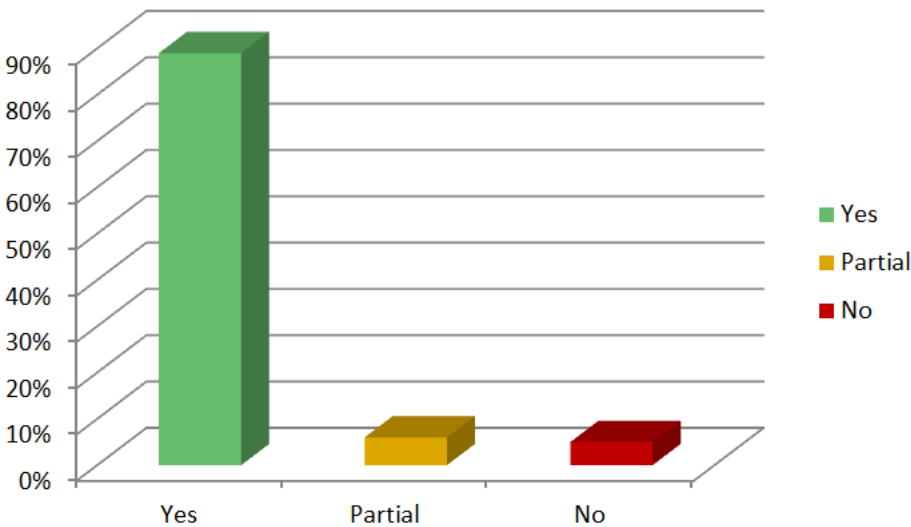
The trend of risk disclosure over the past three (3) years indicates a decline from 2014 until 2016. All companies in 2014 developed checklists and demonstrated compliance without substantiating how they complied with some principles. The integrated results in 2015 demonstrated improvement as three (3) companies in the selected sample fully complied with the disclosure requirements of King III. However, the overall results declined from 89 to 86%. The results indicate a regression because the majority of the selected companies omitted information to be disclosed without a corresponding rationale or reasons for amendments. 9% of the selected companies did not publish integrated reports. It is uncertain why companies chose not to disclose compliance to King III as they did not provide explanations. This practice is in contravention of the JSE regulation to either comply or explain (IoDSA, 2009: 7-8).

Figure 4.4: Overall disclosure in 2014



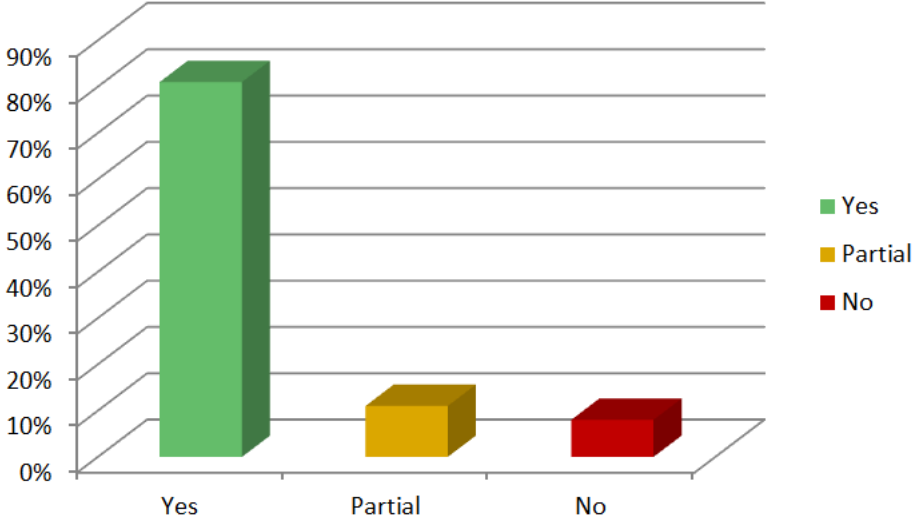
Overall results for full compliance in 2014 were 89%, this status raised concerns as few companies which are listed on the JSE did not provide information regarding whether they have determined risk appetite levels. This is a critical factor to assure shareholders and stakeholders about the liquidity risk management in these companies.

Figure 4.5: Overall disclosure in 2015



The compliance status declined to 86% in 2015 due to poor disclosure on principles 2,8,10 and 11 which remain unmet by a majority of these companies. It exposes the companies to a high level of shareholder uncertainty about how it manages its liquidity and places reliance on audit and risk functions. Risk appetite and tolerance levels have an impact on how risks affect the finances of the company. Lack of appreciation of four (4) principles in the disclosure index four (4) is a material concern.

Figure 4.6: Overall disclosure in 2016



The overall results for full compliance in 2016 further deteriorated to 82% from 86% in 2015. It is evident that companies are not improving when it comes to compliance disclosure. This disclosure behaviour is not in line with the mandatory requirements of the JSE, and more attention should be given by the board of directors of the selected companies in the consumer goods sector for improvement.

4.3 INDIVIDUAL TRENDS PER COMPANY OVER THE PAST THREE (3) YEARS

The 2014 integrated annual results were drafted five years after the introduction of the principles of the King III report. It is, therefore, feasible to start the analysis with the reports of the 2014 financial year as companies should already have initiated risk disclosure. The research from this angle will give a broader outlook on trends over the past years. This is important as circumstances differ in every financial year. Data of disclosures of the selected companies in different financial years is provided in tables 4.3, 4.4 and 4.5 below.

