UNIVERSITY OF THE WATERSRAND
SCHOOL OF ACCOUNTANCY

Masters Research Report

Trends in Integrated Reporting: A State Owned Company Analysis

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Masters of Commerce (Accountancy).

DECLERATION

I, Mahmood Ismail Surty, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Masters of Commerce (Accountancy) at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other any other university.

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Mr. Mahmood Surty

Signed at JOHANNESBURG

On the 29th **day of** AUGUST **2016**

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ABSTRACT

Accountability by state owned companies has been lacking in recent times. The need for an oversight mechanism to improve governance and as such accountability is required for state owned companies (IOD and PWC, 2011). Integrated reporting has answered this call due to its ability to provide a holistic view of the factors that create value for an entity in the short, medium and long-term. South African state owned companies have realised the benefit integrated reporting can have on their corporate governance and as such have adopted integrated reporting in terms of King III and the IR Framework. The purpose of this study is to investigate the trends in integrated reporting by state owned companies per The Public Finance Management Act 1999 for the 2013, 2014 and 2015 financial periods. This report examines the extent of disclosure made by state owned companies per the King III and IR Framework recommendations and requirements in respect of integrated reporting; by means of using a scorecard approach to identify the level of disclosure made by each state owned company. The key findings of this study was that the level of reporting disclosure by state owned companies increased following an upward positive trend with the disclosures on average increasing from providing little information on a poor to average basis in 2013 to providing some information at a satisfactory level in 2015. It was found that there were no instances of non-compliance with overall disclosure by any of the state owned companies analysed over the three year period. Furthermore, not a single company provided disclosure overall at an excellent level in any of the three years analysed. This finding suggests that although improving, the level of integrated reporting disclosure by state owned companies is still only satisfactory and as such there is a lot of room for improvement over time. Areas that are in need of reform relate to governance, the governance of information technology, the provision of information on the outlook of the entity and information as to the basis upon which integrated reports are prepared.

Keywords: Accountability; corporate governance; corporate reporting; Integrated reporting; International Integrated Reporting Framework; King III; non-financial information; state owned entities

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LIST OF ABBREVIATIONS

Abbreviation	Definition
CAE	Chief Audit Executive
CIO	Chief Information Officer
Companies Act	The Companies Act No.71 of 2008
IAF	Internal Audit Function
IIRC	International Integrated Reporting Council
IOD	Institution of Directors
IR Framework	Integrated Reporting Framework
IT	Information Technology
JSE	Johannesburg Securities Exchange
King III	The King Report and Code of Governance Principles for South Africa 2009
KPI’s	Key Performance Indicators
PFMA	Public Finance Management Act of 1999

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CHAPTER 1 – INTRODUCTION TO STUDY

1.1 Purpose of the study

In the last 40 years, there has been a gradual advancement in social, environmental and ethical reporting (Solomon and Maroun, 2012). In more recent times, the integration of social, environmental and ethical reporting together with an entity's annual report, to create one report called an integrated report has become the focus of reporting (Solomon and Maroun, 2012). The purpose of this research study is to evaluate the trends in integrated reporting by South African state owned companies as defined in the Public Finance Management Act 1999 (PFMA). This has been carried out by evaluating the extent of compliance with the recommendations of the King Report and Code of Governance Principles for South Africa 2009 (King III) and the International Integrated Reporting Framework (IR Framework) by state owned companies over the 2013, 2014 and 2015 financial years.

Makiwane (2012) evaluated the differences in reporting by Johannesburg Securities Exchange (JSE) listed companies, given the change over from King II to King III which became effective as of 1 March 2010. Makiwane (2012) conducted this evaluation by comparing the reporting of JSE listed companies from 2009 to 2010/2011. Makiwane (2012) recommended that a greater deal needs to be done in order to improve the level of reporting of JSE listed companies listed in order for the objective of integrated reporting to be met.

This study draws on research conducted by Makiwane (2012) however, the context of the study will relate to the evaluation of state owned companies. The aim of this research is to allow for insight into the trends in integrated reporting from a state owned company perspective which is the first of its kind.

1.2 Context of the study

This study focuses only on South African state owned entities per the PFMA and the reporting requirements that apply to them. The Companies Act No.71 of 2008 (Companies Act), applies to companies defined as either profit or non-profit companies. State owned companies in South Africa are defined in The Companies Act as profit companies and as such must comply with the provisions of The

Companies Act. The objective of the PFMA "*is to secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of institutions to which this Act applies to*" (Public Finance Management Act,1999:7). State owned companies must comply with the PFMA as they are listed as a public entity to which the PFMA applies. The context of the Acts covered in this research will thus be South African legislation. Although it is not a legislative requirement, the application of the principles and guidance of King III by state owned companies are desirable (PWC, 2012). This will lead to the spirit and all-encompassing governance principles of accountability, fairness, transparency and responsibility to be met effectively (PWC, 2012).

King III is the primary source of information that deals with governance and integrated reporting in South Africa (IOD, 2009). The principle and code in respect of King III can be applied to all entities including state owned entities (IOD, 2009). In South Africa, many state owned companies have adopted integrated reporting per the code and governance principles of King III (KPMG, 2012). The application of integrated reporting by state owned companies will be evaluated based on The King Code of Governance Principles 2009. The International Reporting Council's (IIRC) framework for integrated reporting and The International Integrated reporting Framework 2013 will also be considered in the evaluation of state owned companies integrated reports in this study given their current relevance and adoption by state owned companies of this framework (Nkonki, 2014) .

1.3 Objectives of the Study

The objectives of this literature review were to provide an in-depth analysis:

- To identify the trends in integrated reporting by state owned companies though the adoption of King III and IR Framework.
- To assess if adoption of King III and IR Framework, has assisted state owned companies in improving their integrated reporting disclosure and as a result their accountability to their various stakeholders.

1.4 Research question

What are the trends in integrated reporting by South African state owned companies over the 2013, 2014 and 2015 financial years?

1.5 Problem Statement

The IOD and PWC (2011) report shows that there is a lack of accountability in state owned companies. Hence, integrated reporting may counter act the lack of accountability currently experienced by state owned companies (KPMG, 2012). State owned companies have realised the niche for the adoption of integrated reporting (KPMG, 2012). Therefore, this study has evaluated the trends in integrated reporting by South African state owned companies over the 2013, 2014 and 2015 financial years.

1.6 Significance of the Study

The importance of state owned companies in Africa has been debatable for decades (Adjasi and Mbo, 2013). More recently though the importance of state owned companies, particularly in developing economies has grown (Florio, 2014). State owned companies are an enduring feature to any economy PWC, 2015). As a result it is important to determine whether the operations carried out by state owned companies meet their societal outcomes (PWC, 2015). Moreover, the performance of state owned companies is an issue of concern (Adjasi and Mbo, 2013). Governance issues such as pitiable stakeholder engagement, deficiency in professionalism and minimal levels of transparency are to blame for the poor performance of many state owned companies (World Bank, 2007). These issues point to the need to improve governance in state owned companies given that they have trailed the private sector in terms of improvement in governance (IOD and PWC, 2011).

The traditional reporting model which focuses on reporting historical financial information is lacking due to the focus on the past rather than the future (Owen, 2013). On the other hand integrated reporting provides a multi-dimensional representation of an entity (Owen, 2013). A greater overview of the business operations which will create and sustain value as well as how challenges are managed both in the short-term and long-term by the entity are thus a benefit of integrated reporting (ACCA, 2011). By preparing and issuing integrated reports both internally and externally, companies regardless whether they are privately owned or state owned, can increase "*the trust and confidence of its stakeholders and the legitimacy of its operations''* (IOD, 2009:12). Furthermore, integrated reporting will allow state owned companies to "evaluate *its ethics, fundamental values, and governance, and externally improve the trust and confidence which stakeholders have in it''* (IOD, 2009:12). This is important to state owned companies given their lack of accountability (Luke, 2010). King III enables integrated reporting as well as recommends its application thus making it an appropriate guidance to be used to prepare integrated reports (IOD, 2009).

Integrated reporting provides a framework for state owned companies to focus on reporting the principle objectives that they are required to meet and has been widely adopted by South African state owned entities (KPMG, 2012). This study is beneficial to determine the trends in integrated reporting by state owned companies due to the importance that state owned companies play in the economy and the issues that are prevalent in respect of their governance.

1.7 Limitations of the study

This study will be limited to the evaluation of state owned companies per the PFMA. The evaluation of the trends in integrated reporting will be limited to a three year period (2013,2014 and 2015) given that state owned companies have only more recently adopted King III as part of their reporting. The draft version of the King IV report was not considered in this study as it is not yet effective.

1.8 Structure of the Report

This research report consists of five chapters. Chapter 1 introduces the research topic, provides a background to integrated reporting and highlights the significance of the study as well as provide an overview of the study.

Chapter 2 reviews literature on the importance of state owned companies and how integrated reporting can assist state owned companies in improving stakeholder accountability. Furthermore, this chapter will discuss the King III and IR Framework and how these frameworks and guidance principles can assist state owned companies to prepare integrated reports that provide adequate disclosure on key matters.

Chapter 3 described the research methodology adopted in carrying out this research study. Furthermore, it introduced the use of a scorecard as the research instrument. Lastly, chapter 3 sets out the procedure for data collection and data analysis required for the successful execution of this research study.

Chapter 4 of this study discussed the findings from the integrated reports which were analysed and interpreted.

Chapter 5, based on the results of the research, concluded by summarising the findings and recommended avenues for further research.

CHAPTER 2- LITERATURE REVIEW

2.1 Introduction

Integrated reporting has gained attraction in recent times (Atkins and Maroun, 2012). Although integrated reporting is a relatively new concept through which entities report information globally, South Africa has led the way in implementing integrated reporting (Makiwane, 2012). The increasing focus by stakeholders on social, environmental and governance issues is the root source of the growth seen in integrated reports that are produced by entities (Adams and Simnett, 2011). This has changed and developed the way entities are held accountable and has developed a new form of accountability in light of the conditions prevalent at present (Hopwood, 1987). The use of retrospective financial information in the current economic environment does not satisfy the needs of shareholders and other stakeholders who seek information regarding the strategies and future objectives of an entity (Eurosif, 2009). Integrated Reports on the other hand provide a more comprehensive analysis of management's realization of the value drivers of the entity and how they propose to leverage them going forward for shareholders and other stakeholders to understand (Adams and Simnett, 2011). Integrated reporting presents numerous advantages as information is aligned more accurately to investors needs' with greater non-financial information becoming available which provides for better resource allocation by investors and stakeholders alike (Frias-Aceituno, Rodríguez-Ariza and Garcia-Sánchez, 2014).

2.2 Agency Theory

The need for greater accountability by the board of directors and management to stakeholders of an entity following the global financial crisis has led to effective corporate governance within entities becoming a major focus area (IIRC, n.d). This need for accountability can be explained using agency theory. Agency theory can be summarised as a relationship between two parties comprising of an agent and a principle (Jensen and Meckling, 1976). The agent acts on behalf of the principle and can make decisions on the principles behalf in respect of certain matters by virtue of the power given to the agent by the principle (Eisenhardt, 1989; Jensen and Meckling, 1976). An example of this would be a situation in which government as the shareholder in a state owned company acts in its capacity as the principle and entrusts the management of the state owned company to act as an agent and make decisions on its behalf that will result in the entity generating profitable returns for its shareholder. A concern relating to an agent-principle relation is that the agent may not always act in the best interest of the principle (Eisenhardt, 1989; Jensen and Meckling, 1976). A situation can therefore arise where the management of an entity decide to withhold or release information in relation to a company as they have the power to do so through their power to control the company as the agent (Rossouw, van der Watt and Malan, 2012). The need for an appropriate mechanism to align the interests of both the agent and principle is therefore an imperative (Fontrodona and Sison, 2006). Corporate governance and as such integrated reporting provides a mechanism for management and the board of directors of an entity to be held accountable to its shareholders and act in their best interests at all times (IIRC, 2013; IOD, 2009).

2.3 The Importance of State Owned Companies

The importance that state owned companies play in the economy has been a topic of debate for many years (Adjasi and Mbo, 2013). A state owned company is defined as a government owned entity that provides services by following a business based model where profits are generated in the provision of a service rather than operating on a non-profit basis with total government control (GiIdenhuys, Fox and Wissink, 1991). The Government acts as an 'economic entrepreneur' when they provide services to the public via a state owned company (GiIdenhuys *et al*., 1991). State owned companies importance to the economy as a whole thus cannot be ignored (PWC, 2015). The performance of state owned companies is therefore a vital issue that needs to be addressed (Adjasi and Mbo, 2013). State owned companies are generally protected from business failure as a result of government backing which ensures this does not occur (Wong, 2004). A question that can therefore be raised is whether the notion of not being able to fail may lead to the board and management of a state owned company to become complacent in their duties thereby hampering entity value creation due to their failure to operate the entity in and effective and efficient manner (IOD and PWC, 2011). This stems from the fact that the board of directors and management of a state owned entity effectively operate with the promise of financial support from government who will bailout a state owned company in the national interest of the country no matter its performance (IOD and PWC, 2011). This highlights the need for an effective oversight and performance mechanism to require the board and management to be held accountable (IOD and PWC, 2011). This view is shared by Adjasi and Mbo (2013) where it was discovered that in order to ensure the performance of state owned companies, government should to the best of their ability equip the management of state owned companies with the necessary skills to make informed decisions and more importantly, state owned companies should have an appropriate oversight mechanism to ensure performance.

2.4 Accountability by State Owned Entities

The need for accountability from public sector organizations has been driven not only by government but by all interested stakeholders of the relevant public sector entities (KPMG, 2012). The lack of an appropriate oversight mechanism and as such accountability, has led to a lack of governance by state owned entities (IOD and PWC, 2011). This often leads to unfulfilled mandates that these institutions are required to meet (IOD and PWC, 2011). The study by Chiu and Hung (2004) asserted that there has been very little research undertaken on the topic of accountability of state owned companies. Sinclair (1995) confirms this assertion as accountability in the public sector is often viewed as difficult to achieve. Furthermore, it can be seen that accountability in the public sector is developing and is a continued work in progress (Sands, 2004). Reddy (2004) suggested that improvements in terms of governance by state owned companies globally are however, slacking compared to improvements made in the private sector. The need for state owned companies to undertake greater accountability has been driven mainly due to social, economic and technological forces that are experienced in respect of the use of taxpayers' money (Hoque and Moll, 2001). The notion according to Rivlin (1995) is that globalization and dissatisfaction of taxpayers in respect of the use of funds by the state has consequently led to accountability becoming a key issue of state owned companies which cannot be ignored.

According to Luke (2010) accountability in the context of state owned companies is a difficult act to balance. This stems from the multiplicity of interests and objectives which are opposing in some circumstances as state owned companies are government owned but commercially run as a conventional for-profit business (Luke, 2010). Furthermore, Luke (2010) states that state owned companies have opposing objectives as they have a duty to make a profit but also to meet certain social and environmental objectives. This makes defining the 'boundary of accountability' by state owned companies a difficult and often a complex issue (Luke, 2010). This is further exuberated by the fact that stakeholders of state owned companies often do not understand their roles, responsibilities and boundaries in relation to the state owned company, as these are often unclear (IOD and PWC, 2011). The Centre for Corporate Governance in Africa (2012) found that, governance disclosures of state owned companies were lacking and is in need of improvement with transparency being a vital concern. Integrated reporting as it will be discussed below can thus provide the answer to these concerns (IOD and PWC, 2011).

2.5 How Integrated Reporting Can Aid State Owned Companies in Achieving Accountability

Integrated reporting can assist state owned companies to achieve accountability (KPMG, 2012). The reason is that integrated reporting can be adapted to take the goals of state owned companies into account (KPMG, 2012). Furthermore, integrated reporting will enable state owned companies to address factors that are of concern to a vast number of stakeholders who have an interest in their performance (KPMG, 2012). Nkonki (2014) further affirmed that integrated reporting can assist in ensuring that a state owned company makes sustainable decisions for which the stakeholders of the organization can see the performance thereof. Due to the framework that is provided by integrated reports, state owned companies can focus on their principle objectives (KPMG, 2012). This is as integrated reporting allows for a state owned company to clearly state its objectives and strategies which reflect the company's constraints and contrasting expectations from different stakeholders (KPMG, 2012). KPMG (2012) discusses that whilst integrated reporting was originally an initiative focused on the private sector, the application of integrated reporting to state owned companies is relevant. An example may be given from the how the poor performance of a private sector entity leads to divestment by capital markets based on the documentation in its integrated report. Hence, stakeholders of state owned companies may seek a change in management or the political situation given a similar situation in a state owned company (KPMG, 2012).

Integrated reporting can be carried out by state owned companies by means of applying the King Report and Code of Governance Principles for South Africa 2009 (King III). This is as King III "*applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors"* (IOD, 2009:16). The King III report is a principles based framework that can be used to prepare integrated reports (IOD, 2009). As such King III can be applied by state owned companies (IOD, 2009). King III in terms of application to state owned entities is also very accommodating as King III is a principle based framework which operates on an 'apply or explain' principle (IOD, 2009). As such, it does not lead to a situation where an entity must comply with a so called 'one size fits all' framework but rather allows for an entity to adapt principles based on its own characteristics and size in a bespoke manner (IOD, 2009).

Integrated reporting by state owned companies can also be achieved by the application of IIRC's IR Framework. This is as the IR Framework is principles based and applicable to both public and private sector entities. As a result, integrated reporting can provide the answer to state owned companies lack of governance and can aid them to improve their business. A discussion of defining integrated reporting, the issues relating to integrated reports and its benefits in today's ever changing economy are therefore relevant for this study and have been discussed below.

2.6 What Is Integrated Reporting and What Are Its Benefits and Drawbacks?

An integrated reporting is defined as a report that *"demonstrates the linkages between an organisation's strategy, governance and financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, Integrated Reporting can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organisation is really performing*." (IIRC, 2011:7). From the aforementioned definition, it can be seen that integrated reporting aims to create a concise strategic picture of an entity's ability to create and maintain value both in the short and long-term (Adams and Simnett, 2011). This is achieved by integrated reporting reflecting the areas that create value in an entity including social, environmental and governance issues which should be reported on with qualitative information playing an important role (Adams and Simnett, 2011).