Table 4.3: Individual disclosure per company in 2014 (%)

DISCLOSURE ITEMS - THE KING III REPORT ON CORPORATE GOVERNANCE.		Clover	Danone	AVI	Pioneer Foods	Tiger brand	Astral	Pick n Pay	Shoprite	Tongaat Hulett	Nestle	Unilever	Overall
GOVERNANCE OF RISK													
1	Full Compliance with King III	95	63	90	95	90	95	95	95	90	78	90	89
2	Partial Compliance with King III	5	6	10	5	10	5	5	0	0	5	5	5
3	None Compliance with King III	0	31	0	0	0	0	0	5	10	17	5	6

Table 4.4: Individual disclosure per company in 2015 (%)

DISCLOSURE ITEMS - THE KING III REPORT ON CORPORATE GOVERNANCE.		Clover	Danone	AVI	Pioneer Foods	Tiger brand	Astral	Pick n Pay	Shoprite	Tongaat Hulett	Nestle	Unilever	Overall
GOVERNANCE OF RISK													
1	Full Compliance with King III	95	31	95	100	100	95	90	71	100	78	90	86
2	Partial Compliance with King III	5	31	5	0	0	5	5	24	0	5	0	7
3	None Compliance with King III	0	38	0	0	0	0	5	5	0	17	10	7

Table 4.5: Individual disclosure per company in 2016 (%)

DISCLOSURE ITEMS - THE KING III REPORT ON CORPORATE GOVERNANCE.		Clover	Danone	AVI	Pioneer Foods	Tiger brand	Astral	Pick n Pay	Shoprite	Tongaat Hulett	Nestle	Unilever	Total
GOVERNANCE OF RISK													
1	Full Compliance with King III	84	31	9	Not Disclosed	90	86	90	71	100	78	90	82
2	Partial Compliance with King III	16	31	5		5	9	5	24	0	5	0	10
3	None Compliance with King III	0	38	0		5	5	5	5	0	17	10	8

▪ **ANALYSIS OF THE RESULTS**

Based on the data above, it is evident that Clover dropped compliance regarding King III from 95% to 84% because in 2014, there was a detailed disclosure on principle two (2) which requires a risk tolerance framework to be developed and embedded when assessing risks. In the 2014 integrated report, information is disclosed about the board's

approval of the Enterprise Wide Risk Management Framework, which defines Clover's risk-bearing capacity, risk appetite and risk tolerance. In 2016, Clover did not provide a detailed disclosure regarding risk tolerance. There is only a compliance "yes" tick against each principle. The disclosure maturity for a company such as Danone has been declining over the past three years from 63% in 2014, 31% in 2015 and 2016. This decline is because the integrated reports do not disclose the board's commitment to risk management about King III. There is no disclosure of risk tolerances and risks are identified with no corresponding mitigation strategies to minimise them. It is noteworthy to mention that in 2014, companies such as Clover, Tongaat Hulett, Pioneer Foods, Astral, Pick 'n Pay, AVI, Shoprite, Nestle and Unilever achieved high compliance status on King III. These companies achieved over 90% in 2014. In hindsight, 9 out of 11 companies achieved high levels of compliance.

In 2015, companies such as Tongaat Hulett, Tiger brands and Pioneer foods achieved 100% compliance with the King III report. These companies achieved great results due to their executive management and the board providing a detailed disclosure of all eleven (11) principles of King III. In 2016, only Tongaat Hulett achieved 100% compliance. Companies like Clover, Danone, Pick 'n Pay, Shoprite Limited, Nestlé, Unilever and others in the sample have not achieved 100% compliance due to a lack of detailed disclosures of risk tolerance framework and quantify risk exposures, amongst other reasons. Tongaat was the best company over the past three (3) years while Danone was the worst performing company over the past three (3) years.

4.4 STATISTICAL MEASURE OF RISK DISCLOSURE COMPLIANCE

The objective of this section is to evaluate using statistics the risk disclosure compliance profile of all selected companies in the consumer goods industry. Technical tools and formulas are used to provide a scientific view of the compliance status. A formula model such as standard deviation is used to provide an overview of risk disclosure compliance. If the standard deviation is closer to the value of zero, it is a good sign that the majority of companies are compliant. If the value of standard deviation is far away from 0, then it means the majority of companies are less compliant.

These results are discussed in detail in the section below.

4.4.1 Definition and application of standard deviation

The standard deviation is a statistical model used to measure the amount of variation from the data set. It is an appropriate statistical tool used to measure how close or how far selected companies are from complying with the eleven (11) principles of the King III report. Once the standard deviation is calculated to be lower, it means that the data collected is closer to the desired compliance status. On the other side, a high calculated standard deviation gives the impression that the collected data is far from the desired compliance expectation. Standard deviation is widely used in the finance area to measure risk and uncertainties for the business to make sound decisions (Bland and Atman, 1998:1).

The formula used to calculate the standard deviation is:

Standard Deviation

$$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \mu)^2}$$

Where
x_i is an individual value
μ is the mean/expected value
N is the total number of values

The standard deviation is determined to be above one over the past three (3) years from 2014, 2015 and 2016.

- **Full compliance data collected from 11 listed companies in the past three (3) years to calculate the standard deviation**

The data used to calculate the standard deviation is collected from full compliance data of eleven (11) selected companies in the three (3) financial years as depicted in table 4.2, 4.3 and 4.4 above. This data when applied in the model, will reveal the probability of disclosure improvement by the selected companies considering the compliance performance over the past three (3) years.

Table 4.6: Full compliance data over the past three (3) years

The financial year 2014
Data: 95%, 63%, 90%, 95%, 90%, 95%, 95%, 95%, 90%, 78%, 90%
The financial year 2015
Data: 95%, 31%, 95%, 100%, 100%, 95%, 90%, 71%, 100%, 78%, 90%
The financial year 2016
Data: 84%, 31%, 95%, 90%, 86%, 90%, 71%, 100%, 78%, 90%

Table 4.7: Full compliance data collected from 11 listed companies in the consumer goods sector in 2014 is used to calculate the standard deviation.

Statistics measures on full compliance	2014
Sample Standard Deviation, s	10.09
Variance (Sample Standard), s^2	102
Population Standard Deviation, σ	9.6
Variance (Population Standard), σ^2	92.6
Total Numbers, N	11
Sum:	979
Mean (Average):	89
Standard Error of the Mean (SE_x):	3.0

The calculations are computed using electronic software known as calculator.net. It automatically provides the needed figures (calculator.net, 2018) as indicated below:

Table 4.8: Full compliance data collected from 11 listed companies in the consumer goods sector in 2015 is used to calculate the standard deviation

Statistics measures on full compliance	2015
Sample Standard Deviation, s	20.4
Variance (Sample Standard), s^2	417.6
Population Standard Deviation, σ	19.4
Variance (Population Standard), σ^2	379.7
Total Numbers, N	11
Sum:	945
Mean (Average):	85.9
Standard Error of the Mean (SE_x):	6.1

Table 4.9: Full compliance data collected from 11 listed companies in the consumer goods sector in 2016 is used to calculate the standard deviation

Statistics measures on full compliance	2016
Sample Standard Deviation, s	19.6
Variance (Sample Standard), s ²	387.8
Population Standard Deviation, σ	18.6
Total Numbers, N	10
Sum:	819
Mean (Average):	81.9
Standard Error of the Mean (SE _x):	6.2

▪ **ANALYSIS OF RESULTS**

The results of the past financial years depict an accurate analysis of the compliance disclosure status. Any standard deviation above 1 provides a negative impression on the compliance status against the King III report. The initial standard deviation in 2014 was 10.09. The results indicate deterioration over the years. It can be seen that the standard deviation increased to 20.4 in 2015 and declined to 19.6 in 2016. It is still far from the initial standard deviation in 2014 which is not close to desired compliance expectation. There is a need for further work to be done in order to improve the quality of integrated reporting disclosures.

4.5 THE FORECAST OF COMPLIANCE USING A PROBABILITY MODEL

A forecast of future compliance with the King III report by the selected companies can be gauged by the use of a probability model; this is important to prepare for the future. Probability measures the probability of an event to occur. It is measured regarding numbers between 0 and 1. Number 1 is a sign of high likelihood of occurrence while 0 is a sign of low likelihood of occurrence.

To forecast how the selected companies could report on risk disclosure in the next financial year, a statistical method to forecast future compliance can be used. The method used is known as the probability model. It can provide a view of how likely the companies could perform in 2017 and beyond using historical and current data (Marsaglia, 2004:3).

The detail of the formula used to predict the compliance performance in 2017 is provided below:

The probability of an event:
Number of favourable outcomes/total number of possible outcomes
(Easton and McColl, 1997)

The probability calculations are computed using electronic software known as calculator.net. It automatically provides the needed figures (calculator.net, 2018) as indicated in the table below.

Table 4.10: Probability Forecast

Statistics measures on full compliance	2016
Sample Standard Deviation, s	19.6
Total Numbers, N	10
Mean (Average):	81.9

The results as calculated reveal the probability of **0.0000066266**. The results of the probability model do not provide a good indication regarding the likelihood of compliance by the selected companies. Anything below 1 is not a good sign. There is a need for considerable efforts by companies in the consumer goods sector to prioritise risk disclosure to maintain good listings in the Johannesburg securities exchange.

4.6 ANALYSIS OF DISCLOSURE PER PRINCIPLE

In this section of the study, disclosure compliance is assessed regarding each principle of the King III report on good governance.

Figure 4.7: Overall disclosures per principle in 2016 (%)

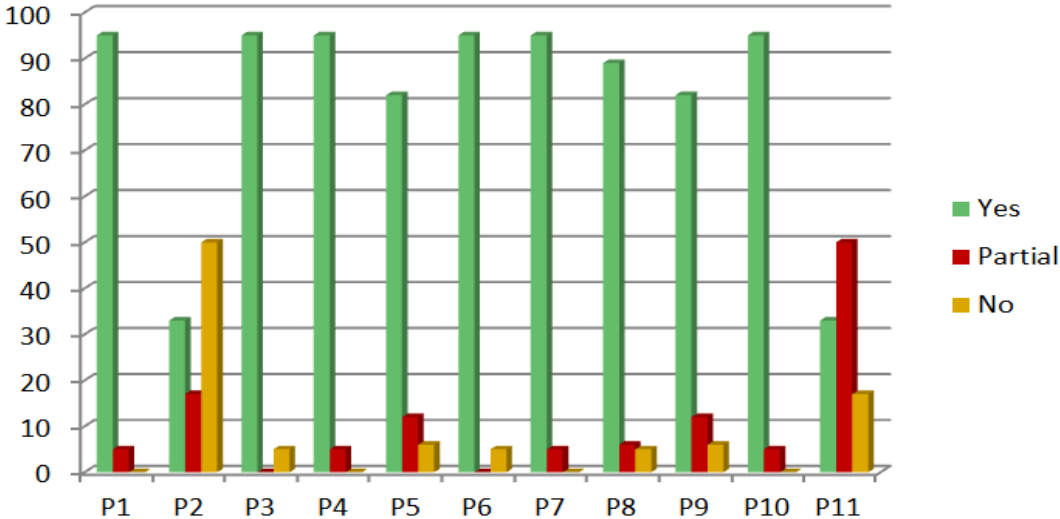


Table 4.11: Overall disclosures per principle in 2016

Principles	Yes (%)	Partial (%)	No (%)
Principle 1: The board should be responsible for the governance of risk.	95	5	0
Principle 2: The board should determine the levels of risk tolerance:	33	17	50
Principle 3: The Risk Committee or Audit Committee should assist the board in carrying out its risk responsibilities	95	0	5
Principle 4: The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	95	0	5
Principle 5: The board should ensure that risk assessments are performed on a continual basis.	82	12	6
Principle 6: The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	95	0	5
Principle 7:			

The board should ensure that management considers and implements appropriate risk responses.	95	0	5
Principle 8:	Yes (%)	Partial (%)	No (%)
The board should ensure continual risk monitoring by management.	89	5	6
Principle 9:	Yes (%)	Partial (%)	No (%)
The board should receive assurance regarding the effectiveness of the risk management process.	82	12	6
Principle 10:	Yes (%)	Partial (%)	No (%)
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	95	5	0
Principle 11:	Yes (%)	Partial (%)	No (%)
Ensuring there is a risk-based internal audit approach	33	50	17
Overall	88.9	11.7	9.4

The disclosure index had 11 principles of disclosure requirements to assess risk disclosures in the selected companies listed on JSE. The overall disclosure per principle is 88.9% for the 2016 integrated reports. The 9.4% of non-compliance raises concern as it affects nine principles of the King III. Some of these principles have a material impact on the corporate governance of companies if compliance with these principles is not improved. The selected companies which are not compliant will be exposed to serious governance challenges. An example is given regarding the 11th principle of the King III, the board of companies' place reliance on a combined assurance model to inspire confidence on corporate governance. If principle 11 is not achieved, it means there is no sufficient relationship between audit and risk management such as an audit plan being informed by the risk assessment process. Therefore, a combined assurance model is questionable.