In respect of the issues with integrated reporting, Atkins and Maroun (2014) discovered that integrated reports lacked conciseness and were exceptionally lengthy, with information that in most cases was repetitive and difficult to understand. Furthermore, Atkins and Moroun (2014) study found that printing vast amounts of information in excess of 500 pages in most cases were in direct contrast with the substance of sustainability. This sentiment is echoed by Adams and Simnett (2011:294), where integrated reports are described as *"merely exacerbating the already overwhelming amount of disclosure provided without adding further insig*ht". It is evident that the needs that integrated reports were supposedly required to fulfil are left unfulfilled due to the complexity of interpreting and reviewing the information presented. Apart from regulatory reasons, entities have begun to adopt integrated reporting to exhibit to the public with a focus on their stakeholders in particular, that their corporate behaviour is acceptable regarding social and environmental issues (Lozano and Huisingh, 2011). Although this is a step in the right direction, many of these reports are not balanced and serve more as a marketing exercise focusing on creating a good corporate image rather than providing a balanced report in relation to social, environmental and governance issues (Adams and Larrinaga-Gonzalez 2007; Tilt, 2001). This ultimately leads to integrated reports failing to meet their purported purpose (Adams and Larrinaga-Gonzalez 2007; Tilt, 2001). In a similar light, it seems that entities are preparing integrated reports based on face value in a sense that they are more focused on meeting all the requirements of an integrated report rather than accounting for the substance of the integrated report correctly (Atkins and Maroun, 2014). The development of the IIRC's IIR framework may solve this by following a principle based approach to integrated reporting. The lack of assurance over integrated reports is also a factor of concern as investors and the broader group of stakeholders are more comfortable and perceive greater reliance on assured reports on social and environmental issues (Jones and Solomon, 2010; Atkins and Maroun, 2014).

The IIRC explained that the benefits of integrated reporting is that it provides a more comprehensive account of the performance of an entity than that of traditional reporting as it makes apparent the use and dependence of an entity's financial, manufactured, human, intellectual, natural and social capitals together with the entity's impact and access to them (IIRC Discussion Paper, 2011). Additionally, integrated reporting considers risks as part of the substance of its disclosures thus providing a more in depth insight into all the issues facing the entity (Atkins and Maroun, 2014). Integrated reporting allows for a wide coverage of an entity's activities in a single report (Atkins and Maroun, 2014). This is done by means of integrating the strategic objectives of an entity with the entity's performance and sustainability issues (Atkins and Maroun, 2014). This has led to entities that operate in countries where integrated reporting is mandatory like South Africa to have a more respected reputation in global financial markets and enhanced their competiveness internationally (Atkins and Maroun, 2014). The benefit of using integrated reporting will thus aid state owned companies achieve accountability (Sands, 2004) and become more respectable not only locally but internationally.

The diagram below summarises some of the import benefits of integrated reporting

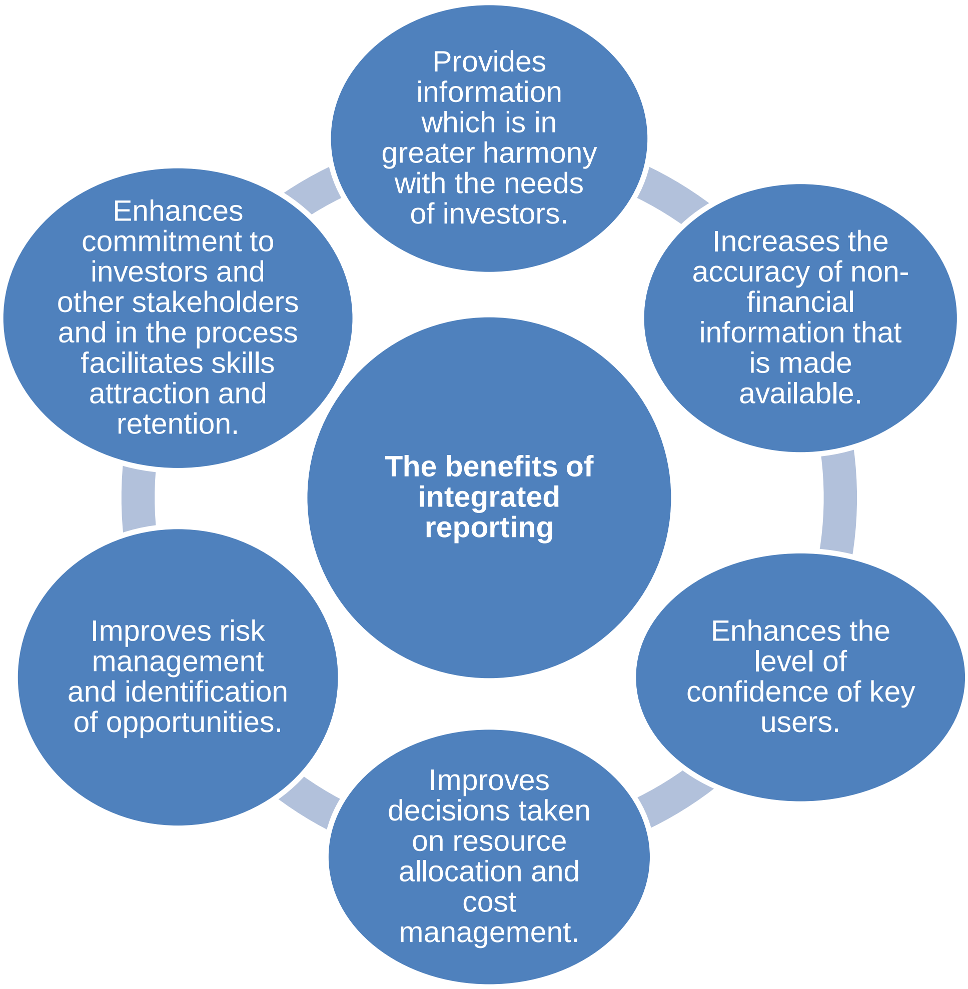


Figure 2.1: Diagram of the benefits of the integrated reporting (Frias-Aceituno *et al*., 2014).

2.7 Integrated Reporting and King III

An integrated report is a single document that pools together an entity's financial and non-financial performance information (Eccles and Saltzman, 2011). This allows for the financial performance of an entity to be evaluated in light of the entity's negative or positive impact on the community in which it operates (IOD, 2009). The driving force behind the adoption and development of integrated reporting can be attributed to the King III Report (Eccles and Saltzman, 2011). King III was developed by Professor Mervin King with the aim of making South Africa a country where corporate governance and leadership is maintained to the highest standard (IOD, 2009). Maintaining high standards in corporate governance and leadership in Professor Mervin King's view would hold South African corporations in good light globally and in effect improve the economic prospects of entities that adopt it (IOD, 2009).

King III operates on a ‘comply or explain’ basis (IOD, 2009). Based on the report conducted by the IOD (2009) King III recognises the fact that entities vary in size and nature therefore having a requirement to comply or face legal sanctions, could be burdensome to business given the cost of compliances ultimately may lead to entities complying with rules at the expense of what is truly important-performance.

King III consists of 9 chapters as illustrated in the diagram below.

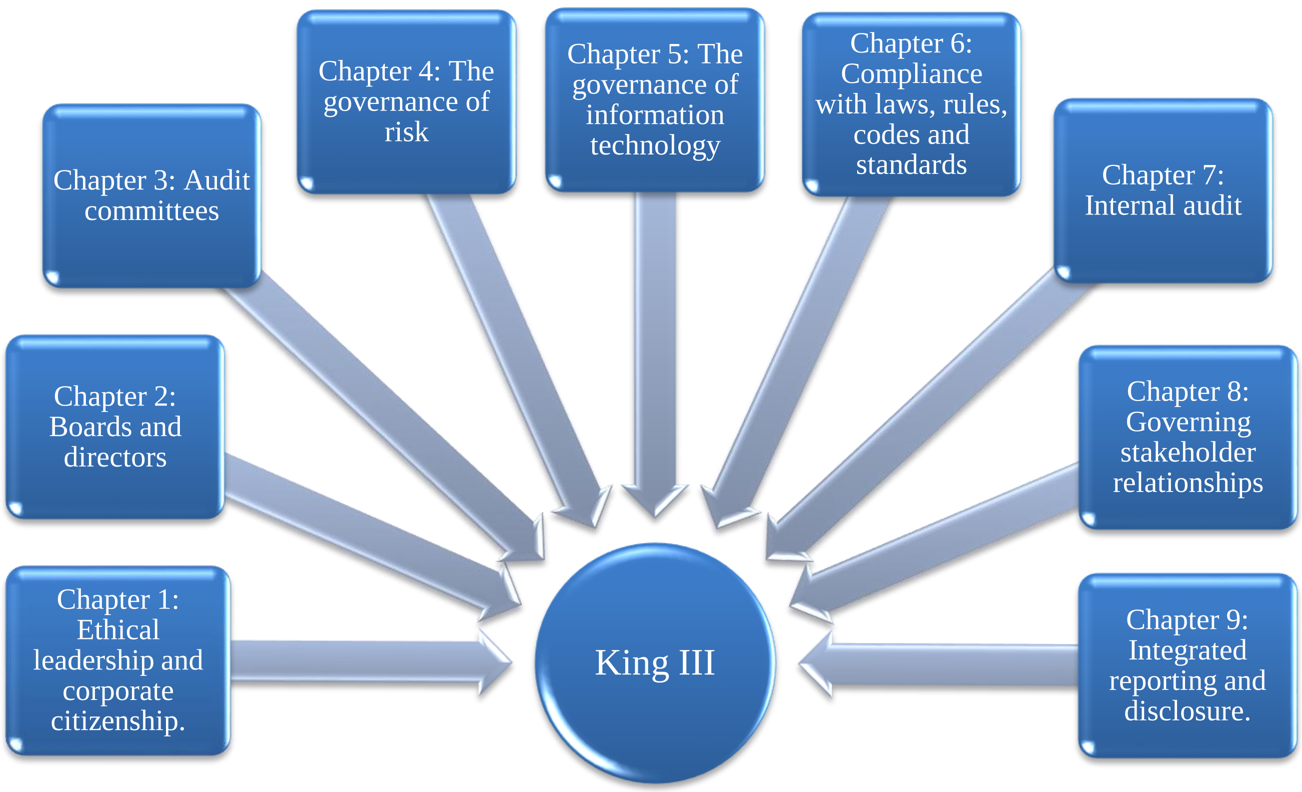


Figure 2.2: Diagram illustrating the different chapters which make up the King III report (IOD, 2009)

Each chapter of the King III report relates to specific areas of corporate governance (Makiwane, 2012). It is thus vital that each chapter of the King III report be addressed given each one’s importance to any integrated report (Makiwane, 2012). A discussion of each chapter will ensue in order to shed some light on the details of each chapter of the King III report as it forms part of the indicators used in this research study to understand the trends in integrated reporting by state owned entities and if they are applying these principles effectively.

2.7.1 Chapter 1: Ethical Leadership and Corporate Citizenship

King III sets out that there should be a top down approach to ethics and ethical leadership in an entity (IOD, 2009). Members of the board of directors should create an environment that values ethical conduct to the highest level (IOD, 2009). The board of the company should lead by example and make ethical decisions that are not only in line with laws and regulations but are truly ethical when considering the entity's stakeholders. The entity should as such make decisions that are morally correct and not just conform with the norms of the industry. This sentiment is echoed in Michaelson (2006) study where compliance is described as a necessary condition for ethics but insufficient on its own. This principle can be understood by means of the following hypothetical example.

State owned entity A manufactures product X in an extremely profitable manner generating a profit margin of 58% in the process. The production of product X results in a dangerous hazardous gas, Gas Y being released into the air that can cause server illness to those who inhale it. According to the law entities must not generate more than 500 kilograms of Gas Y per year. State owned entity A generates 400 kilograms of Gas Y per year as a result of its production of product X. State owned entity A is thus in compliance with the law. State owned entity A is aware that Gas Y is a severe hazard to the community and that an alternative process to manufacture product X without releasing Gas Y is available but will reduce profit margins by 8% to 50%. State owned entity A does not change its process nor does it plan to as it believes it is in compliance with the law and as such it is behaving ethically.

From the above example it is clear that complying with laws alone does not result in ethical behaviour. *''The idea that ethics matters is fundamental to Integrity Strategy's implicit claim, consistent with conventional wisdom and moral theory, that the objective of responsible conduct cannot be achieved solely by imposing from outside what is required but must also appeal to what is desired*'' (Michaelson, 2006:1). Michaelson's (2006) conclusion clearly indicates that ethics must be driven from within an organization. As a result entities should stand on a firm ethical foundation based on the ethical values of responsibility, accountability, fairness and transparency (IOD, 2009). This will aid state owned companies who face a lack of accountability and are in need of a means to improve this position (Sands, 2004).

King III requires an entity should consider the economic, environmental and social impact of all decisions taken (IOD, 2009). An example of this application can be seen in an entity such as Eskom. Eskom in its pursuit of electricity generation at a profit should also consider the impact of pollution from the generation of electricity on the environment and if it may be possible to hire members of the local community at its power plants. Furthermore the board of an entity should ensure that there is a code of conduct in place which is understandable and communicated to all employees (IOD, 2009). King III goes on to state that in developing a code of conduct, ethical standards should be present to aid relationships with internal and external stakeholders (IOD, 2009). This addresses the ever evolving need to take stakeholders interests into account (Atkins and Maroun, 2014).

King III requires that the board should set out the strategic direction of the entity (IOD, 2009). The mission and vision of the entity should be clearly understandable and guide the objectives and strategies that are implemented in a manner that considers the community in which the entity operates (IOD, 2009). Sustainability can thus be moved forward by linking the vision and mission of an entity to sustainability objectives (Mirvis, Googins and Kinnicutt, 2010). In essence the board should take the needs of every stakeholder into account considering different strategies and the impact certain decisions and risks will have on them (IOD, 2009). As state owned companies are in need of guidance in respect of making strategic decisions (Adjasi and Mbo, 2013) setting the strategic direction and objectives of the entity in a clear and understandable manner per King III, may assist in this regard to ensure that state owned companies can focus on their principle objectives (KPMG, 2012).

2.7.2 Chapter 2: The Board and Directors

King III deals in detail with issues pertaining to directors and the board of directors (IOD, 2009). Firstly King III requires that there should be a balance of power on the board with the majority of directors being independent non-executive directors so as to not allow one group of people to exercise unanimous control (IOD, 2009). The reason is to ensure that shareholders and other relevant stakeholder's needs are adequately taken into account in all decisions made (IOD, 2009). In addition, King III requires that the board of directors be representative in terms of demographics and gender when constituted (IOD, 2009). Esser and Dekker (2008) asserted that this is especially important in South Africa where Broad Based Black Economic Empowerment aims to correct racial imbalances of the past and empower previously disadvantaged groups.

King III requires that the directors collectively have the necessary skill, expertise and experience to undertake their duties (IOD, 2009). The skills and experience of each director is also required to be disclosed in the integrated report (IOD, 2009). The independence of directors is vital as a result; King III has various requirements that are required to be met in order for a director to be regarded as an independent director as well as ongoing assessments to ensure director independence (IOD, 2009). Director induction, training and performance evaluation is also dealt with in this section with the process of sourcing new directors delegated by the board to a board subcommittee called the nomination committee (IOD, 2009). Given the need for skilful management by state owned entities due to their importance (Adjasi and Mbo, 2013), the requirements of King III in this regard may aid in fulfilling this need.

King III requires that the role of the chairman of the board and that of the chief executive officer be separate with a lead independent director being appointed in the case of the chairman not meeting independence requirements (IOD, 2009). This is to avoid a conflict of interest and make sure that directors act in the best interest of the entity at all times (IOD, 2009) which is not only a requirement of King III but also of the Companies Act . By complying with King III a state owned company will as a result be in compliance with some of the requirements of the Companies Act (IOD, 2009). Furthermore, the lack of governance by state owned entities (IOD and PWC, 2011) can be mitigated to a certain extent by ensuring the chairman of the board is independent (IOD, 2009).

King III further requires that the board have a charter in place outline the duties and responsibilities of the board (IOD, 2009). Moreover the board is advised to create sub-board committees to deal with issues such as remuneration polices, risks, nomination of directors and audit related matters (IOD, 2009). Although not a requirement for all companies, public and state owned companies must establish an audit committee per the requirements of the Companies Act. The board may create sub-board committees and delegated duties to them however the board still retains full responsibility for all decisions made and tasks required to be completed (IOD, 2009).

Remuneration of all directors executive and non-executive as well of at least the three top paid employees must be disclosed in the integrated report of an entity in the interest of the promotion of transparency by the entity (IOD, 2009). This is vital as stakeholders require greater transparency and accountability by entities in today's economic world (Atkins and Maroun, 2014; Jones and Solomon, 2010; KPMG, 2012). Furthermore remuneration of directors has to be approved by the shareholders of the entity (IOD, 2009). Accountability in this regard is of particularly importance to state owned companies due to their traditional poor performance (World Bank , 2007) due to taxpayers curiosity if their hard earned money is being wasted or inappropriately utilized (Hoque and Moll, 2001).

A further requirement of King III is that the directors of the board should develop and approve the entity's strategy (IOD, 2009). The entity's strategy should be in line with the entity's vision and mission and take risk into account in order to achieve a sustainable outcome for all of its stakeholders.

In totality issues relating to director training, independence, conduct, performance and suitability are dealt with extensively in King III to ensure the highest level of integrity and ethics is maintained (IOD, 2009). Application of King III in this regard can aid state owned companies in achieving transparency and accountability and ultimately improve performance (KPMG, 2012).