4.7 CONSOLIDATED RISK DISCLOSURE OVERVIEW (LATEST RESULTS)

The results revealed the following findings:

GRID

Yes	2	
Partial	1	More work to be done to articulate risk exposure (quantification) and mitigation plans
No	0	

Figure 4.8: Overall disclosure per company in 2016 (%)

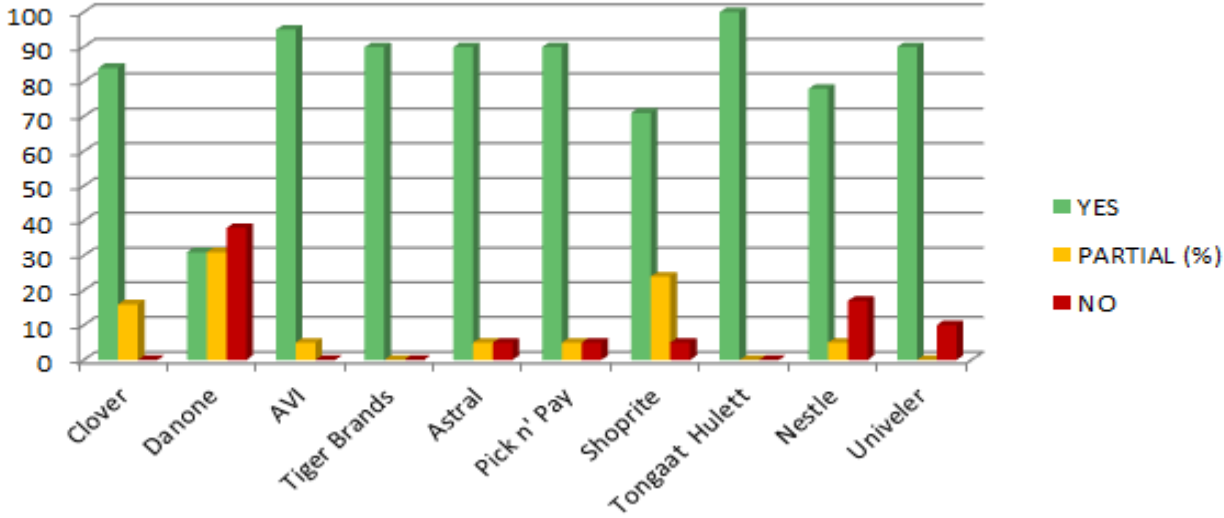


Table 4.12: OVERALL RESULTS PER COMPANY

Companies	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	Overall Compliance		
												YES (%)	PARTIAL (%)	NO (%)
Clover	2	1	2	2	1	2	2	2	2	2	1	84	16	0
Danone	1	0	0	1	0	0	1	0	2	2	1	31	31	38
AVI	2	1	2	2	2	2	2	2	2	2	2	95	5	0
Pioneer foods	No Integrated report 2016 - the only financial report is issued for 2017													
Tiger Brands	2	2	2	2	2	2	2	2	1	2	1	90	10	0
Astral	2	0	2	2	2	2	2	2	2	2	1	90	5	5
Pick n' Pay	2	0	2	2	2	2	2	2	2	2	1	90	5	5
Shoprite	2	0	2	2	2	2	2	1	1	1	1	71	24	5
Tongaat Hulett	2	2	2	2	2	2	2	2	2	2	2	100	0	0
Nestle	2	0	2	2	1	2	2	2	0	2	0	78	5	17
Unilever	2	0	2	2	2	2	2	2	2	2	0	90	0	10
Overall												81,9	10,3	8

Although there is no benchmark or threshold regarding the best disclosure compliance status, it is important to qualitatively analyse the results of the principles per company. The overall results per company are 81.9%. The ideal objective according to the intents

of the JSE is for companies to demonstrate high levels of corporate governance. This is only measured through full compliance with the principles of the King III report. The results of 81.9% reveal that about 18.1% of companies are experiencing challenges to meet the King III disclosure requirements. This is a matter that raises concerns about the state of South African governance for companies listed in the JSE.

It's important to dissect the results of the disclosure performance as reported by the selected companies through comparison between the overall results of disclosure per principle and the overall results of disclosure per company. The results of disclosure per principle revealed 88.9% while the results of disclosure per company revealed 81.9%. The results of disclosure per company are 7% lower than the results of disclosure per principles.

4.8 CONCLUSION

As discussed in the literature review that the Institute of directors of South Africa under the guidance of the King Committee has made a provision for companies to either comply or explain. This means that if companies are not ready or in a position to comply with all principles of the King III, they need to explain as to why they do not comply or disclose alternative principles which they have adopted in the place of the principles of the King III report. Non-compliance, as demonstrated in the results above, is not good for the image of the listed companies in the consumer goods sector. This matter is critical for the listed companies as non-compliance has a direct impact on the reputational damage of companies' corporate images. It makes governance questionable and investors to be uncertain about investment prospects of the companies (IoDSA, 2009: 7-8).

CHAPTER 5:

5 RECOMMENDATIONS

5.1 INTRODUCTION

The preceding chapter focused on the evaluation of the collected data by use of content analysis. The results of the analysis are essential for this chapter. The focus is to determine whether the primary and secondary objectives of the study were achieved through empirical research and literature substantiation of the subject matter to answer the research question.

The results of the study will provide a contribution to the branch of knowledge regarding the maturity of integrated reporting on risk governance for the consumer goods sector. Limitations of the study will be discussed in the chapter to encourage future research in the subject matter.

5.2 RESEARCH OBJECTIVES

The purpose of this chapter was to discuss the outcome of the research question to assess the levels of risk disclosure compliance with the principles of King III report. This is important for consumer goods companies to maintain JSE listings and provide assurance of corporate governance to investors. The chapter will measure the research results against the established research objectives to ensure that the study served its purpose.

5.2.1 The review of the research objective: investigate the impact of risk management disclosure in the integrated reports of selected JSE-listed companies in the consumer goods sector.

The research objective was achieved through a literature study about the importance of risk disclosure in integrated reporting. Some of the studies supported the need for companies to improve the reporting disclosures of non-financial information to enable investors to make sound business decisions. Other studies presented evidence of disclosure requirements influencing integrated thinking to embed risk management when setting and executing company strategy.