2.7.3 Chapter 3: Audit Committee

King III requires that an entity should appoint an audit committee (IOD, 2009). This is also a statutory requirement of the Companies Act for public and state owned companies. King III makes provision for the nomination committee of an entity to assist the board in appointing members to the audit committee (IOD, 2009). The audit committee should comprise of a minimum three independent non-executive directors (IOD, 2009). A chairman should be elected to the audit committee who is an independent non-executive director and not the chairman of the board of directors (IOD, 2009). Each member of the audit committee must be suitably qualified to carry out the functions of the committee to ensure that collectively, the committee has the necessary skills and expertise to carry out its function (IOD, 2009). The study conducted by Klein (2002) found that there was a negative relationship between audit committee independence, the occurrence of abnormal financial accruals and possible earnings management. This emphasises the need for a thoroughly independent audit committee for which King III makes provision. The expertise of the audit committee also plays a role in ensuring that the committee carries out its duties effectively (Bedard, Chtourou and Courteau, 2004). Bedard *et al*. 2004 found that there was a negative relationship between experience of the audit committee members and earnings management. This further supports the requirements of King III in relation to audit committee member's experience.

King III requires that the audit committee meet at least twice a year with an agenda prepared in advance by the chairman (IOD, 2009). Gendron and Bedard (2006) concur that the greater the amount of effective audit committee meetings attended and held, the more effective the audit committee will be in carrying out its duties.

The audit committee is responsible to oversee that internal financial controls operate effectively and that the financial function's performance, skills and expertise is appropriately assessed (IOD, 2009). This includes assessing the performance of the financial director and ensuring controls are in place over the financial function. Given the poor performance of state owned companies (World Bank, 2007) assessing the performance of the financial function may aid state owned companies to improve their financial performance. Furthermore, the audit committee should oversee and assist the risk management function as well as ensure that the internal audit function (IAF) operates effectively (IOD, 2009). These requirements are over and above the requirement that the audit committee evaluate the performance, independence and recommend the appointment of the external auditors (IOD, 2009). An effective audit committee will aid in reducing fraud, abnormalities in the entity and earnings management (Bedard *et al*., 2004). As a result these requirements set forth by King III if implemented, can be seen to aid in reducing fraud, abnormalities in the entity and earnings management as it will allow the audit committee to be effective in carrying out their responsibilities via a guided process. A state owned company may eradicate fears that taxpayers have in relation to the abuse of taxpayer funds (Hoque and Moll, 2001) by applying the above recommendations per King III.

2.7.4 Chapter 4: The Governance of Risk

King III suggest that a risk committee be established by the board to be responsible for risk or if a separate risk committee is not established the audit committee should assist the board in carrying out its risk responsibilities (IOD, 2009). If a separate risk committee is formed it should consist of at least three directors who in this case can be either executive or non-executive directors and should meet at least twice a year (IOD, 2009). The risk management committee should as part of its function identify all the financial and non-financial risks, how they will mitigate both the financial and non-financial risks as well as setting the level of risk tolerance that the entity can bare in its present stage, in the integrated report (IOD, 2009). Furthermore, the risk committee should express its view of the overall effectiveness of the entity's risk management process in the entity's integrated report (IOD, 2009).

The lack of risk information about an entity is one of the major weakness of accounting information disclosed (Cabedo and Tirado, 2004). Investors require information not only on an entity's return but risk as well as in order to make an informed investment decisions (Cabedo and Tirado, 2004). Without information on risk an investor cannot make an informed decision on whether to invest or not in a particular entity (Cabedo and Tirado, 2004). Hence, this will cause an investor to make the wrong investment decision (Cabedo and Tirado, 2004). Risk disclosure is thus vital in order to ensure that investors and stakeholders alike receive the necessary information about the entity so as to make appropriate decisions (Cabedo and Tirado, 2004). King III's requirement to disclose risk facing the entity and the steps the entity will undertake to mitigate these risks both financial and non-financial result in a transparent account of the entity's affairs which is especially important in state owned given their lack of accountability (KPMG, 2012).

2.7.5 Chapter 5: The Governance of Information Technology

Information technology (IT) plays an important role in the current business world (Posthumus, Von Solms and King, 2010). It was possible in the past to overlook the importance and effect that IT had on business however in more recent times, IT has become a means of both competitive advantage and failure (Van Grembergen and De Haes, 2009). IT has an impact on the strategy of a business and can help a business achieve its objectives if it is correctly aligned to the strategy of the entity (Van Grembergen and De Haes, 2009). Failure to align IT with the businesses strategy could not only be costly in terms of the huge investment that is required to implement IT systems that may go to waste but may even spell failure of the business due to a loss of competitive advantage to competitors (Van Grembergen and De Haes, 2009). IT provides new risks and challenges to an entity (Posthumus, Von Solms and King, 2010). Van Grembergen and De Haes (2009) confirms this assertion as computer systems may experience downtime, network failure and may even malfunction. These risk need to be mitigated and a plan should be in place to address such issues (Van Grembergen and De Haes, 2009). Furthermore, IT gives rise to increased security risk due to hacking of computer systems and theft of valuable information that must be assessed continuously and mitigated effectively (Van Grembergen and De Haes, 2009).

An example of where technology can aid a state owned entity is in the aviation industry. By running the latest systems in terms booking flights for example, a low cost state owned airline can make the experience for its clients simple, convenient and cost effective. This may create a competitive advantage for the state owned entity over its competitors (Van

Grembergen and De Haes, 2009). Whereas if a low cost state owned airline implements a costly bookings system that is aimed to address the needs of affluent clientele who usually values luxury over anything else this may cause the entity to fail. This is as the technology used by the low cost airline would not be in line with its strategy.

As described above IT presents opportunities and threats to entities in today's modern business world. Governance of IT is thus a key requirement (Trautman and Altenbaumer-Price, 2011). IT governance can be defined as "*the organizational capacity exercised by the board, executive management and IT management to control the formulation and implementation of IT strategy and in this way ensure the fusion of business and IT''* (Van Grembergen, 2002:1). Most boards however lack oversight over IT investment, strategy and risk (Nolan and McFarlan, 2005). This lack of oversight by boards is extremely hazardous and is comparable to the risk an entity would face had it failed to have its financial statements audited (Nolan and McFarlan, 2005). Board responsibility for the active governance of IT is thus the difference between IT aiding an entity to achieve its objectives and IT just becoming a dead investment or even worse, a source of failure to an entity (Nolan and McFarlan, 2005; Trautman and Altenbaumer-Price, 2011).

King III recognises the need for IT governance and provides a framework for the board of an entity to base their IT governance (Posthumus, Von Solms and King, 2010). King III require that the board appoint a chief information officer (CIO) to manage the IT function and report regularly to the board on IT matters (IOD, 2009). The board should ensure that the entity complies with the relevant laws, codes and regulations in relation to IT as well as evaluate significant IT expenditure and investment on a regular basis and document this in the integrated report (IOD, 2009). The board of the entity should also consider the risk implications of IT including the financial risk implications and document this in the entity's integrated report (IOD, 2009). King III recommends that the audit committee and any other committee for that matter should consider implementing IT to streamline their activities (IOD, 2009). Finally it is recommended that the board receives assurance over the effectiveness of IT through eternal or external assurance providers (IOD, 2009). Based on the aforementioned discussion, IT and its effective governance can aid any entity including state owned ones in achieving a competitive advantage (Posthumus *et al*., 2010; Van Grembergen and De Haes, 2009).

2.7.6 Chapter 6: Compliance with Laws, Rules, Codes and Standards

Compliance with laws and regulations can be a costly and often complicated affair for many entities (Ly *et al*., 2015). King III recommends that compliance with laws, regulations and codes should be seen as an ethical imperative (IOD, 2009). Per the Companies Act, companies must comply with all laws applicable. King III thus acts as a vehicle to ensure compliance by providing a framework for the implementation of continuous monitoring of compliance with applicable laws (IOD, 2009). King III recommends that the board create a compliance function that will be responsible for monitoring compliance with applicable laws and regulations, reporting non-compliance and taking steps to address those specific areas where non-compliance is occurring (IOD, 2009). Hence, the directors of an entity should ensure that they are aware of the laws, rules, regulations and standards that are applicable to the entity, have an understanding of them and should undertake continuous training to update their understanding of them (IOD, 2009). Director training and development aids in giving an entity competitive advantage (Longnecker and Ariss, 2002) thus King III's recommendation in regards to training of and awareness by directors of the compliance requirements of an entity is an effective method to allow the entity to gain a completive advantage and operate more effectively. Due to the increased need for transparency from state owned entities that is required by stakeholders (KPMG, 2012), King III recommends that the board of directors of an entity should disclose in its integrated report, the relevant laws, codes and standards binding and non-binding to which to which it adheres to as well as, how the board discharged their duties to have an effective compliance framework and process in place (IOD, 2009). Providers of capital furthermore require a greater level of non-financial information than they did before in order to make decisions based on all the facts and circumstances surrounding an entity (Frias-Aceituno *et al*., 2014). Disclosing compliance with laws and regulations per King III can therefore assist in meeting the needs of providers of capital in the current business environment as illustrated in the hypothetical example below.

Investor A want to purchase bonds issued by either State owned entity X or State owned entity Y. State owned entity X and State owned entity Y's bonds are both for sale for R100 (South African Rands) each . Both make the same amount of profit and have the same net asset value. The only difference is that State owned entity X does not comply with certain laws and as such may face penalties in the future. If Investor A is not aware of this non-compliance as it was not disclosed in State owned entity A's integrated report, Investor A may choose to invest in State owned entity X on the assumption that both State owned entity X and State owned entity Y have the same risk thus making an ill-informed investment decision due to the lack of information.

2.7.7 Chapter 7: Internal Audit

The fraud scandals that have rocked the financial world such as that of Enron has led to the increased importance of corporate governance and the role that the IAF can play in preventing corporate scandals from occurring in the future (Bailey, Gramling and Ramamoorti, 2003). Corporate governance is comprised of four keystones namely: the external audit function, the IAF, the audit committee and management (Gramling, Maletta, Schneider and Church, 2004). King III requires that an entity set up an IAF either internally or by means of outsourcing the function to an entity that is appropriately qualified and capable to carry out this function (IOD, 2009). Research has shown that the IAF may have a positive effect on corporate governance by aiding in improving reporting quality and entity performance (Gramling *et al*., 2004). This is of particular importance to state owned entities given their pitiable performance due to a lack of professionalism and poor internal governance (World Bank, 2007). In Schneider and Wilner (1990), it was discovered that if the IAF operates effectively, fraud and theft by employees and irregularities in financial reporting are dissuaded. Where the independence of the IAF is maintained by means of ensuring they report to those charged with governance and not management, it is more likely an effective control environment will result for the entity (Gramling *et al*., 2004). The IAF is thus a supporting structure to the audit committee, external auditors and management in order improve corporate governance in an entity (Gramling *et al*., 2004).

The pressure faced by audit committees to oversee and ensure good corporate governance in an entity has led to them relying to a greater extent on the IAF (Hermanson, 2002). As a result the relationship between the audit committee and the IAF is of great importance (Gramling *et al*., 2004). King III provides that the IAF should be headed up by a chief audit executive (CAE) who should report functionally to the audit committee chairman (IOD, 2009). This makes sense as the CAE is seen as a person or company that adds value to the corporate governance process and is strategically placed to communicate to the audit committee chair, the value that the IAF has added to the corporate governance of the entity by means of compliance with internal audit quality drivers (Van Staden and Steyn, 2009). King III requires that the CAE attend audit committee and board meetings (IOD,2009) which further portrays the importance of the relationship between the audit committee and the IAF (Gramling *et al*., 2004).

The audit committee of an entity is responsible for good corporate governance (Gramling *et al*., 2004). According to Gramling *et al*., (2004:195) ''*corporate governance comprises of the procedures and activities employed by the representatives of an organization's stakeholders to provide oversight of risk and control processes administered by management*'. As a result the audit committee and board of the entity rely on IAF to provide assurance over the effectiveness of internal controls and governance (IOD, 2009). The IAF's audit plan should be risk based through guidance from the strategy and risks of the entity (IOD, 2009). As a result, the IAF should provide assurance over the effectiveness of the entity's risk management (IOD 2009). A risk based internal audit approach can be seen as a means to improve internal audit performance and entity risk management (McNamee and Selim, 1999). The reason is that a risk based internal audit approach addresses current issues and anxieties facing an entity (McNamee and Selim, 1999). Furthermore, a risk based audit approach also addresses the level of readiness of an entity to manage issues in the future by foreseeing changes in the entity and assessing methods in which management can address future risks more effectively (McNamee and Selim, 1999). This can aid state owned entities in ensuring effective internal control and as a result good governance. Moreover the focus on risks can aid in strategy implantation by state owned entities that currently face poor strategy identification and execution (IOD and PWC, 2011).

Lastly, King III recommends that an entity should document in its integrated report the board's responsibility for the process and functioning of the internal control function (IOD, 2009).

2.7.8 Chapter 8: Governing Stakeholder Relationships

The focus of considering the legitimate interests of stakeholders in today's business world has become more important than ever (IOD, 2009). State owned companies currently have poor relationships with their stakeholders who often do not understand their roles and responsibilities in relation to the entity (IOD and PWC, 2011). Stakeholder theory suggests all parties who have an interest in an entity should be considered in operating the entity and not just those of the shareholders (Freeman, 1984). Stakeholders of an organisation consist of customers, suppliers, the community in which the entity operates, shareholders, employees and providers of finance (IOD, 2009). Stakeholder management requires that an entity manage its relations with stakeholders given that the perceptions of stakeholders can ultimately affect the reputation of an entity (IOD, 2009). Stakeholder management has proven to be effective in improving shareholder value (Hillman and Keim, 2001). Hillman and Keim (2001:135) asserted this as a ‘‘*sustainable organizational advantage may be built with tacit assets that derive from developing relationships with key stakeholders: customers, employees, suppliers and communities where businesses operate*’’. As a result, the benefits derived from an entity serving an elongated role in society by engaging with stakeholders effectively benefits not only the relevant stakeholder but increases shareholder wealth in the process (Hillman and Keim, 2001). Differentiating an entity by means of engaging proactively in an effective and efficient manner will provide an entity with a completive advantage where competition is rife between entities (Hillman and Keim, 2001).

King III requires that the board of an entity identify key stakeholders at the beginning as a starting point to understand the legitimate needs and interests of the stakeholder groups (IOD, 2009). This is required in order to consider key stakeholders in the operations of the entity (IOD, 2009). In essence "*the stakeholder approach is about concrete "names and faces*" *for stakeholders rather than merely analysing particular stakeholder roles*" (Freeman and McVea, 2001:14). Freeman and McVea (2001) emphasises that it is vital to identify the stakeholders who have an interest in the firm and can affect it (Freeman and McVea, 2001). This is as it is only once the relevant stakeholders are identified that an entity can effectively considers strategies and methods of operation that take stakeholders concerns into account and receive their support (Freeman and McVea, 2001). Consequentially, it is through effective communications with the stakeholder groupings that the gap between stakeholder's expectations and an entity's performance as King III describes, can be managed.

Effective communication between an entity and stakeholders of the entity is dealt with extensively in King III. King III recommends that the board of directors encourage stakeholders to attend the entity's annual general meeting and voice their opinion on matters that concern them (IOD, 2009). King III provides that the board of the entity should ensure equitable treatment of shareholders and protect minorities (IOD, 2009). King III requires that the board of directors should oversee the development of stakeholder policies by management to ensure that it supports rather than oppose stakeholder engagement (IOD, 2009). Furthermore, entity information should be accessible to stakeholders within the realms of strategic and legal considerations in a clear and understandable language (IOD, 2009). Instances where requests for information have been declined by the entity to stakeholders should be documented in the integrated report of the entity together with the reasons for the request being refused (IOD, 2009). Disputes between management and stakeholders should also be resolved via dispute resolution in an effective and efficient manner by the board of the entity with the process for resolution in place before a matter arises (IOD, 2009).

From the above, it is clear that the weak relationships experienced between state owned entities and its stakeholders (IOD and PWC, 2011) may be overcome by the application the guidance of King III as described above.

It is recommended that the governance of stakeholder relations should be documented in the entity's integrated report in the interest of transparency and good governance (IOD, 2009). In all, King III provides a framework to guide the board of directors and the entity to engage effectively with its stakeholders in the interest of good corporate governance.

2.7.9 Chapter 9: Integrated Reporting and Disclosure

Integrated reporting has evolved through an evolutionary process from two separate reports, one portraying financial information and the other, the sustainability report (Solomon and Maroun, 2012). Integrated reports now contains far greater disclosure of risk, new reporting items and the coupling of social, ethical and environmental information into aspects of corporate governance in a single report (Solomon and Maroun, 2012). The integrated report as it stands currently has created the need for a shift in directors of an entity's priorities, to one with a greater focus on stakeholder engagement and accountability (Solomon and Maroun, 2012). King III recommends that an integrated report be prepared yearly as a single report (IOD, 2009). The report should provide information on both the financial performance and sustainability information of the entity (IOD, 2009). The integrated report should in essence report on the goals and strategies of the entity and the entity's performance in respect of the triple bottom line being social, environmental and economic matters (IOD, 2009). This will ensure that stakeholders would support the objectives a state owned entity is aiming to achieve as it aligns the entity with the interests and expectations of its stakeholders (IOD, 2009). The integrated report should also focus on the substance of what is required to be carried out by the state owned entity as recommend by King III, with the report acting only as a means of information as to the activities undertaken by the entity and not the ultimate goal (IOD, 2009). This sentiment is shared by Atkins and Maroun (2014) where it was discovered that integrated reports lack conciseness given that entities try and fulfil all the requirements of integrated reporting frameworks which lead to a vast number of pages being printed. According to Atkins and Maroun, (2014) this is in direct contrast to the aim of sustainability and sustainability reporting. Furthermore, Atkins and Maroun (2014) found that entities to tend to cover every reporting requirement for integrated reporting and miss the point for which King III clearly outlines on reporting on substance rather than form.

Stakeholders demand greater transparency from state owned entities in terms of corporate reporting in the current business environment (Hoque and Moll, 2001; Rivlin, 1996). Atkins and Maroun (2014) found that there is a need for assurance and an assurance framework for integrated reporting. In the interest of greater transparency and accountability, King III recommends that an entity should have controls in place over the integrated reporting in order to safeguard its integrity (IOD, 2009). Furthermore, King III recommends that the board of an entity delegate the responsibility of evaluating sustainability information and ensuring that it does not contradict the financial information contained in the report (IOD, 2009). Additionally, it is recommended that the integrated report including the sustainability information, be independently assured under the authority of the audit committee in the interest of reporting factual information (IOD, 2009).

A concern in relation to integrated reporting is that it may become a public relations exercise and report only the positive sustainability aspects that relate to the entity (Atkins and Maroun, 2014). King III therefore recommends that the integrated report should be balanced (IOD, 2009). Reporting on both the positive and negative aspects affecting the entity as well as how the state owned entity plans to improve positive aspects and overcome the negative aspects in relation to the entity (IOD, 2009). This should be reported in order to assist stakeholders in making decisions in relation to the economic value and sustainability of an entity given the positive and negative factors facing the entity and the steps the entity is taking in order to build on the positive factors and mitigate the negative ones (IOD, 2009).

In the interest of giving investors and other stakeholders information to aid them in decision making, King III recommends that an entity report on how it generates its revenue for the period and the effects of revenue generation on the different stakeholder groups (IOD, 2009). In addition, an entity should disclose its going concern status in order to aid stakeholders to better understand the future direction in which the entity is heading (IOD, 2009). Disclosure of the above items are important for state owned entities where focus on the principle objectives of the entity is vital given the multiplicity of interests that they need to balance (KPMG, 2012). Furthermore, King III recognizes that there has been developments in formalizing sustainability reporting through frameworks such as, the IR

Framework and that these should be considered by entities in preparing their integrated reports (IOD, 2009).

2.7.10 King III Observations and Conclusion

From the discussion on King III and the recommendations it makes for entities, it is evident that King III can assist state owned entities in reaching their goals and objectives in respect of integrated reporting. King III goes into great detail in respect of governance aspects, from discussing the composition of the board of directors to the responsibilities, duties and lines of reporting of the board, sub-committees and management (IOD, 2009). King III recognizes the need for greater transparency and accountability and provides for a greater level of sustainability and non-financial information to be presented in order for the relevant stakeholders to make informed decisions concerning the state owned entity (IOD, 2009). In doing so it also allows entities to better their corporate governance structures and relationships they have with stakeholders. The effect of this is that it creates a better business environment within the entity and ultimately benefits both interested stakeholders and shareholder value (Hillman and Keim, 2001).

The next section in this report will look at the International IR Framework and its implications to integrate reporting by entities that apply.

2.8 The International Integrated Reporting Framework 2013

The rise of interconnectivity and globalisation in the world of business has created a scenario where finance, people and knowledge are inseparably linked to one another (IIRC, n.d). The 2008 global financial crisis which spread turmoil across financial markets all around the world has created a greater need for connecting investment decisions, corporate governance and reporting as world economies are yearning for greater financial stability and sustainable growth (IIRC, n.d). The World Bank has identified gaps in reporting carried out by entities specifically related to risk and future outlook, for which other reporting requirements and standards fail to address (IIRC, n.d). The IR Framework was thus developed with the aim of facilitating integrated thinking in the world of business through the use of integrated reporting (IIRC, 2013).

The IR framework is aimed more at providing effective shareholder accountability (Solomon and Maroun, 2012). This is evident from the IR framework which aims to provide information that can aid providers of financial capital in making investment decisions (IIRC, 2013). The IR framework also seeks to address accountability in relation to the use of all the different sources of capital by an entity, be it financial, manufactured, social, human and natural (IIRC, 2013). In addressing these capitals the IR Framework aims to provide users with an understanding of the inseparable link the different capitals have on one another and ultimately how these capitals and other factors create value for entity, not only in the short but medium and long-term as well (IIRC, 2013). Reports conducted by IOD and PWC (2012) and KPMG (2012) agree that this may prove valuable to state owned companies who struggle in terms of having an appropriate strategy to meet their objectives and who have a lack of transparency in accounting for the results of their operations.

In a research survey on the implication of integrated reporting through a pilot programme of applying the IR Framework, it was discovered there was a greater connection across the different departments in an entity (Black Sun, 2012). This reduced concerns from being considered in insolation in each department but rather allowed for integrated thinking and connectivity about matters across the entity (Black Sun, 2012). The implementation of the IR Framework in its pilot phase led to senior management taking on a greater interest in the long term sustainability of the entities for which they are responsible (Black Sun, 2012). In addition, Black Sun (2012) found that entities developed more holistic business models which enable management to understand their businesses and the factors that create and add value through implementation of the IR framework. The results of the application of the IR Framework in respect of integrated reporting to a state owned entity can be seen in the case of Eskom (Black Sun, 2015). Eskom realised the comprehensive nature of integrated reports as a single reference point in respect of the company's information when communicating to the public regarding any questions asked about the entity (Black Sun, 2015). The implementation of the IR Framework has saved Eskom time and precious resources as all the relevant information required by the stakeholders is gathered in the integrated report hence, there was no need to prepare additional documents at a later stage (Black Sun, 2015). Furthermore, Eskom has observed benefits internally within the entity by means of the integrated report (Black Sun, 2015). This is as internal business reporting at Eskom shifted to a more integrated method of reporting thus allowing for a greater understanding internally of how technical performance and financial performance affected each other in a single report (Black Sun, 2015).

The IR Framework is principle based and requires that an entity must comply with and apply certain requirements of the framework whilst others are recommended to be applied (IIRC, 2013). The IR Framework can be applied by both private and public sector entities although its focus is on private entities (IIRC, 2013). The IR Framework contains two elements, firstly being the guiding principles which inform how the content of as well as the manner in which information is prepared and presented in the integrated report (IIRC, 2013). Secondly, the content element which provides guidance as to what should be contained in the integrated report (IIRC, 2013). Both of these elements are listed in the diagrams below.

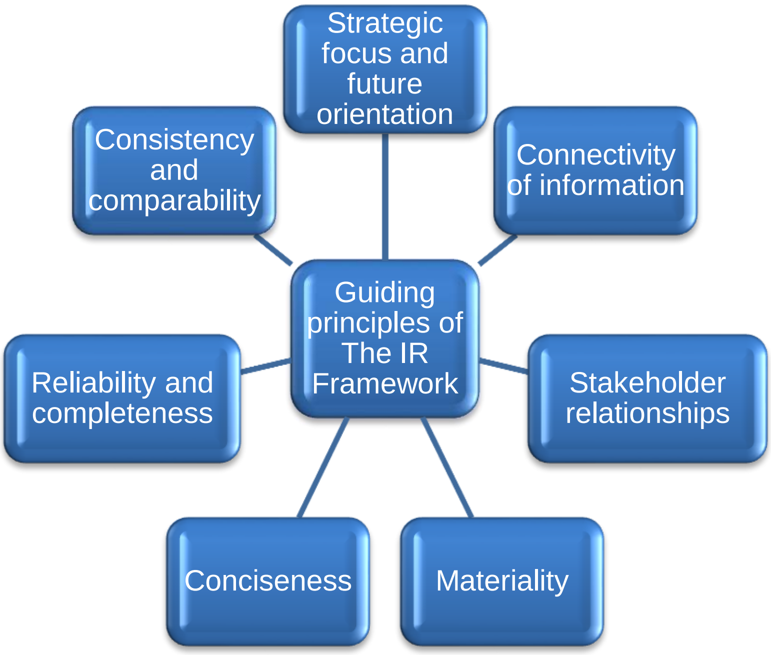


Figure 2.3.1: Diagram representing the different guiding principles of the IR Framework. (IIRC, 2013)

Figure 2.3.2: Diagram representing the content elements per the IR Framework. (IIRC, 2013)

A discussion of each of the guiding principles and content elements will ensue in order to shed light on the details of each principle and element as it forms part of the indicators used in this research study. This will allow for an understanding of the trends in integrated reporting by state owned entities and if they are applying these principles effectively.

2.8.1 Guiding Principles-Strategic Focus and Future Orientation

The use of retrospective financial information in the current economic environment does not satisfy the needs of shareholders and other stakeholders who seek information regarding the strategies and future objectives of an entity (Eurosif, 2009). State owned companies have a multiplicity of interest to balance and must ensure that they have a clear strategy in order to meet their principle objectives (KMPG, 2012). As such the IR Framework requires that the integrated report describe the entity's operating strategy, the effect it has on value creation and on the use of capitals available to the entity (IIRC, 2013). Insight should be given as to the risks and opportunities that have materialised as a result of the entity's market position as this will allow for a better understanding of the entity's position within the market (IIRC, 2013). The views of those charged with governance should also be considered in the integrated report in relation to balancing short, medium and long-term interests (IIRC, 2013). Furthermore, the views of those charged with governance should give insight as to how performance and experiences in the past have determined the future direction of the entity (IIRC, 2013). Ultimately, insight should be given as to how the strategy of an entity will make effective use of the capitals available to the entity to create value and achieve the entity's objectives.

2.8.2 Guiding Principles-Connectivity of Information

Integrated reports should show the linkages and connectivity of financial and non-financial information such as management commentary and governance matters (Dumitru, Glavan, Gorgan and Dumitru, 2013). The IR Framework requires that an entity's integrated report provide a holistic picture of how the factors that are co-dependent on each other create value for the entity over the short, medium and long-term (IIRC, 2013). This requirement is driven by integrated thinking and will provide vital insight into how integrated thinking is applied within an entity (IIRC, 2013). This is crucial for state owned companies that have opposing objectives to make not only a profit but also to meet certain social and environmental objectives (Luke, 2010). As such connectivity of information will prove imperative for state owned companies given the aforementioned discussion.

2.8.3 Guiding Principles-Stakeholder Relationships

Stakeholder management which includes identifying stakeholders, the needs and interests of stakeholders and managing stakeholder engagement has proven to be effective in improving shareholder value (Hillman and Keim, 2001). The IR Framework requires that an entity should detail in its integrated report how it interacts with its key stakeholders as well as to what extent it takes their legitimate needs and interests into account (IIRC, 2013). The nature and quality of stakeholder relationships should also be detailed as value is not created in isolation but rather through relationships (IIRC, 2013). This is vital for state owned entities that currently experience poor relationships with their stakeholders (World Bank, 2007). Furthermore, interacting with key stakeholders and maintaining good relationships with them can provide insights into how they perceive value and assist the entity in identifying risks and opportunities which otherwise would not have been discovered had stakeholders not provided insight into certain matters (IIRC, 2013).

2.8.4 Guiding Principles-Materiality

Adams and Simnett (2011:294) describes integrated reports as "*merely exacerbating the already overwhelming amount of disclosure provided without adding further insight*" in some instances. This clearly points to the fact that entities may have a tendency to report on immaterial items in their integrated reports. The IR Framework requires that an entity only disclose in its integrated report matters that have the ability to affect value creation for the entity as those are material (IIRC, 2013). Relevant matters are matters that can affect an entity's value due to its effect on an entity's strategy, governance, performance or prospects (IIRC, 2013). A matter is only material it is relevant and the magnitude of the matter is such that it can have a substantial effect quantitatively or qualitatively on value creation (IIRC, 2013). Judgement should be used in determining what information should be disclosed about material matters in the integrated report (IIRC, 2013).

Considering the opposing objectives of state owned entities in terms of making a profit and meeting certain societal objectives, defining the reporting boundary of state owned companies is a complex issue (Luke, 2010). The IR Framework states that the boundary of what matters to disclose in the integrated report of an entity is determined based on matters that affect the financial reporting entity directly and those risks, opportunities and outcomes that are linked to stakeholders and related entities that can have an effect on value creation of the reporting entity itself (IIRC, 2013).

The diagram below displays the reporting boundary of an entity.

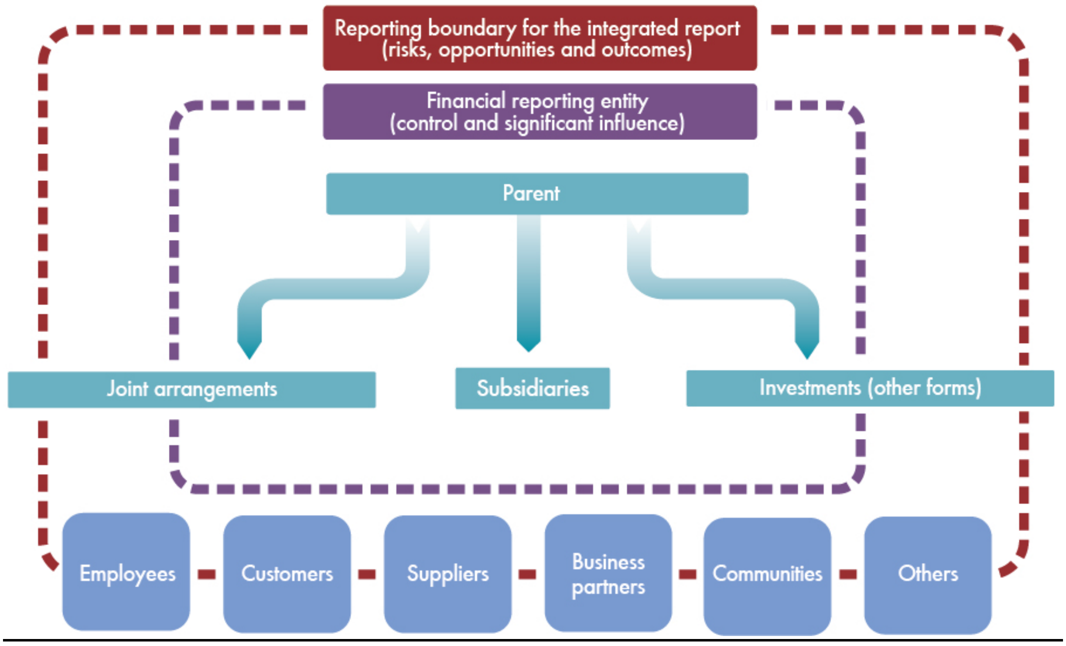


Figure 2.4: Reporting Boundary of an entity in respect of material items. (IIRC, 2013)

2.8.5 Guiding Principles-Conciseness

Atkins and Maroun (2014) discovered that integrated reports lacked conciseness with information that in most cases was repetitive and difficult to understand. The IR Framework requires that an entity should prepare an integrated reported that has adequate information in order for the strategy, governance, performance and prospects of the entity to be understood (IIRC, 2013). In arriving at a level of conciseness that is appropriate, the integrated report of an entity should not impair the completeness and comparability of the report (IIRC, 2013). The determination of what is material will assist in determining the balance between conciseness and comparability as well as completeness (IIRC, 2013).

2.8.6 Guiding Principle- Reliability and Completeness

Many integrated reports prepared by entities are not balanced and serve more as a marketing exercise focusing on creating a good corporate image rather than providing a balanced report in relation to social, environmental and governance issues (Adams and Larrinaga-Gonzalez 2007; Tilt, 2001). Furthermore, the lack of assurance over integrated reports is also a factor of concern given that investors and the broader group of stakeholders are more comfortable with and perceive greater reliance on assured reports on social and environmental issues and the like (Jones and Solomon, 2010; Atkins and Maroun, 2014). The IR Framework requires that an entity considers obtaining internal or external assurance over integrated reports as well as ensuring that there are adequate controls around the integrated reporting process (IIRC, 2013). Furthermore, an entity should present information in such a way that it will not unduly influence the basis of the preparation of the integrated report (IIRC, 2013). Information should present what it purports to represent either positively or negative depending on the matter and should not be presented to alter perception on the matter (IIRC, 2013).

An example of how applying the IR frameworks requirements in respect of completeness for a state owned company can be seen in the integrated report by The New Zealand Post (Nkonki, 2015). The New Zealand Post‘s integrated report details the strategic assessment of the entity and the fact that it may impede the strategic plan of the entity and as result negatively affect the capital available to it (Nkonki, 2015).

In respect of presenting complete information, an entity should include all material information, positive and negative that is material and can affect value creation of the entity (IIRC, 2013). Reporting on information which entities in the same industry report on can be used as a tool to ensure a complete representation is presented in the entity's integrated report (IIRC, 2013). Furthermore, the cost versus benefit of presenting information should be considered when reporting on certain matters (IIRC, 2013).

2.8.7 Guiding Principle- Consistency and Comparability

The IR Framework requires that the integrated report prepared by an entity be consistent over time by reporting using the same reporting polices as the prior period and changing them only to improve the quality of reporting information (IIRC, 2013). When a change in policy is made, the reason for the change and its effects if any should be disclosed (IIRC, 2013). In the interest of comparability between entities, an entity should consider benchmarking its reporting information to the reports of similar companies (IIRC, 2013). This will ensure that items that are usually reported on for that specific industry by means of ratios or other performance indicators are taken into account (IIRC, 2013). That said, entities are not required to conform in all aspects with the reporting requirement of other entities due to the fact that each entity derives values in different ways (IIRC, 2013).

Rather the entities should use what is commonly reported on by other entities as a tool to report to address all the content elements per the IR Framework to ensure comparability (IIRC, 2013). As the performance of state owned entities is a concern for its stakeholders such as taxpayers (Hoque and Moll, 2001), using the tools that are set forth per the IR framework in respect of consistency and comparability will allow for taxpayers and stakeholders alike to compare and contrast the performance of the state owned company.

The next section will look at the content elements that should be considered in the integrated report.