The research objective of the study was also achieved through an empirical study which revealed the following evidence per each principle of the King III report:

- **Principle 1:** Danone was the only company that did not disclose in the interim results its board's commitment to risk management.
- **Principle 2:** Clover, Danone, AVI, Astral, Pick 'n Pay, Shoprite, Nestlé and Unilever did not provide disclosure on the determination of risk appetite statement as required by these principles.
- **Principle 3:** Out of 11 companies, ten comply with principle 3 of the King Report. The majority of companies in their reports reveal the board's commitment to support risk management. Only Danone was noncompliant with principle 3 in the past three financial years.
- **Principle 4:** It is noteworthy to mention that only Danone did not disclose compliance with principle 4. Reasons for nondisclosure were not provided.
- **Principle 5:** Danone did not comply with this principle. Reasons for nondisclosure are not provided. Nestlé only listed the principles with no details of disclosure in past three (3) financial years; this means it was partially compliant. All other companies complied with the principle.
- **Principle 7:** Danone's results did not disclose the board's commitment to risk management. No disclosure of risk tolerances. Risks are only listed not information about mitigations.
- **Principle 8:** Danone demonstrated the same results. Shoprite does not provide sufficient details about internal audit and risk. Other companies complied with this principle.
- **Principle 9:** The trend remained the same compared to the past two (2) years. Tiger Brand, Shoprite and Nestlé, did not comply with this principle as well.
- **Principle 10:** Shoprite was the only company that partially complied with the principle. Other companies fully complied with this principle in 2016.
- **Principle 11:** Tiger Brands and Nestlé achieved noncompliance disclosure in 2016 as well, Clover and Danone partially disclosed information to ensure there is internal audit risk-based approach. This means companies either do not understand the concept of risk-based internal audit approach or are avoiding this concept.

Summary

The study revealed that the overall results of disclosure compliance for the selected companies in the consumer goods sector declined over the past three years. There is clear indication that companies started off well to comply with the principles of the King III report in 2014. The reporting style of some companies was amended in 2015 and 2016 without reasons to motivate why the disclosure sections were amended.

The study is in agreement with the literature review that risk information that is reported by companies does not articulate adequate risk exposures and treatments to keep investors well-informed of the risk management capabilities. This literature is aligned to principle 2 of the King III report. There is lack of disclosure on this principle by the majority of companies. The literature study also indicated that the board of directors and top management influences the culture of risk disclosure in integrated reporting. The empirical evidence reveals inconsistencies of risk disclosures by 10 out of the 11 companies. This could be as a result of a change of board of directors or top management. It can also be influenced by different decisions taken by the board of directors and top management.

The results, in a nutshell, reveal that all companies have adopted the King III compliance register to track and monitor compliance. However, there is no adequate disclosure in some of the principles. This is an indication that much work should be done to improve corporate governance. Tongaat Hulett is the outstanding company about disclosure compliance as it achieved 100% in 2015 and 2016. The results reveal that the majority of the selected companies do understand the landscape of the King III principles. However, there is an area of improvement on some of the principles which are not adequately addressed in the reports.

5.3 RECOMMENDATIONS

- Clover needs to provide reasons as to why it has changed its integrated report by omitting the details of risk disclosure in the years 2015 and 2016. The requirements have not been changed by the King Committee. However, Clover amended its reporting standard which compromised its reporting quality. There is a need for Clover to re-visit its risk management strategy and align it with the requirement of

the King III report. In the event of non-compliance, Clover needs to explain deviation from risk disclosure. The provision of the King III allows for companies to explain when there is non-disclosure.

- More emphasis needs to be made to improve compliance with principle 9 for Astral. A review of the risk disclosure needs to be done and aligned with the King report III.
- Pick 'n Pay has disclosed risk management integration with strategy. This is critical for compliance and is also highlighted in the revised principles of the King IV. This is an indication that Pick 'n Pay will not face major challenges to comply with the King IV report. It is recommended that Pick 'n Pay continue with the current risk management landscape and enhance compliance with certain principles like development and embedment of risk appetite in the business.
- Companies like Shoprite, AVI, Danone, Clover and Unilever will need to develop risk appetite and tolerance frameworks and embed it in its processes. This process is essential to comprehend risk exposure (impact) in the business for decision-making purposes. This activity will help them to fully comply with the principles of risk monitoring and assurance of risk processes and systems to achieve effectiveness.
- There must be continual engagements by listed companies with the Institute of the board of directors South Africa (IoDSA) to be kept informed of all changes and expectations of risk disclosure compliance.

5.3.1 Limitation of the study

The research study could not determine factors that inform the inconsistency in the report. It is not clear whether the issue exists due to change in management or lack of understanding of the principles' requirement. Further research should be conducted to identify reasons why companies are not disclosing information consistently to ensure compliance with the King III report. The study only targeted the consumer goods sector; other studies could target different sectors as well.

5.4 CONCLUSION

The study established a relationship between previous studies that were conducted as expressed in chapter 2 and the empirical findings in Chapter 4.

Du Preeze (2016:1) explains that some principles of the King III report have been made enforceable through the Company Act 71 of 2008 (SA, 2008), S (14). The JSE further requires listed companies to develop a checklist to prove compliance of the King III report, and it must be uploaded onto the website. The checklist has to be updated and appropriate at all times. JSE has made the King III report mandatory because of a philosophy that good governance is essential for capital funding and help companies to achieve a strong corporate image and appreciated work environment with high employee retention. The statement by Du Preeze (2016:1) provides a view of the impact of non-compliance to the King III report. Companies which do not comply with the mandatory requirements of good governance are perceived as having an immature risk management culture and questionable corporate reputation.