2.8.8 Content Element- Organizational Overview and External Environment

The IR Framework requires that an entity provides information as to what the company does and under which conditions these are undertaken (IIRC, 2013). The information includes identifying the vision and mission, values and ownership structure of the entity as well as the market forces that affect the entity (IIRC, 2013). These include Porters Five Forces that shape competitive strategy such as the bargaining power of customers and the competitive rivalry between entities which can affect value creation (Porter, 2008). The entity should also provide information as to the number of employees it employs as well as its areas of operation around the globe (IIRC, 2013). Significant changes in the entity should also be documented and explained (IIRC, 2013). The external environment in which the entity operates in has an effect on the entity directly or indirectly and as a result affects value creation (IIRC, 2013). Factors of the external environment that affect an entity should thus be discussed in the integrated report of the entity in order to provide context as to the environment in which the entity operates in (IIRC, 2013). Use of the IR Framework in this regard can thus enable state owned companies to address factors that are of concern to a vast number of stakeholders who have an interest in their performance with context as to what their operations entail in the current market environment.

2.8.9 Content Element- Governance

Fraud scandals across the globe have increased the importance of corporate governance by ensuring that an entity is operated effectively and value is created (Bailey, Gramling and Ramamoorti, 2003). In state owned companies, poor corporate governance and the lack thereof can be blamed for poor performance and accountability (IOD and PWC, 2011; World Bank, 2007). The IR Framework requires disclosure in the integrated report of how corporate governance of the entity has assist in generating value in the short, medium and long-term (IIRC, 2013). This includes giving users of the entity's integrated report information as to the leadership structure, composition and demographics, skills and experience of those charged with governance (IIRC, 2013). Furthermore, information as to whether the entity is in compliance with laws and regulations as well as where it has adopted rules and regulations in the interest of governance that go beyond what is required by law should be disclosed in the integrated report (IIRC, 2013). Lastly, the manner in which remuneration and incentives are structured to achieve the objectives of value creation not only in the short-term but in the long-term as well should be disclosed to determine if it supports value creation for the entity or not (IIRC, 2013).

2.8.10 Content Element- Business Model

"*An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long-term*" (IIRC, 2013:25). Business models are a powerful way to determine the strategic choices of an entity that may create value or destroy it (Shafer, Smith and Linder, 2005). According to Chesbrough and Rosenbloom (2002), "*a successful business model creates a heuristic logic that connects technical potential with the realization of economic value*". In realising the importance that the business model of an entity plays in value creation, the IR Framework requires that an entity provides details of the business model in a simplistic yet effective manner to describe the key material inputs (IIRC, 2013). A description should subsequently be made of how the entity adds value to these inputs through its business process (IIRC, 2013). The outputs of the business model both positive and negative should be detailed as well as the final outcome of what the business model seeks to achieve (IIRC, 2013). The business model can be depicted by means of using an illustration of the process to achieve its outcomes, in order to facilitate understanding for users (IIRC, 2013). Below is an example of an illustration used by Denel SOC Ltd to describe their business model.

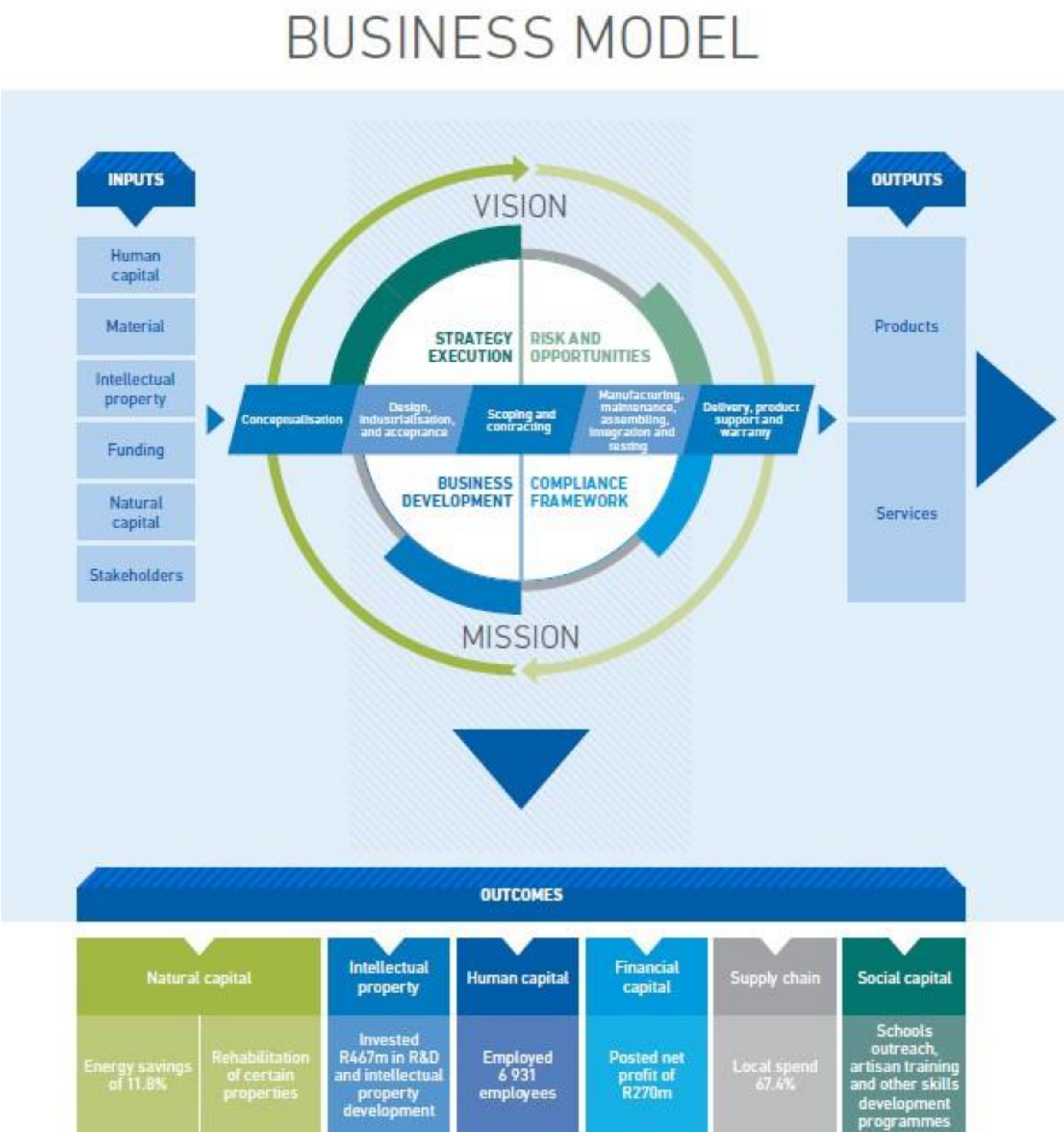


Figure 2.5: Denel Business model illustration. (Denel, 2015)

2.8.11 Content Element- Risk and Opportunities

The lack of risk information disclosed by entities is a major concern as investors require risk information in order to make informed investment decisions (Cabedo and Tirado, 2004). The IR Framework requires that an entity details those risks and opportunities internal or external, financial or non-financial that have the ability to affect value creation in the short, medium and long-term (IIRC, 2013). The IR framework also requires that an entity disclose how it plans to mitigate these risks and take advantage of opportunities (IIRC, 2013). Information on the above requirement may aid providers of finance who purchase bonds in state owned entities to better understand risks facing the entity and make informed investment decisions.

2.8.12 Content Element- Strategy and Resource Allocation

Stakeholders including providers of financial capital require information regarding the strategies and future objectives of an entity (Eurosif, 2009). State owned entities are in need of clear detailed strategies to help them achieve their principle objectives (KPMG, 2012). Integrated reports provide a comprehensive analysis of the value drivers of the entity and how they will assist an entity in achieving its objectives (Adams and Simnett. 2011). The IR framework requires that an entity detail what its objectives are for the short, medium and long-term as well as the strategies they have in place in order to achieve these objectives (IIRC, 2013). This includes describing how the entity will use its available resources to drive its strategy in order to accomplish its objectives (IIRC, 2013). Furthermore, the impact that a change in strategy has on the business model and resource allocation of the entity should be discussed (IIRC, 2013).

2.8.13 Content Element- Performance

Performance amongst state owned entities is of vital concern (IOD and PWC, 2011; World Bank, 2007). Stakeholders' of entities in the current economic world require performance information on an entity that is holistic and not just about financial performance (Adams *et al*., 2011; Eurosif, 2009). The IR Framework requires that an entity provides information to users of its integrated report about how the entity has performed in respect of achieving its strategic objectives in the current period and the effect this has had on the capitals available (IIRC, 2013). The IR Framework requires that an entity should report on both positive and negative performance (IIRC, 2013). Information on the entity's performance should be both of a financial and non-financial nature (IIRC, 2013). This should ideally be presented by means of a mixture of both qualitative and quantitative information such as ratios and percentages (IIRC, 2013). Considering the fact that state owned entities must balance profit and societal objectives (Luke, 2010), the requirements of the IR Framework may aid stakeholders understand the performance of an entity more clearly.

2.8.14 Content Element- Outlook

Shareholders including providers of financial capital are increasingly pursuing information regarding the future prospects of an entity (IIRC, 2013). This is as a result of the changing economic climate that is currently being faced across the globe (IIRC, 2013). Given the increased need for accountability amongst state owned entities (KPMG, 2012), the IR Framework requires that an entity disclose in its integrated report, its expectations about the external environment in the short, medium and long-term (IIRC, 2013). A description of how an entity is affected by the expectations of the future and its responses should be disclosed (IIRC, 2013). The future outlook and strategy of the business, the means of obtaining further capitals and utilising existing capitals to generate value should in essence be reported on (IIRC, 2013). This will depend largely on identified risks and opportunities which can be documented by means of using lead indicators where possible (IIRC, 2013). Care must be taken to ensure that the future outlook of the entity is realistic given the position and resources of the entity (IIRC, 2013).

2.8.15 Content Element- Basis of Preparation and Presentation

The IR Framework requires that an entity summarizes in its integrated report the process of determining if items are material and as such have been included in its integrated report (IIRC, 2013). Furthermore, the IR Framework requires that an entity provides a summary of the basis of how the reporting boundary of the integrated report is determined as well as a summary of the significant frameworks that are used in assessing and presenting material matters in the integrated report (IIRC, 2013). Luke (2010) found that stakeholders of state owned companies do not have an appropriate understanding of the reporting boundary. By following the IR Frameworks requirements in this regard, users of a state owned entity’s integrated report will have an understanding as to how the preparation and presentation was determined which can aid them in making appropriate decisions based on their reliance on those reports.

2.8.16 Conclusion on IR Framework

The World Bank and International Monetary fund found that there is a gap in reporting on risks and the future outlook of entities (IIRC, n.d). The need for accountability amongst state owned entities from their respective stakeholders have resulted in the need for an effective framework to address this need (KPMG, 2012). The IR framework was developed in order to fill this gap with information which is required by an entity's stakeholders (IIRC, n.d). As the aforementioned discussion, the IR Framework through its guiding principles and requirements for content element has effectively provided a framework to address this gap in information (IIRC, 2013). In addition, it is clear from that the IR Framework that its use in the preparation of an integrated report will in all likelihood provides stakeholders of state owned entities with valuable information which meets their needs and can assist them in making important decisions in respect of the entity.

2.9 Conclusion

As demonstrated in this chapter as well as by Chiu and Hung (2004) there has been very little research undertaken on the topic of accountability by state owned entities. The lack of accountability by state owned companies as discussed in this chapter is a major concern given the importance that state owned companies play in the economy (PWC, 2015). The increase in importance of accountability by state owned entities has been driven not only the importance of economic factors but also social and environmental considerations in the economy (Hoque and Moll, 2001). The lack of governance in relation to state owned entities has thus led to the mandates for which these entities are required to meet to be left unfulfilled (IOD and PWC, 2011). A mechanism to hold state owned entities accountable is thus required in order to improve performance, create value and improve governance in state owned entities (IOD and PWC, 2011; KPMG, 2012). As discussed in this chapter, integrated reporting can act as that mechanism to aid state owned companies in achieving accountability (KPMG, 2012). Furthermore, integrated reporting provides a comprehensive analysis of what the value drivers of an entity is and how an entity plans to leverage this going forward (Adams and Simnett, 2011). Integrated reporting thus provides a more holistic approach to reporting taking all the legitimate needs and interests of stakeholders into account (IOD, 2009), which traditional financial reporting fails to achieve due to its retrospective nature (Eurosif, 2009). Moreover, integrated reporting provides insight into the strategies of an entity (Eurosif, 2009) and can therefore satisfy the needs of state owned entities' stakeholders more effectivity.

The King III and the IR Frameworks use in state owned companies thus provide immense value as demonstrated in this chapter. Furthermore as the majority of South African state owned entities have adopted integrated reporting in terms of King III and the IR Framework (KPMG, 2012), evaluating the trends in integrated reporting by state owned entities would thus be a fruitful exercise.

This study thus seeks to identify the trends in integrated reporting by state owned entities over a three year period in line with the findings of the study conducted by Makiwane, (2012) which recommended that further research should thus be conducted on the trends integrated reporting by South African entities.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Methodology

A quantitative research methodology was used to assess the extent of integrated reporting in state owned companies by means, of evaluating the trends in disclosures made in the integrated reports of state owned companies from the year 2013 to 2015. The research conducted takes the form of a descriptive study. According to Leedy and Ormrod (2010) research of a descriptive nature purely seeks to explore an existing situation as opposed to altering the status quo. A quantitative research methodology includes testing objective theories by analysing the relationship between selected variables which can be measured (Creswell, 2013). For the purpose of this study data analysis is deductive, meaning that researchers deduce findings from the data collected in a manner which protects researchers from bias and allowing for general assumptions to be made (Creswell, 2013). This exploratory study encapsulates a qualitative methodology as the study seeks to evaluate the trends in the extent of integrated reporting undertaken by state owned companies per schedule 2 of the PFMA and not to alter the interested users or entities perceptions about the importance of integrated reporting.

3.2 Research Design

The study was conducted through inspection of annual reports and websites of state owned companies that are constituents of Schedule 2 of the PFMA for the 2013, 2014 and 2015 financial years in order to review the trends in the integrated reports of each of the state owned companies identified. Where the 2015 financial year results were not available, the 2012, 2013 and 2014 financial years were examined. The reports were examined for disclosure relating to the King III and the IR Framework. This method of research forms part of Archival Research which involves the use of "*administrative records and documents as a principle source of data. Archival research allows for research questions to focus on the historical data, which have subsequently changed over a period of time*'' (Saunders *et al*., 2009:177).

The integrated report of each state owned company, the level of disclosure as well as details provided in each state owned company's integrated report issued for the 2015 year was compared to the preceding two years (2014 and 2013) reports, in order to identify any changes in the extent of disclosure relating to the integrated reports prepared.

3.3 Research Population and Sample

3.3.1 Population

The population for this exploratory study is all of the state owned companies that form part of Schedule 2 of the PFMA. This consists of 21 companies in total. The PFMA lists state owned companies as either schedule 2 (21 companies) or schedule 3 (269 companies) companies. Schedule 2 companies are listed as the most important state owned companies in South Africa per PFMA whilst schedule 3 companies are listed as 'other state owned entities'. As such given that this is an exploratory study it was imperative to use companies that form part of Schedule 2 of the PFMA in order to gain an understanding of the trends in integrated reporting in state owned.

3.3.2 Sample and Sampling Method

The selection of an appropriate sample size for a given population is a matter of calculation and judgement (Saunders *et al*., 2009). Where the population size of the data is less than 100, it is advisable to use the entire population (Leedy and Ormrod, 2001). The larger the sample size used in proportion to the population the closer its distribution will be to the normal distribution per the central limit theory (Saunders *et al*., 2009). As such, according to Struley (2003) in order to carry out statistical analysis, a sample size should at minimum compromise of 30 items of data irrespective of the population size. Based on the aforementioned discussion as well as the fact that only Schedule 2 state owned companies per the PFMA will be analysed, the entire population of 21 state owned companies has been selected.

3.4 The Research Instrument

The research instrument adopted was a scorecard approach; where the requirements of King III and the IR Framework was recorded and scored against the disclosure contained in the various state owned companies' integrated reports (refer to Annexure A for details of the indicators utilised). It is recognized that the use of a checklist is not in the spirit of integrated reporting as it encourages a 'tick-box' approach. However this method provided for consistency in carrying out the required testing of the research.

The information disclosed as per the guidance and principles set forth by the King III and the IR Framework was analysed using a rating scale adapted from the study conducted by Makiwane (2012) as indicated in Table 3.1.

Table 3.1: Rating scale

SCORE	INDICATOR	Classification
1	The report provides no information on the requirement.	(Non-compliance)
2	The report provides a small amount of details/ information on the requirement.	(Poor/average)
3	The report provides satisfactory details/ information on the requirement.	(Satisfactory)
4	The report provides more details/ information on the requirement.	(Good)
5	The report provides a large amount of details/ information on the requirement.	(Excellent)

3.5 Procedure for Data Collection

A list of state owned companies that are constituents of Schedule 2 of the PFMA for the years 2015, 2014 and 2013 respectively was obtained from the National Treasury website. Thereafter, the annual reports/integrated reports of each constituent were downloaded from the respective state owned company's website.

The websites and reports were reviewed and scrutinized by the researcher in order to determine the extent of detail reported on in each company's integrated report per King III and the IR Framework using the rating scale (refer to Table 3.1) for each state owned company.

3.6 Validity and Reliability

White (2003:25) described that "*validity is concerned with the idea that the research design fully addresses the questions and objectives aimed to be achieved. Reliability is about consistency and research, and whether another researcher could use the design and obtain similar findings*". This study conforms to the above statement, as it uses the annual reports of state owned companies. The benefit of using these reports is that it consists of audited financial statements. As such the auditor of the company would per the International Standards on Auditing 720, examine information contained in the annual report that may contradict information contained in the audited financial statements (IAASB, 2011). The information contained in the annual reports can thus be regarded as a reliable source of information and regarded as valid and reliable.

It must be noted that the assessment of the extent of reporting involves a level of subjectivity. Subjectivity in itself however, does not to lead to the threat that the validity and reliability of a study will be compromised (Unerman, 2009). Acknowledgment of the fact that a level of subjectivity is involved in this study and including a description of the analysis process in a complete and transparent manner; an in depth analysis for which traditional scientific methods cannot provide is made (Elo and Kyngas, 2008; Unerman, 2009) As a result, the researcher's consistency was relied upon in order to deliver dependable results in a fair, just and equitable manner.

3.7 Data Analysis and Interpretation

The statistical analysis for this report was completed by a statistical consultant at the University of the Witwatersrand. By evaluating the frequency and multiple bar graphs of the indicators, descriptive statistics were used. Furthermore, a non-parametric test was utilized to assess for any significant differences in the extent of disclosure from the year 2013, 2014 and 2015 respectively. The use of non-parametric data is valuable when data is of a qualitative nature as it is objective to the population of the data thus making it an appropriate tool to aid in decision making circumstances (Hanke and Reitsch, 1994).

The non-parametric Spearman's rho was used to determine whether there is a monotonic relationship between each company's overall (across all indicators) disclosure scores for the years 2013, 2014 and 2015. High correlation between two years is an indication that, on average, the companies tend to follow the same pattern of reporting disclosure from the one year to the next (Saunders *et al*., 2009). On the other hand, low correlation is an indication that the companies, on average, changed their pattern of reporting disclosure considerably from the one year to the next (Saunders *et al*., 2009). However, the correlations do not indicate whether the companies disclosed at a higher or lower level from one year to the next (Saunders *et al*., 2009).

To establish whether there is a difference in the level at which companies disclosed from one year to the next, the mean disclosure level scores for the three years are compared using repeated measures analysis of variance (ANOVA). Analysis of variance (ANOVA) is a statistical method to test to the difference in group means. This is used when there is one parametric dependent variable and one or more independent variable (Sawyer, 2009). Due to the non-normality of the level scores, the non-parametric equivalent of the parametric repeated measures ANOVA, the Friedman Test. The Friedman test is used to test the null hypothesis that assumes that the difference between any pair of mean disclosure rank values for the three years is zero (Saunders *et al*., 2009).

Mean scores and the differences were used in this report in order to determine on average whether the state owned companies, analysed displayed any improvement in the level of their reporting disclosure as per Makiwane (2012). The mean is used to determine the central position of a distribution, simply called the average (Kohler and Kreuter, 2005). The use of mean scores is appropriate as it provides information as to whether the pattern of integrated reporting disclosure that is observed is due to an improvement in disclosure or not (Makiwane, 2012). Where a state owned company's mean score increases from the prior year, this indicates an improvement in the level of reporting by the entity and vice versa. The magnitude as such of the improvement can thus be quantified by the use of mean scores.

In line with the study conducted by Makiwane (2012) this report did not make use of standard deviations, variances and standard errors due to the non-normality of the data analysed. The marginal standard deviation differences observed in this study also contributed to this decision.

3.8 Limitations of the Study

Where the integrated report of a particular state owned company is not available for 2015 year as it has not yet been released, this report evaluated the trends in integrated reporting by state owned companies over the 2012, 2013 and 2014 financial years.

The study was limited to state owned companies based in South Africa per schedule 2 of the PFMA. A further limitation included that only 19 out of the 21 companies were analysed per Schedule 2 of the PFMA, as 2 state owned companies could not provide integrated reports for all three financial years.

3.9 Conclusion

In conclusion, this chapter explained the different aspects of the research methodology, design and data collection. This study was conducted by means of using a quantitative research methodology due to the descriptive nature of the study which aimed to identify the trends in integrated reporting by state owned companies over a three year period. In order to conduct the analysis of the trends in integrated reporting by state owned companies, the annual/integrated reports of each state owned entity selected for analysis were obtained. Furthermore, a scorecard approach was used to score the disclosures made by each state owned company against the requirement of King III and the IR Framework. Non-parametric tests have been used to ascertain and determine the statistical significance of the results by means of bar graphs, tables and means scores by each state owned company for disclosure per King III and the IR Framework. The following chapter details the analysis of the results using the research methodology and design as detailed in this chapter.

CHAPTER 4: DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter provides an in-depth analysis of the trends in integrated reporting by state owned companies over a three year period. Firstly, this chapter identifies whether there was a pattern in reporting disclosures on an overall basis for the entities analysed followed by a discussion as to the level of integrated reporting observed for the state owned entities analysed.

Furthermore, a discussion on the trends in integrated reporting based on the subsections of the research indicators used in this report which are based on the Chapters of the King III report and the IR Framework elements will ensue. This will provide a clear depiction as to the areas of the integrated report for which reporting by state owned entities has been improving, declining or stagnating. Lastly, this chapter provides an overview of the overall trends in integrated reporting by state owned entities.

4.2 Patterns in Reporting Disclosure

Spearman's rho ($r_{S)}$ was used to determine whether there is a monotonic relationship between the state owned companies' overall (across all indicators) disclosure scores for the years 2013, 2014 and 2015 in respect of integrated reporting. As explained in chapter 3 of the research methodology, a high correlation between two years is an indication that, on average, the state owned companies tend to follow the same pattern of reporting disclosure from the one year to the next (Saunders *et al*., 2009). On the other hand, low correlation is an indication that the companies, on average, changed their pattern of reporting disclosure considerably from the one year to the next.

The disclosures from 2013 to 2014 (r_S=0.672) on average appear to follow largely the same pattern and same can be said about the disclosures from the year 2014 to 2015 (r_S=0.726). It can therefore be deduced that on average, there is a strong positive pattern of reporting disclosures from the 2013 to 2014 period and the 2014 to 2015 period. However the results do not provide information as to how the level of integrated reporting changed year on year for each of the state owned companies analysed. A further discussion of the change in the level of integrated reporting is provided in the section below using the Friedman's Test.

4.3 Changes in the Level of Integrated Reporting By State Owned Companies over the Three Year Period Analysed

To establish whether there is a difference in the level at which companies disclosed from one year to the next, the mean disclosure level scores for the three years were compared using repeated measures ANOVA by means of the Friedman's Test.

The Friedman's test found that, at the 1% level of significance, the null hypothesis can be rejected and thus that there is a statistically significant difference between the mean ranks, Chi-square (2) = 21.895, $p<.01$, of at least one pair of mean disclosure rank values.

By investigating the descriptive statistics in Table 4.1 below, it is evident that the mean disclosure level scores increased from 2013 to 2014, from 2013 to 2015 and from 2014 to 2015. However, to determine which of these differences (increases) are statistically significant; an error bar chart was used to compare the 95% confidence intervals (CI's) for each of the disclosure level scores for 2013, 2014 and 2015 (Figure 4.1). As the Standard Deviation (SD) variation in the 2015 year scores are greater (SD=0.672) than the 2013 (SD=2.550) and 2014 year's (SD=2.996) scores, there was less precision and consequently, the 95% CI is wider for the 2013 and 2014 years' scores. The 2013 mean score differs significantly from both the 2014 and 2015 mean scores since there is no overlap between the CI of the 2013 mean score and that of 2014 and 2015. However, due to the overlap in the 95% CI's for 2014 and 2015, one cannot assume that the observed mean score increase from 2014 to 2015 is statistically significant. This can be due to the fact that the mean differences observed from 2014 to 2015 were not very large.

Table 4.1: Results of the Friedman Test *(Descriptive Statistics)*

Score per Year	Number of companies	Mean	Std. Deviation	Minimum	Maximum
2013	19	2.5496	0.46367	1.93	3.42
2014	19	2.9962	0.46148	2.07	3.85
2015	19	3.3454	0.67223	1.92	4.28

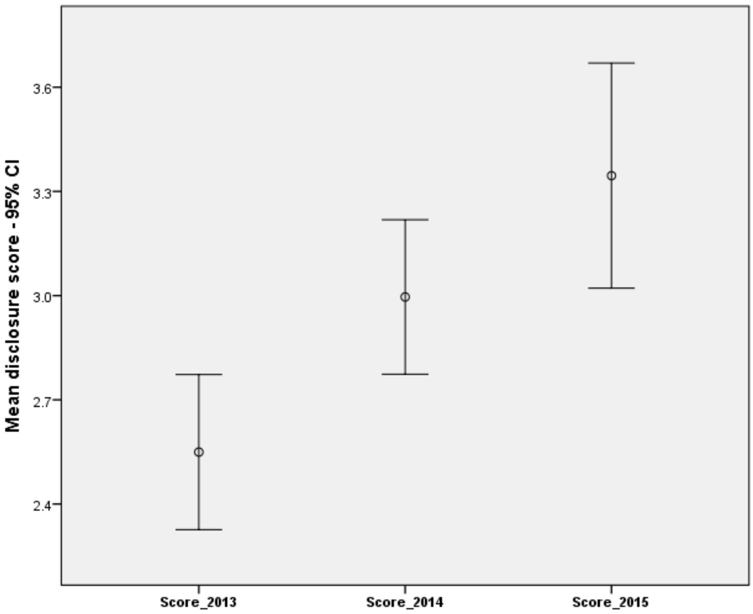


Figure 4.1 Diagram representing 95% Confidence intervals over the 2013, 2014 and 2015 periods

In conclusion, the level of integrated reporting by state owned companies from the 2013 period to 2014, increased and is statistically significant. Furthermore, the level of integrated reporting by state owned companies over the 2013 to 2015 period also increased and was statistically significant as discussion above. The level of integrated reporting from the 2014 to 2015 period for state owned companies also increased however; the Friedman's used in this report was unable to determine if this increase was statistically significant.

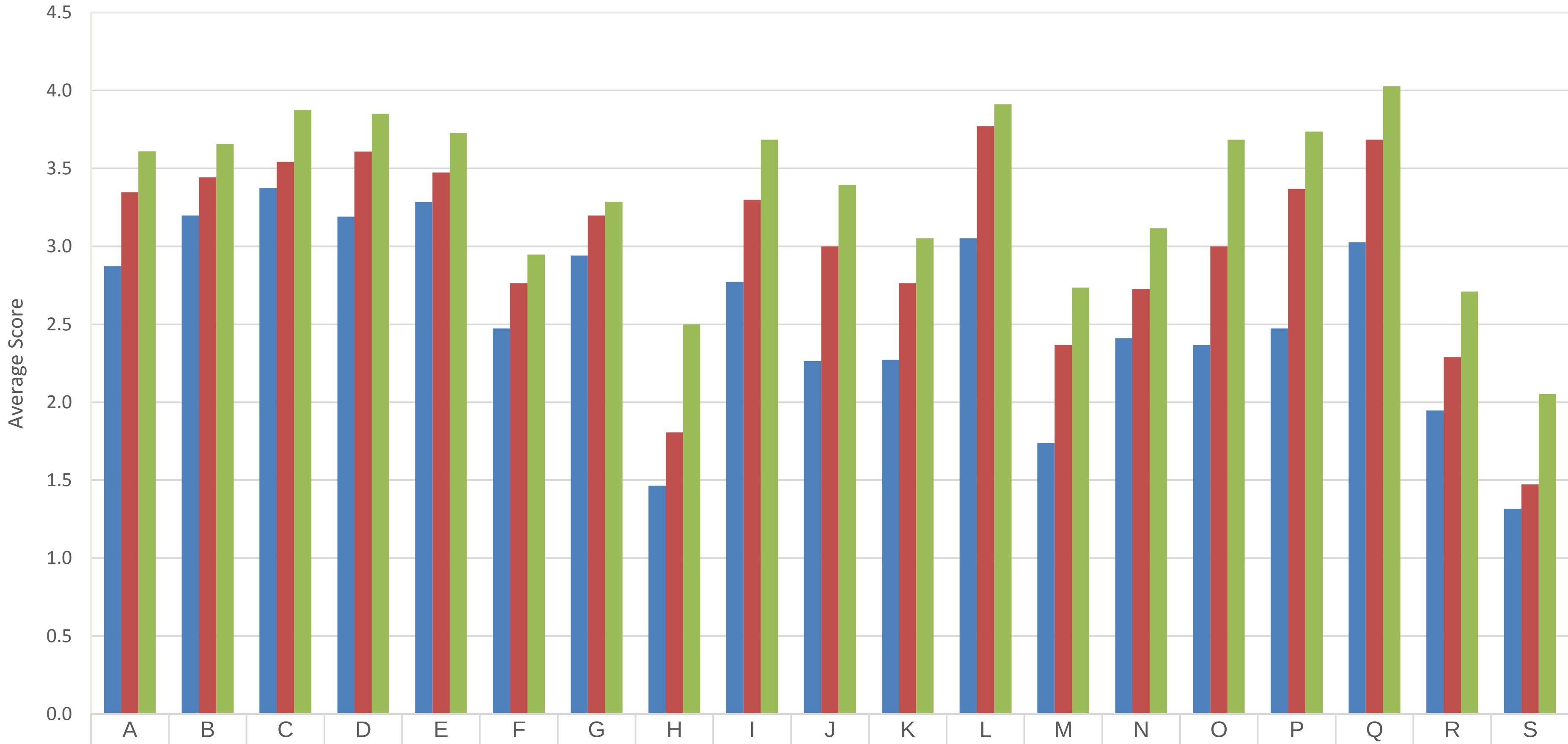
4.4 Evaluating the Trends in Integrated Reporting Per Subcategory of Indicators

This section will identify the overall mean scores for each subcategory of indicators used in this report and provide insight into the trends in reporting by state owned companies based on each subcategory of indicators.

Table 4.2 below lists the average mean scores for each subcategory over the 2013, 2014 and 2015 reporting period. Figure 4.2 and Figure 4.3 reveals these scores in order to visualize the trends identified more effectively.

Table 4.2: Average Score Comparisons Across The Three Year Period Analysed.

Higher Classification Per higher level indicator classification		Statistical Value			
		Number of Companies	Mean Per Year		
			2013	2014	2015
1	Ethical leadership and corporate citizenship	19	2.8737	3.3474	3.6105
2	Boards and directors	19	3.1989	3.4437	3.6566
3	Audit Committees	19	3.3746	3.5418	3.8762
4	Risk management committee	19	3.1914	3.6077	3.8517
5	Remuneration committee	19	3.2842	3.4737	3.7263
6	Nomination committee	19	2.4737	2.7632	2.9474
7	Internal audit function	19	2.9415	3.1988	3.2865
8	Governance of information technology	19	1.4649	1.807	2.5
9	Compliance laws, rules, codes and standards	19	2.7719	3.2982	3.6842
10	Governing stakeholder relationships	19	2.2632	3	3.3947
11	Integrated reporting King III	19	2.2719	2.7632	3.0526
12	Organizational overview and external environment	19	3.0526	3.7719	3.9123
13	Governance	19	1.7368	2.3684	2.7368
14	Business Model	19	2.4105	2.7263	3.1158
15	Risks and opportunities	19	2.3684	3	3.6842
16	Strategy and resource allocation	19	2.4737	3.3684	3.7368
17	Performance	19	3.0263	3.6842	4.0263
18	Outlook	19	1.9474	2.2895	2.7105
19	Basis of preparation	19	1.3158	1.4737	2.0526
	Total	**361**	**2.5496**	**2.9962**	**3.3454**



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
2013	2.8737	3.1989	3.3746	3.1914	3.2842	2.4737	2.9415	1.4649	2.7719	2.2632	2.2719	3.0526	1.7368	2.4105	2.3684	2.4737	3.0263	1.9474	1.3158
2014	3.3474	3.4437	3.5418	3.6077	3.4737	2.7632	3.1988	1.8070	3.2982	3.0000	2.7632	3.7719	2.3684	2.7263	3.0000	3.3684	3.6842	2.2895	1.4737
2015	3.6105	3.6566	3.8762	3.8517	3.7263	2.9474	3.2865	2.5000	3.6842	3.3947	3.0526	3.9123	2.7368	3.1158	3.6842	3.7368	4.0263	2.7105	2.0526

Figure 4.2: Diagram representing the Average scores per indicator

Refer to legend on the next page.