6 REFERENCES

- Adams, J., Khan, H.T.A., Reaside, R. & White, D. 2009. Research methods for graduate business and social science students. Singapore: Sage.
- Azlan-Amran, A., Manaf, A., Rosli Bin, A. & Bin-Hassan, B. 2008 Risk reporting: An exploratory study on risk management disclosure in Malaysian annual reports. *Managerial Auditing Journal*, 24(1):39-57.
- Abraham, S. & Cox, P. 2007. Analysing the determinants of narrative risk information in UKFTSE 100 financial reports. *British Accounting Review*, 39(3):227.
- Bland, J.M. & Altman, D.G. 1996. Statistics notes: measurement error. Date of access: 10 October 2017.
- Calculator.net.2018. <http://www.calculator.net/standard-deviation-calculator.html> Date of access: 16 April 2018.
- Clover. 2015. Annual Report. <http://www.clover.co.za/annual-report/2015>. Date of access: 29 July 2016.
- Clarke, R.J. 2005. Research methodologies. <https://business.uow.edu.au/content/groups/public/@web/@commerce/documents/doc/uow012042.pdf> Date of access: 19 October 2017.
- Creswell, J.W. 2003. Research design: qualitative, quantitative, and mixed methods approach. 2nd ed. Thousand Oakes, CA: Sage.
- Coy, D.V. 1995. A public accountability index for annual reporting by NZ Universities. Hamilton: The University of Waikato. (Thesis – PhD).
- Danone. 2015. Annual Financial Report. <http://www.danone.com/en/for-all/integrated-report/> Date of access: 26 July 2016.
- Draghi, M. 2009. Risk Management lessons from the global banking crisis of 2008. <https://www.sec.gov/news/press/2009/report102109.pdf> Date of access: 19 October 2017.

- Cooper, D. & Schindler, P. 2014. Business research methods. <https://www.mheducation.com/highered/product/business-research-methods-cooper-schindler/M0073521507.html> Date of access: 10 October 2017.
- Du Preeze, T. 2016. Legal sanctions for non-compliance with King III. <http://www.polity.org.za/article/legal-sanctions-for-non-compliance-with-king-iii-2016-05-17>. Date of access: 09 October 2017.
- Easton, V.J. & McColl, J.H. 1997. Statistics glossary (V1.1). <http://eprints.gla.ac.uk/120164/> Date of access: 17 April 2018.
- Fox, J.H. 1958. Criteria of good research. *The Phi Delta Kappan*, 39(6):284-286.
- Gillies, D. 2004. Laws and models in science. http://scholar.google.co.za/scholar_url?url=https%3A%2F%2Fpub.uni-bielefeld.de%2Fdownload%2F2457187%2F2915611&hl=en&sa=T&oi=ggp&ct=res&cd=4&ei=sSyFWoukJ8-0mAHc_7mYCW&scisig=AAGBfm2ZLiMAY02ftr5RxAfLI4qgUb0dbw&nossl=1&ws=1280x583 Date of access 5 December 2017.
- Gravetter, F.J. & Forzano, L.B. 2009. Research methods for behavioural sciences. 3rd ed. San Francisco, CA: Wadsworth.
- Golafshani, N. 2003. Understanding reliability and validity in qualitative research. *The Qualitative Report*, 8(4):597-607.
- Hubbard, J. 2014. The practical challenges of integrated reporting. <http://www.gaaaccounting.com/the-practical-challenges-of-integrated-reporting/> Date of access: 10 May 2017.
- Institute of Directors in Southern Africa (IoDSA). 2002. King Report on Corporate Governance for South Africa. Pretoria: Institute of Directors in Southern Africa.
- Institute of Directors Southern Africa (IoDSA). 2009. King III: Code of governance for South Africa 2009. Institute of Directors in South Africa.
- Institute of Directors in Southern Africa (IoDSA). 2016. King IV: Report on Corporate Governance for South Africa. Pretoria: Institute of Directors in South Africa.

- Institute of Risk Management Report. 2017. South Africa risks 2017. 3rd ed. https://c.ymcdn.com/sites/www.irmsa.org.za/resource/resmgr/2017_Risk_Report/2017_IRMSA_Risk_Report_-_Fin.pdf Date of access: 17 April 2018.
- Janse Van Vuuren, H. 2016. Risk management disclosure practices in accordance with king ii and iii. *International Journal of Economics and Finance Studies*, 8(2):159-174.
- Jarboui, A. & Neifar, S. 2017. Corporate governance and operational risk voluntary disclosure: evidence from Islamic banks. <https://doi.org/10.1016/j.ribaf.2017.09.006> Date of access: 10 October 2017.
- Jalil, M.M. 2013. Practical guidelines for conducting research: summarising good research practice in line with the DCED standard. <http://www.Enterprise-develop.org/page/download/id=2133> Date of access: 10 May 2018.
- Kirkpatrick, G. 2009. The Corporate Governance Lessons from the Financial Crisis. Financial Market Trends. Paris: OECD. <http://www.oecd.org/finance/financial-markets/42229620.pdf> Date of access: 20 October 2017
- Kim, H. & Yasuda, Y. 2017. Business risk disclosure and firm risk: evidence from Japan. <https://doi.org/10.1016/j.ribaf.2017.07.172> Date of access: 9 October 2017.
- Kirkpatrick, G.2009. The corporate governance lessons from the financial crisis. <http://search.oecd.org/finance/financial-markets/42229620.pdf> Date of Access 17 April 2018.
- Kothari, C.R. 2004. Research methodology methods and techniques. 2nd ed. New Delhi: New Age.
- Kumar, C.R. 2008. Research methodology. New Delhi: APH.
- Kumar, C.R. 2011. Research methodology – a step-by-step guide for beginners. 3rd ed. London: Sage.
- Krippendorff, K. 2004. Content analysis: an Introduction to its methodology. 2nd ed. London: Sage.

- Kondracki, N.I., Wellman, N.S., Fada, R. D. & Amundson, D.R. 2002. Content analysis: a review of methods and their applications in nutrition education. *Journal of Nutrition Education and Behaviour*, 34(4):224-230.
- Linsley, P.M. & Shriver, P.J. 2005. Disclosure of risk information in the banking sectors. *Journal of Finance Regulation and Compliance*, 13(3):205-214.
- Low, D & Foo, C. 2015. Statement on risk management & internal control: Guidelines for directors of listed issuers. <http://www.iiam.com.my/wp-content/uploads/2015/12/guideline-risk-management-new1.pdf> Date of access. 10 October 2017.
- Makwetu, K. 2016. Auditor-general reports an overall, encouraging five-year improvement in local government audit results. [https://www.agsa.co.za/Portals/0/MFMA%202014-15/Section%201-9%20MFMA%202014-2015/FINAL%20MEDIA%20RELEASE%20\(MFMA%202016\)%20FN.pdf](https://www.agsa.co.za/Portals/0/MFMA%202014-15/Section%201-9%20MFMA%202014-2015/FINAL%20MEDIA%20RELEASE%20(MFMA%202016)%20FN.pdf) Date of access: 17 October 2017.
- Marsaglia, G. 2004. Evaluating the normal distribution. *Journal of Statistical Software*, 11(4):1-11.
- Manoharan, P.K. 2010. Research methodology. New Delhi: APH.
- McGregor, L. 2008. Improving Corporate Governance in South Africa. http://www.usb.ac.za/governance/Documents/pdfs/UnitColloquiumPaper1_LynnMcGregor.pdf Date of access: 18 April 2018
- Merriam, S.B. 1998. Qualitative research and case study applications in education. San Francisco, CA: Jossey-Bass.
- Moolman, J. 2015. The impact of integrated reporting on risk management and strategic decision-making for JSE-listed companies. https://dspace.nwu.ac.za/bitstream/handle/10394/20385/Moolman_J_2015.pdf?sequence=1&isAllowed=y Date of access: 7 October 2017.
- Moolman, J., Oberholzer, M. & Steyn, M. 2016. The effect of integrated reporting on integrated thinking between risk, opportunity and strategy and the disclosure of risks and opportunities. *Southern African Business Review*, 20:600-627.