Legend refers to Figure 4.2:

Indicators			
Term	**Description**	**Team**	**Description**
A	Ethical leadership and corporate citizenship	**K**	Integrated reporting per King III
B	Board and Directors	**L**	Organizational overview and external environment
C	Audit Committees	**M**	Governance
D	Risk management Committee	**N**	Business model
E	Remuneration Committee	**O**	Risks and opportunities
F	Nomination Committee	**P**	Strategy and resource allocation
G	Internal audit function	**Q**	Performance
H	Governance of information technology	**R**	Outlook
I	Compliance laws, riles codes and standards	**S**	Basis of preparation
J	Governing stakeholder relationships		

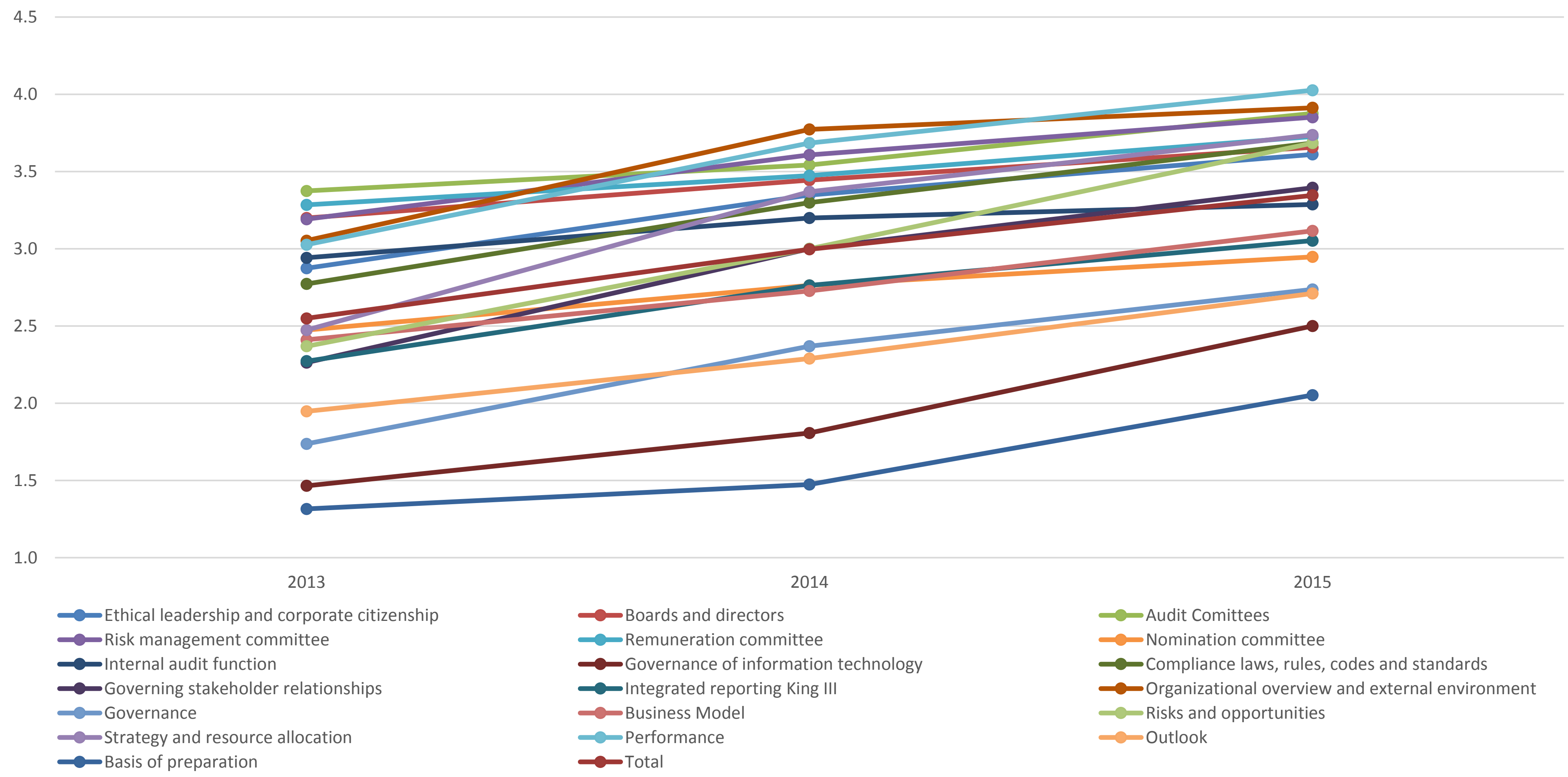


Figure 4.3: An alternative representation of the average scores per sub category over the three year period analysed

In order to obtain information as to the percentage of companies that reported on each of the subcategory of indicators under the different levels of disclosure possible per the scorecard rating scale. As evidenced by Table 4.2 the mean average score was reclassified as detailed below, in order to generate the data in Table 4.3 that follows.

The mean scores calculated for each company across all indicators was reclassified as follows per the rating scale adopted from the study conducted by Makiwane (2012) (refer to Table 3.1): (square bracket ➔ includes value, round bracket ➔ excludes value)

- 1 if the mean score falls in [1, 1.5)
- 2 if the mean score falls in [1.5, 2.5)
- 3 if the mean score falls in [2.5, 3.5)
- 4 if the mean score falls in [3.5, 4.5)
- 5 if the mean score falls in [5.5, 5]

Table 4.3: The percentage of state owned companies that reported on each subcategory of indicators and the levels of disclosure the companies scored on average.

Higher Classification		Score per year	Statistical Value					
			1 Non-compliance	2 Little detail provided	3 Some detail provided	4 More detail provided	5 Much detail provided	Total
1	Ethical leadership and corporate citizenship	2013	1	2	14	2	0	19
			5.30%	10.50%	73.70%	10.50%	0.00%	100.00%
		2014	0	0	14	5	0	19
			0.00%	0.00%	73.70%	26.30%	0.00%	100.00%
		2015	1	0	6	11	1	19
			5.30%	0.00%	31.60%	57.90%	5.30%	100.00%
2	Boards and directors	2013	0	3	8	8	0	19
			0.00%	15.80%	42.10%	42.10%	0.00%	100.00%
		2014	0	1	10	7	1	19
			0.00%	5.30%	52.60%	36.80%	5.30%	100.00%
		2015	0	1	6	11	1	19
			0.00%	5.30%	31.60%	57.90%	5.30%	100.00%
3	Audit Committees	2013	0	1	13	4	1	19
			0.00%	5.30%	68.40%	21.10%	5.30%	100.00%
		2014	0	0	9	9	1	19
			0.00%	0.00%	47.40%	47.40%	5.30%	100.00%
		2015	0	0	5	10	4	19
			0.00%	0.00%	26.30%	52.60%	21.10%	100.00%
4	Risk management committee	2013	0	0	14	5	0	19
			0.00%	0.00%	73.70%	26.30%	0.00%	100.00%
		2014	0	1	6	11	1	19
			0.00%	5.30%	31.60%	57.90%	5.30%	100.00%
		2015	0	1	5	10	3	19
			0.00%	5.30%	26.30%	52.60%	15.80%	100.00%
5	Remuneration committee	2013	1	1	9	6	2	19
			5.30%	5.30%	47.40%	31.60%	10.50%	100.00%
		2014	2	0	8	5	4	19
			10.50%	0.00%	42.10%	26.30%	21.10%	100.00%
		2015	1	1	5	8	4	19
			5.30%	5.30%	26.30%	42.10%	21.10%	100.00%
6	Nomination committee	2013	5	4	4	4	2	19
			26.30%	21.10%	21.10%	21.10%	10.50%	100.00%
		2014	5	4	2	2	6	19
			26.30%	21.10%	10.50%	10.50%	31.60%	100.00%
		2015	4	3	3	4	5	19
			21.10%	15.80%	15.80%	21.10%	26.30%	100.00%

Higher Classification		Score per year	Statistical Value					
			1	2	3	4	5	Total
			Non-compliance	Little detail provided	Some detail provided	More detail provided	Much detail provided	
7	Internal audit function	2013	0	7	8	4	0	19
			0.00%	36.80%	42.10%	21.10%	0.00%	100.00%
		2014	0	4	7	8	0	19
			0.00%	21.10%	36.80%	42.10%	0.00%	100.00%
		2015	0	2	9	7	1	19
			0.00%	10.50%	47.40%	36.80%	5.30%	100.00%
8	Governance of information technology	2013	8	11	0	0	0	19
			42.10%	57.90%	0.00%	0.00%	0.00%	100.00%
		2014	7	8	3	1	0	19
			36.80%	42.10%	15.80%	5.30%	0.00%	100.00%
		2015	4	7	4	1	3	19
			21.10%	36.80%	21.10%	5.30%	15.80%	100.00%
9	Compliance laws, rules, codes and standards	2013	2	8	3	5	1	19
			10.50%	42.10%	15.80%	26.30%	5.30%	100.00%
		2014	1	3	7	6	2	19
			5.30%	15.80%	36.80%	31.60%	10.50%	100.00%
		2015	0	3	5	8	3	19
			0.00%	15.80%	26.30%	42.10%	15.80%	100.00%
10	Governing stakeholder relationships	2013	4	7	3	5	0	19
			21.10%	36.80%	15.80%	26.30%	0.00%	100.00%
		2014	1	5	5	5	3	19
			5.30%	26.30%	26.30%	26.30%	15.80%	100.00%
		2015	1	2	7	4	5	19
			5.30%	10.50%	36.80%	21.10%	26.30%	100.00%
11	Integrated reporting King III	2013	0	10	9	0	0	19
			0.00%	52.60%	47.40%	0.00%	0.00%	100.00%
		2014	0	6	10	3	0	19
			0.00%	31.60%	52.60%	15.80%	0.00%	100.00%
		2015	0	4	8	7	0	19
			0.00%	21.10%	42.10%	36.80%	0.00%	100.00%
12	Organizational overview and external environment	2013	1	4	6	8	0	19
			5.30%	21.10%	31.60%	42.10%	0.00%	100.00%
		2014	0	1	5	11	2	19
			0.00%	5.30%	26.30%	57.90%	10.50%	100.00%
		2015	1	0	4	10	4	19
			5.30%	0.00%	21.10%	52.60%	21.10%	100.00%
13	Governance	2013	9	7	2	1	0	19
			47.40%	36.80%	10.50%	5.30%	0.00%	100.00%
		2014	4	7	5	3	0	19
			21.10%	36.80%	26.30%	15.80%	0.00%	100.00%

	Higher Classification	Score per year	Statistical Value					
			1 Non-compliance	2 Little detail provided	3 Some detail provided	4 More detail provided	5 Much detail provided	Total
		2015	3	5	6	4	1	19
			15.80%	26.30%	31.60%	21.10%	5.30%	100.00%
14	**Business Model**	2013	2	10	4	3	0	19
			10.50%	52.60%	21.10%	15.80%	0.00%	100.00%
		2014	0	11	4	3	1	19
			0.00%	57.90%	21.10%	15.80%	5.30%	100.00%
		2015	0	7	5	5	2	19
			0.00%	36.80%	26.30%	26.30%	10.50%	100.00%
15	**Risks and opportunities**	2013	7	5	1	5	1	19
			36.80%	26.30%	5.30%	26.30%	5.30%	100.00%
		2014	3	4	5	4	3	19
			15.80%	21.10%	26.30%	21.10%	15.80%	100.00%
		2015	3	2	2	3	9	19
			15.80%	10.50%	10.50%	15.80%	47.40%	100.00%
16	**Strategy and resource allocation**	2013	1	9	8	1	0	19
			5.30%	47.40%	42.10%	5.30%	0.00%	100.00%
		2014	0	3	7	8	1	19
			0.00%	15.80%	36.80%	42.10%	5.30%	100.00%
		2015	0	3	4	7	5	19
			0.00%	15.80%	21.10%	36.80%	26.30%	100.00%
17	**Performance**	2013	0	4	8	4	3	19
			0.00%	21.10%	42.10%	21.10%	15.80%	100.00%
		2014	0	1	7	5	6	19
			0.00%	5.30%	36.80%	26.30%	31.60%	100.00%
		2015	0	0	4	6	9	19
			0.00%	0.00%	21.10%	31.60%	47.40%	100.00%
18	**Outlook**	2013	3	10	3	2	1	19
			15.80%	52.60%	15.80%	10.50%	5.30%	100.00%
		2014	2	8	7	2	0	19
			10.50%	42.10%	36.80%	10.50%	0.00%	100.00%
		2015	3	5	5	3	3	19
			15.80%	26.30%	26.30%	15.80%	15.80%	100.00%
19	**Basis of preparation**	2013	16	2	0	0	1	19
			84.20%	10.50%	0.00%	0.00%	5.30%	100.00%
		2014	14	3	0	2	0	19
			73.70%	15.80%	0.00%	10.50%	0.00%	100.00%
		2015	11	3	0	3	2	19
			57.90%	15.80%	0.00%	15.80%	10.50%	100.00%

The scores per the subcategories of indicators as detailed in Table 4.2 and Table 4.3 will now be analysed per each subcategory, in order to obtain an in depth understanding of the trends in reporting by state owned companies. Where mention is made of an individual indicator within the subcategory analysis to follow, the results for each individual indicator can be found in Annexure B.

4.4.1 Ethical Leadership and Corporate Citizenship

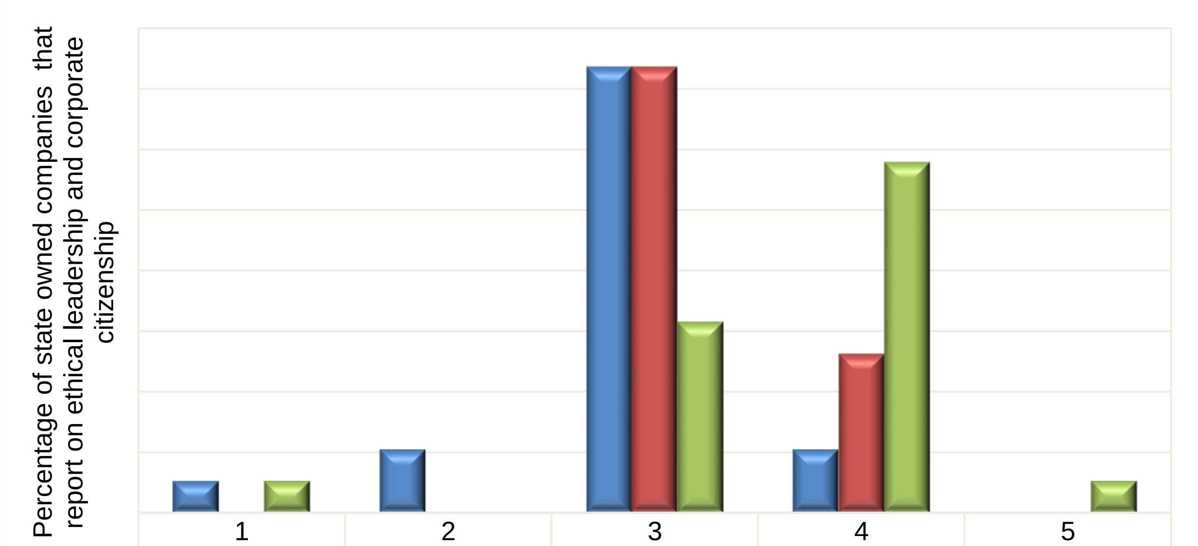
The disclosure made by state owned companies in relation to ethical leadership and corporate citizenship category improved year on year with a general upward trend.

As evident in Table 4.2, the mean score for this category resulted as 2.8737 for 2013 which suggests that the disclosure made by state owned companies in regards to ethical leadership and corporate citizenship was average in that period. This could be attributable to the fact that state owned companies adopted integrated reporting much later than companies in the private sector (PWC, 2015). However, the level of reporting subsequently improved to a satisfactory to good standard in 2014 and 2015. Therefore it can be deduced that there is an upward trend which suggests that future improvements in regard to this aspect can be expected.

An interesting fact is that of the percentage of companies analysed, on average 73.7 percent of state owned companies reported on indicators in this subcategory based on a level 3 disclosure in both 2013 and 2014, as indicated in Figure 4.4. This subsequently dropped in 2015 to 31.6 percent but led to the percentage of companies that reported on a level 4 disclosure to increase significantly from 10.5 percent in 2013 and 26.3 percent in 2014, to 57.9 percent in 2015 per Table 4.3. This indicated that there was an increasing trend in the number of state owned companies that provide greater disclosure in an effective manner for ethical leadership and corporate citizenship issues which may be due to the realisation by state owned companies that governance needs to be driven from the top down in order to be effective in an entity.

The percentage of companies who have had their ethics internally or externally assured has gradually increased. This is in line with the need of stakeholders to have non-financial information independently assured (Atkins and Maroun, 2012). Although the increases are minimal a greater portion of entities are reporting at a level 3 disclosure (15, 8% in 2015).

In line with the need to disclosure more information on company strategy and vision (KPMG, 2012), it was observed that across all the three years the majority of the companies analysed reported on a level 5 disclosure with 17 out of the 19 companies doing so in 2015.



	1	2	3	4	5
2013	5.3%	10.5%	73.7%	10.5%	0.0%
2014	0.0%	0.0%	73.7%	26.3%	0.0%
2015	5.3%	0.0%	31.6%	57.9%	5.3%

Figure 4.4: Bar graph representing the percentage of state owned companies that report on ethical leadership and corporate citizenship based on the different levels of disclosure.

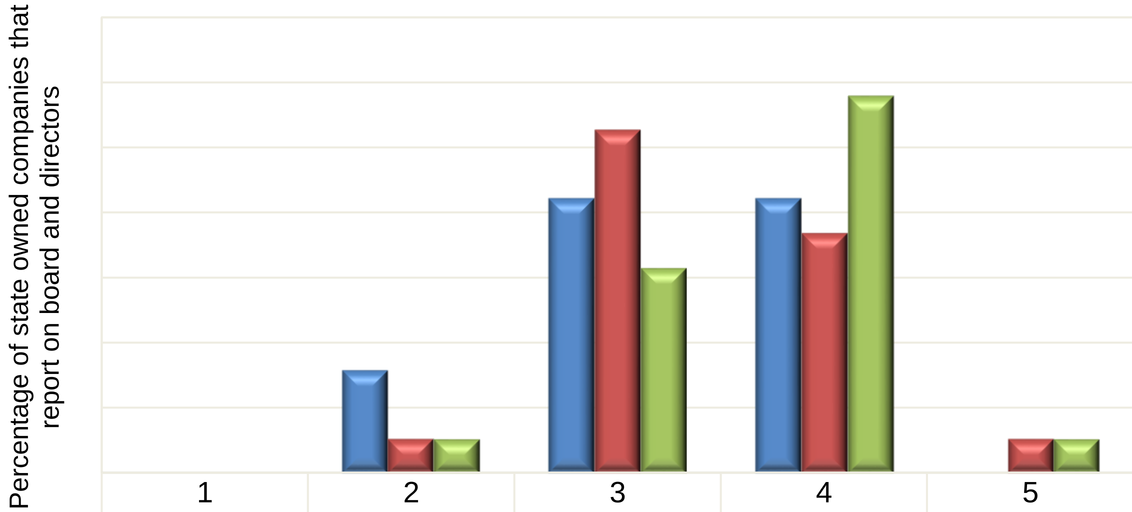
4.4.2 Board and Directors

The increase in disclosure by state owned companies in relation to items surrounding the board and directors was marginal. Disclosure in relation to this category remained satisfactory over all three years analysed with a mean score of 3.6566 observed in 2015 per Table 4.2.

The majority of state owned companies analysed disclosed a satisfactory or good amount of information in relation to the governance of the board and directors per Table 4.3. The percentage of companies that disclosed information relating to this subcategory at a level 4 increased on from 36.8 percent in 2014 to 57.9 percent in 2015, (Figure 4.5) which was significant. This suggests that the drive to improve corporate governance within boards has been a matter of key importance that state owned companies have attempted to address effectively given that there is increased scrutiny on the management of state owned companies. Only one company reported at a level 5 for this subcategory in 2015 which suggests that there is still room for improvement.