- Moumen, N., Othman, H.B. & Hussainey, K. 2016. Board structure and the informativeness of risk disclosure: Evidence from MENA emerging markets. *Advances in accounting*, 35:82-97.
- Mouton, J. 2001. How to succeed in your master's and doctoral studies: a South African guide and resource book. Pretoria: Van Schaik.
- Myers, M.D. 2013. Qualitative research in business & management. 2nd ed. London: Sage.
- Neifar, S. & Jarboui, A. 2017. Corporate governance and operational risk voluntary disclosure: evidence from Islamic banks. *Research in International Business and Finance*, 3(4):67-73.
- Nyembe, N., Madi, P., Nase, A. & Nzimande, A. 2016. Draft King Report on corporate governance for South Africa. <https://www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/research-entities/cals/documents/programmes/bhr/in-court/Draft%20King%20IV%20Report%20on%20Corporate%20Governance%20for%20South%20Africa.pdf> Date of Access: 8 December 2017.
- Organisation for Economic Co-operation and Development (OECD). 2014. Risk management and corporate governance, corporate governance. <http://dx.doi.org/10.1787/9789264208636-en> Date of access: 19 October 2017.
- Power, M. & McCarty, L.S. 2009. Peer-reviewed: a comparative analysis of environmental risk assessment/risk management frameworks. *Environmental Science & Technology*, 32:224-231.
- Pellissier, R. 2009. Management research in the real. New York, NY: McGraw-Hill.
- PriceWaterhouseCoopers. 2013. Seizing opportunities with integrated reporting. <http://www.pwc.co.uk/assets/pdf/integrated-thinking-flyer-dec-2013.pdf> Date of access: 4 October 2017.
- Raemaekers, K. 2014. Trends in risk-disclosure practices of South African listed companies. <https://core.ac.uk/download/pdf/39675481.pdf> Date of access: 29 October 2017.

- Sobel, P.J. & Reding, K.F. 2004. Aligning corporate governance with enterprise risk management: melding enterprise risk management with governance means directors, senior management, internal and external auditors, and risk owners must work interdependently. *Management Accounting Quarterly*, 5(2):29-38.
- South Africa (SA). The Company Act, No. 71 of 2008.
- Stubbs, W. & Higgins, C. 2014. Integrated reporting and internal mechanisms of change. *Accounting, Auditing & Accountability Journal*, 27(7):1068-1089.
- Steenkamp, N. & Northcott, D. 2007. Content analysis in accounting research: The practical challenges. *Australian Accounting Review*, 17(3):12-25.
- Smith, M. 2011. Research methods in accounting. 2nd ed. London: Sage.
- Smith, M. & Taffler, R.J. 2002. The Chairman's statement: a content analysis of discretionary narrative disclosures. *Accounting, Auditing and Accountability Journal*, 13(5):624-646.
- Stenbacka, C. 2001. Qualitative research requires quality concepts of its own. *Management Decision*, 39(7):551-555.
- Terre Blanche, M, Durrheim, K. & Painter, D. 2006. Research in practice: Applied methods for the social sciences. 2nd ed. Cape Town: UCT.
- United Nations General Assembly. 2012. Report of the United Nations Conference on Sustainable Development. <http://www.uncsd2012.org/content/documents/814UNCSD%20REPORT%20final%20revs.pdf> Date of access: 16 July 2015.
- Van Wyk, R., Bowen, P. & Akintoye, A. 2008. Project risk management practice: The case of a South African utility company. *International Journal of Project Management*, 26(2):149-163.
- Viljoen, C., Bruwer, B.W. & Enslin, Z. 2006. Determinants of enhanced risk disclosure of JSE Top 40 Companies. *South African Business Review*, 20:208-234.
- Walliman, N. 2006. Social research methods. London: Sage.
- Wilson, S. 2008. On the research journey. Research is ceremony: indigenous research methods. <https://kinasevych.ca/2017/08/27/wilson-2008-on-the-research-journey->

research-is-ceremony-indigenous-research-methods/ Date of access: 03 October 2017.

ANNEXURE 1: RISK DISCLOSURES IN THE PAST THREE (3) YEARS

Compliance Status

YEs	Partial	None
-----	---------	------

Financial Year 2014

Company	1	2	3	4	5	6	7	8	9	10	11	Reports Remarks	Risk Keywords from the	Compliance Status with King III				
Clover Industries Limited - Integrated Report 30 June 2014	2	2	2	2	2	2	2	2	2	2	2	1	Not Applicable	23	<ul style="list-style-type: none"> ✓ The Board approved the Enterprise Wide Risk Management Framework, which defines Clover’s risk bearing Capacity, risk appetite and risk tolerance. ✓ Strategy is adjusted to reduce business risk 	95%	5%	0%
Danone Interim Report 2014	2	0	0	2	0	0	2	0	2	2	2	1		16		63%	6%	31%
AVI Annual Report 2014	2	1	2	2	2	2	2	2	2	1	2	2		20	<ul style="list-style-type: none"> ✓ Disclosure demonstrating lack of understating regarding risk disclosure requirement. 	90%	10%	0%

Astral Integrated Report 2014	2	2	2	2	2	2	2	2	2	2	2	1			<ul style="list-style-type: none"> ✓ There is disclosure regard in the g effectiveness of internal controls tested by IA. ✓ Not yet applying the principles of King IV the, disclosure is only limited to King III. No disclosure of risk tolerance. 	96%	4%	0%
Pick n Pay Holdings integrated report 2014	2	2	2	2	2	2	2	2	2	2	2	1		23	There is a disclosure of Strategy and risks being inseparable.	95%	5%	0%
Shoprite Limited integrated report 2014	2	0	2	2	2	2	2	2	2	2	2	2		23	Table of strategic objectives linked with associated risks	95%	0%	4%
Tongaat Hulett Integrated report 2014	2	0	2	2	2	2	2	2	2	2	2	0		22		90%	0%	10%
Nestlé Annual Review +	2	0	2	2	1	2	2	2	0	2	0		19	Integrated report Title is not used by Nestlé. No checklist for King report III as compared to its competitors.	78%	5%	17%	

Financial Year 2015



Company	1	2	3	4	5	6	7	8	9	10	11								
Clover Industries Limited - Integrated Report 30 June 2015	2	2	2	2	2	2	2	2	2	2	2	1			21	<ul style="list-style-type: none"> ✓ Disclosure: Group's strategy depends on it being able to take calculated risks in a manner that does not jeopardise the direct interest of stakeholders through the alignment of risk and opportunities to the Group's vision and mission. ✓ Board approved the Enterprise Wide Risk Management Framework, which defines Clover's risk-bearing capacity, risk appetite and risk tolerance. 	95%	5%	0%
Danone Interim Report 2015	1	0	0	1	0	0	1	0	2	2	1		Not Applicable			2015 report does not disclose board's commitment to risk management. No disclosure of risk tolerances. Risks are	31%	31%	38%

Tiger Brands Integrated annual report 2015.	2	2	2	2	2	2	2	2	2	2	2		<ul style="list-style-type: none"> ✓ The disclosure index loaded onto the website. ✓ Risk exposures quantified in the integrated report. ✓ Assesses the levels of risk tolerance and limits of risk appetite for the group and makes recommendations to the board. 	100%	0%	0%
Astral Integrated Report 2015	2	2	2	2	2	2	2	2	2	2	1			95%	5%	0%
Pick n Pay Holdings Integrated Report 2015	2	0	2	2	2	2	2	2	2	2	1		There is a disclosure of Strategy and risks being inseparable	90%	5%	5%
Shoprite Limited Integrated Report 2015	2	0	2	2	2	2	2	1	1	1	1		Table of strategic objectives linked with associated risks	71%	24%	5%

Tongaat Hulett Integrated report 2015	2	2	2	2	2	2	2	2	2	2	2					100%	0%	0%
Nestle Annual Review + Corporate Governance Report 2015	2	0	2	2	1	2	2	2	0	2	0			No integrated report in place. Disclosure are shared in pieces on Annual review report and governance report		78%	6%	17%
Unilever Integrated Report 2015	2	0	2	2	2	2	2	2	2	2	0					90%	0%	10%

Compliance Status with III & IV

Full

Partial

None

Financial Year 2016

Company	1	2	3	4	5	6	7	8	9	10	11							
Clover Industries Limited - Integrated Report 30 June 2016	2	1	2	2	1	2	2	2	2	2	2	1			No statement of Risk appetite and tolerance levels, no risk quantification to reveal exposure, no disclosure of internal audit risk based approach. It's only highlighted in the King III checklist. No statement of strategy, risk and opportunity being inseparable.	84%	16%	0%
Danone Interim Report 2016	1	0	0	1	0	0	1	0	2	2	2	1			Both 2016 and interim 2017 result do not disclose board's commitment to risk management. No disclosure of risk tolerances. Risks are only listed not information about mitigations.	31%	31%	38%

AVI Annual Report 2016	2	1	2	2	2	2	2	2	2	2	2			Chairman's statement states compliance with to be King IV in 2018 report. King III checklist in place with detailed disclosures	95%	5%	0%
Pioneer Foods Report 31 March 2016	No Integrated report 2016 the - only financial report is issued for 2017.																

Tiger Brands Integrated annual report 2016 (No new report issued). 2016	2	2	2	2	2	2	2	2	2	1	2	1			The disclosure index loaded onto the website. Risk exposures quantified in the integrated report. Internal controls are not yet audited. Only financial Statements were audited by the independent auditors. No detailed statement on how risk based-audit is done.	90%	10%	0%
Astral Integrated Report 2016	2	0	2	2	2	2	2	2	2	2	2	1			There is disclosure regard in the effectiveness of internal controls tested by IA. Not yet applying the principles of King IV the, disclosure is only limited to King III. No disclosure of risk tolerance.	90%	5%	5%
Pick n Pay Holdings 2016	2	0	2	2	2	2	2	2	2	2	2	1			There is a disclosure of Strategy and risks being inseparable. Detailed report in place to comply with King III & King IV.	90%	5%	5%
Shoprite Limited 2016	2	0	2	2	2	2	2	1	1	1	1	1			Table of strategic objectives linked with associated risks	71%	24%	7%

Tongaat Hulett Integrated report 2016	2	2	2	2	2	2	2	2	2	2	2					100%	0%	0%
Nestle Annual Review + Corporate Governance Report 2016	2	0	2	2	1	2	2	2	0	2	0			No integrated report in place. Disclosure are shared in pieces on Annual review report and governance report		78%	6%	17%
Unilever 2016	2	0	2	2	2	2	2	2	2	2	0					90%	0%	10%
Yes	81 %																	
Partial	11 %	2																
No	5%	6																

ANNEXURE 2: LETTER FROM LANGUAGE EDITOR



Antoinette Bisschoff
71 Esselen Street,
Potchefstroom
Tel: 018 293 3046
Cell: 082 878 5183
Language@dlts.co.za
CC No: 1995/017794/23

Sunday, 06 May 2018

To whom it may concern,

Re: Letter of confirmation of language editing

The dissertation **An analysis of risk management disclosure in the consumer goods sector** by PT Mosiane was language and technically edited. The referencing and sources were checked as per NWU referencing guidelines. Final corrections remain the responsibility of the author.



Antoinette Bisschoff

Officially approved language editor of the NWU since 1998
Member of SA Translators Institute (no. 100181)

Precision ... to the last letter