The disclosure as to the number of independent non-executive directors that are appointed to the board of state owned companies increased significantly. Which could that the need to appoint independent directors to the board of an entity in order to ensure a balanced equitable control of the board (IOD, 2009) has been an agenda that has been actively addressed by state owned entities due to the increased drive in the public services sector for independence in mind and appearance. A major increase was also seen in the training and on-going development of directors. This is a step in the right direction given that director experience and skills can affect shareholder value (IIRC, 2013). An issue of concern is that disclosure relating to the remuneration of directors and the three highest paid employees is still not widely reported on. Those who do report provide mostly average or satisfactory disclosure in respect of remuneration of directors and senior management. This is a concern given the increased scrutiny surrounding the compensation of executive and non-executive directors of state owned companies who receive large bonuses but do not deliver performance for the company.

Another area that is concerning is that disclosure in regard to the policies in place for the retirement and appointment of directors is very low over all three years analysed and is in fact deteriorating. In the year 2015, 57.9 percent of state owned companies provided disclosure in regards to this indicator on a level 1 and 2 base which suggest that this is an area that needs reform due to the poor or often non-disclosure in this regard. This is a concern firstly due to the fact that it does not shed light on continuity in effective management by the board as well as may raise concerns of whether appointments to the board are manipulated in favour of certain individuals.



	1	2	3	4	5
2013	0.0%	15.8%	42.1%	42.1%	0.0%
2014	0.0%	5.3%	52.6%	36.8%	5.3%
2015	0.0%	5.3%	31.6%	57.9%	5.3%

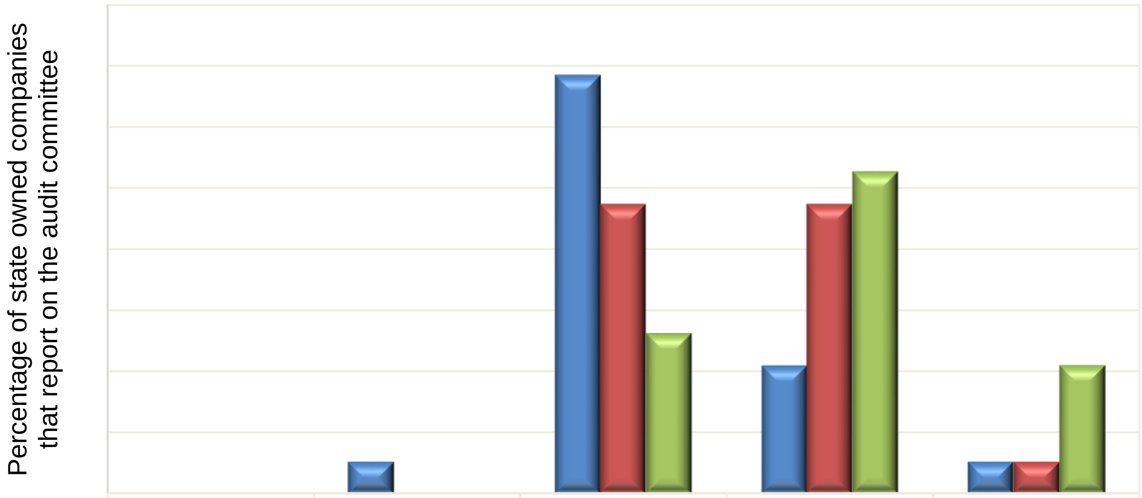
Figure 4.5: Bar graph representing the percentage of state owned companies that report on board and directors based on the different levels of disclosure.

<u>4.4.3 Audit Committees</u>

Disclosure in relation to the audit committee fared well with an upward overall trend and a mean score of 3.8517 for 2015 which suggests that state owned companies disclosures in relation to audit committees are closer to providing a good disclosure on audit committee disclosures rather than satisfactory disclosure as in the past. Furthermore, not one state owned company reported on average at a level 1 disclosure overall in all three years analysed for this subcategory, as indicated in Figure 4.6. Disclosure in relation to the appointment of the audit committee is excellent. The majority of entities reported on a level 5 disclosure in this regard with on average 84.2 percent of companies disclosing at this level in 2015.

Information relating to the independence of directors and the chairman of the audit who serve on the audit committee was also of a high level with majority of entities disclosing information in this regard at a level 5. What is interesting is that these requirements for disclosure are mandated by the Companies Act. Therefore a question can be proposed, if the high level of disclosure in respect of items relating to the audit committee are as a result of mandatory compliance that is required per the Companies Act or due to the adoption of the recommendations of King III. A further positive in relation to the audit committee is that audit committee meetings overall have a high attendance and occur regularly. Hence, the duties of the audit committee appear to have been carried out far more effectively from this as a result of the overall favourable scores achieved in this subcategory of disclosure. This confirms the theory of Gendron and Bedard (2006), in relation to the impact that effective audit committee meetings have on an audit committees duties.

Areas of concern that should be addressed in relation to the audit committee include that greater disclosure is required about how the audit committee oversees the effectiveness of the financial function as well as if a combined assurance model is being applied, as this is currently below average. This will aid state owned companies who historically have had issues relating to their finance functions. A major concern is that disclosure relation to the audit committee's responsibility to oversee the preparation of the integrated report was dismal with on average 21.1 percent of companies not disclosing any information in this regard and 31.6 percent of state owned companies providing poor discourse on this matter. This area of disclosure should be addressed at the soonest in the interest of good corporate governance by state owned companies.



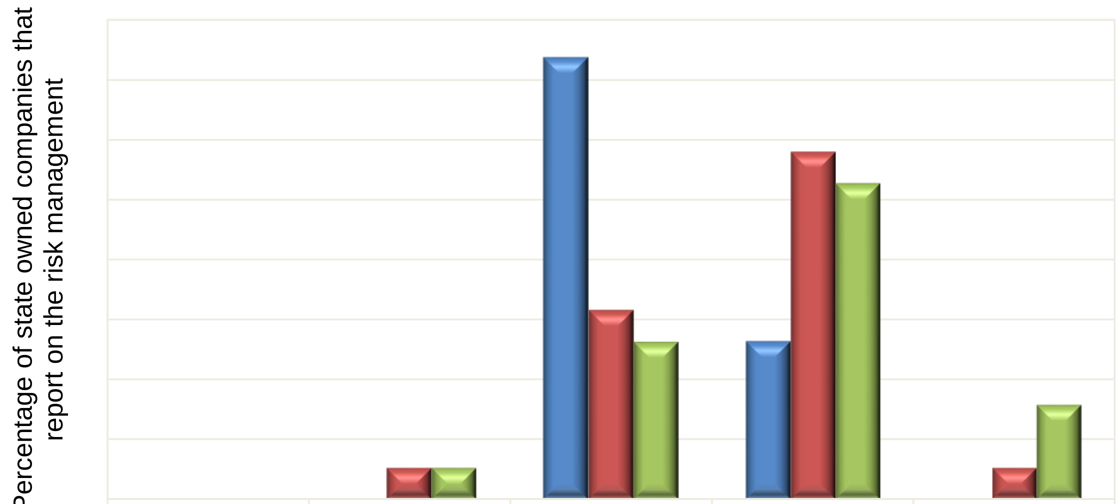
	1	2	3	4	5
2013	0.0%	5.3%	68.4%	21.1%	5.3%
2014	0.0%	0.0%	47.4%	47.4%	5.3%
2015	0.0%	0.0%	26.3%	52.6%	21.1%

Figure 4.6 Bar graph representing the percentage of state owned companies that report on the audit committee based on the different levels of disclosure.

4.4.4 Risk Management Committee

There was an increasing trend observed in the disclosure of risks and the function that the risk management committee performs in relation to risks. The mean score achieved for 2015 was up to 3.8517 (per Figure 4.2.) from 3.6077 and 3.1914 in 2014 and 2013 respectively. This advocates that as the call for greater information to be disclosed on an entity's risk is made (IIRC, 2013) state owned companies have steadily observed this call realising the effect risk has on value creation.

The composition of risk committee is well documented with on average 73.7 percent of state owned companies disclosing information on this matter at level 5. Many concerns are still present in relation to the identification and mitigation of risks. It was found that although decreasing year on year, on average 10.5 percent of state owned companies analysed did not identify and disclose their financial and non-financial risks. However, this does not mean that risk disclosure is weak in state owned companies given that on average 68.5 percent of state owned companies identified ways to address their financial and non-financial risk in 2015 at level 4 or 5, up from 42.1 percent in 2014. The reason for this increase could be due to the greater need for disclosure on risks facing state owned entities given their poor performance and prospectus of late. The views expressed by the risk committee on the effectiveness of an entity’s risk management process also had a similar result observed. Seven companies reported at a level 5 in 2014 compared to 1 in 2013 and only 2 companies had no disclosure on this indicator which was an improvement from 7 who provided no disclosure in 2013. Figure 4.7 below clearly depicts the increasing level of disclosures adopted by a wider array of state owned companies.

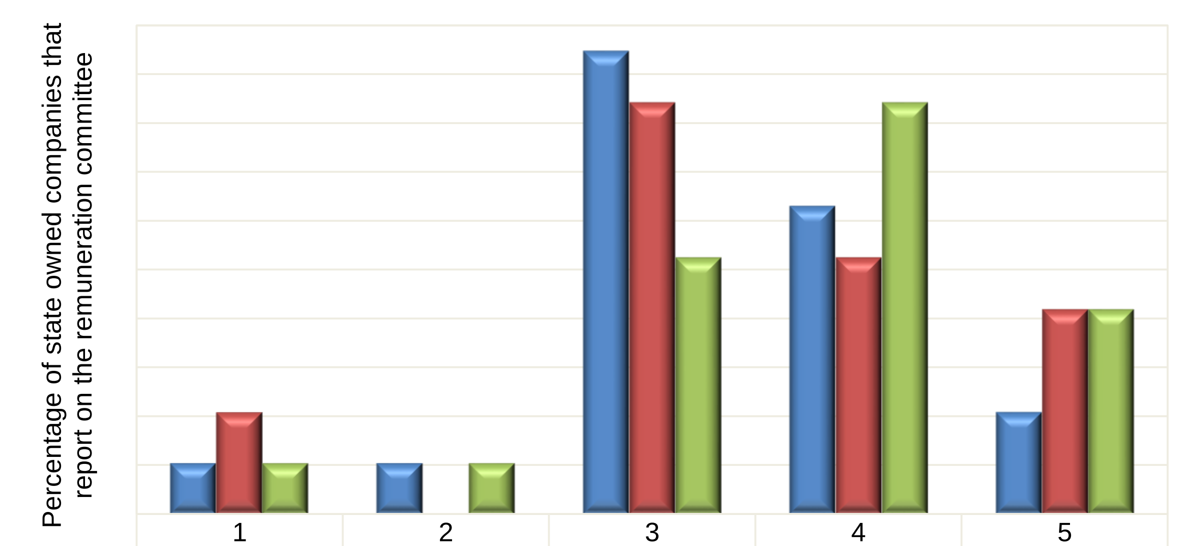


	1	2	3	4	5
2013	0.0%	0.0%	73.7%	26.3%	0.0%
2014	0.0%	5.3%	31.6%	57.9%	5.3%
2015	0.0%	5.3%	26.3%	52.6%	15.8%

Figure 4.7 Bar graph representing the percentage of state owned companies that report on the risk management based on the different levels of disclosure.

4.4.5 Remuneration Committee

Disclosure on the remuneration committee’s function was observed to be generally satisfactory and followed a steady upward trend with the mean scores from 2013 increasing by 0.1895 to 2014 and 0.2526 from 2014 to 2015 per Table 4.2. The reason for the slow-moving increase in disclosure can be attributable to the fact that the remuneration committee function appears to be a developing function within state owned companies. The reason for this is that a large proportion of state owned companies do not apply its principles in relation to having the committee chaired by an independent director. On average 19.5 percent in 2015 and 21.1 percent in both 2014 and 2015 did not disclose information on whether the remuneration or another committee determined directors’ compensation. This is a major concern given the often inflated compensation of state owned company directors who do not perform effectively in delivering entity performance. Figure 4.8 below illustrates the percentage of state owned companies that on average reported disclosures at the different disclosure levels for this subcategory.



	1	2	3	4	5
2013	5.3%	5.3%	47.4%	31.6%	10.5%
2014	10.5%	0.0%	42.1%	26.3%	21.1%
2015	5.3%	5.3%	26.3%	42.1%	21.1%

Figure 4.8: Bar graph representing the percentage of state owned companies that report on the remuneration committee based on the different levels of disclosure.

4.4.6 Nomination Committee

Disclosure made in respect of the nomination committee still requires improvement. Although the mean score achieved improved from 2.737 in 2013 to 2.9474 in 2015, the disclosure was still poor to average in this regard. As evident from Figure 4.9, the number of companies that did not comply with this requirement remained the same from 2013 to 2014 at 26.3 percent but thereafter decreased to 21.1 percent on average in 2015. Therefore, it is deduced that this is an item that state owned companies are battling to grasp effectively. This may be one of the reasons that there is a lack of information on director appointment and retirement procedures as discussed above. Once more, the composition or lack thereof of this committee seems to have an effect on the remainder of the functions that the nomination committee is expected to meet.

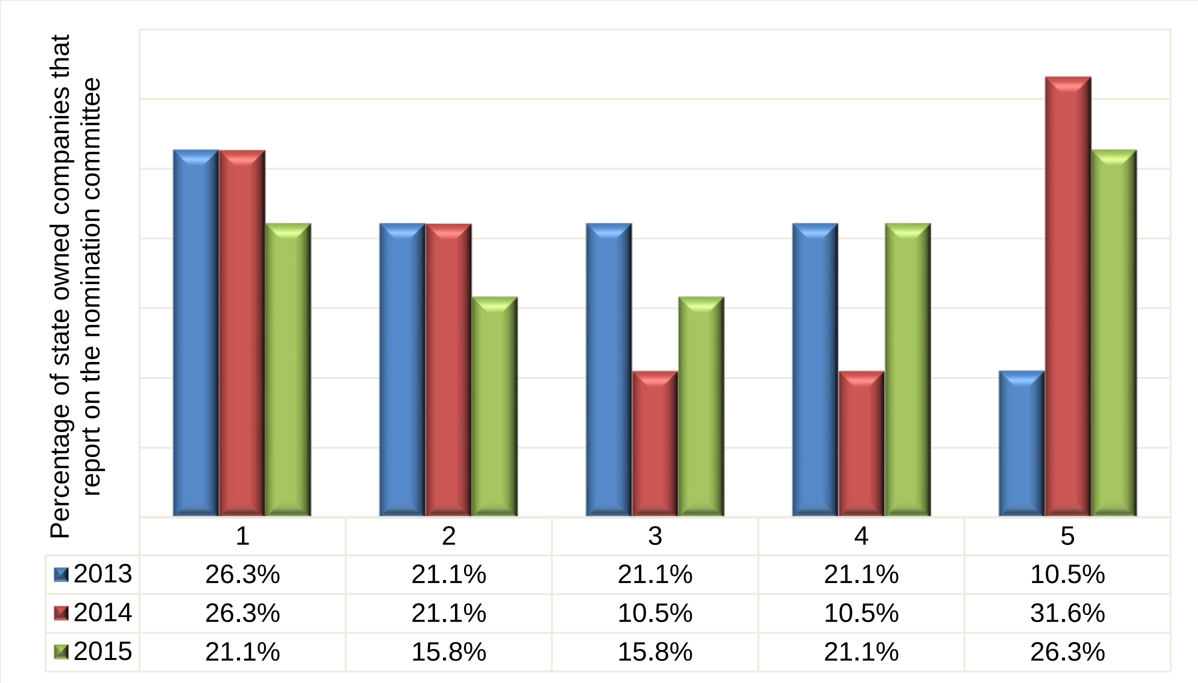


Figure 4.9: Bar graph representing the percentage of state owned companies that report on the nomination committee based on the different levels of disclosure.

<u>4.4.7 Internal Audit Function</u>

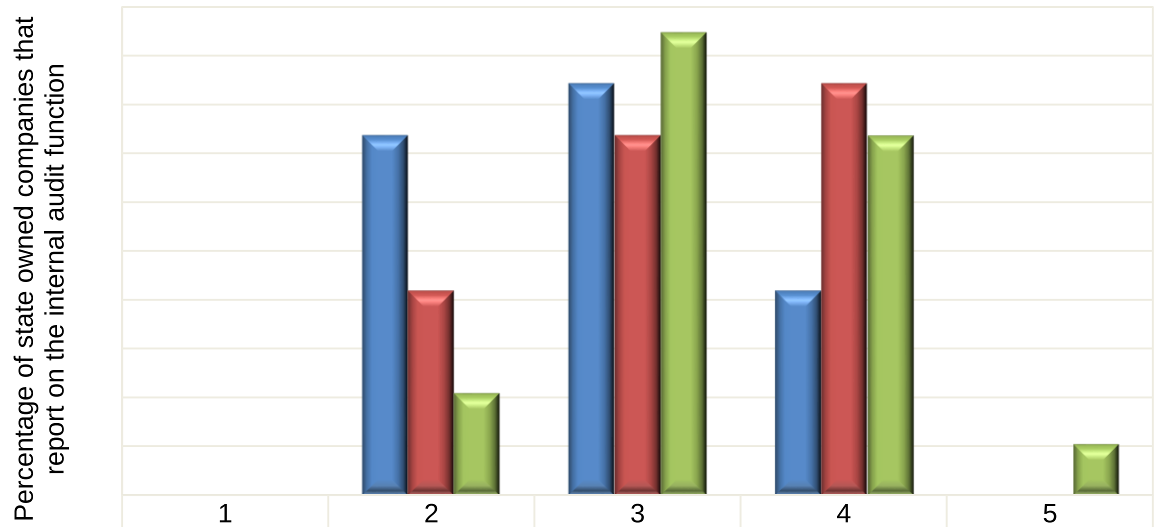
The improvement in disclosure relating to the IAF is on an upward trend however, the improvement seen from 2014 to 2015 of an increase in the mean score of 0.0877 is far less than the improvement from 2013 to 2014 of 0.2573 (Table 4.2).

An analysis of Figure 4.10 indicates that the majority of state owned companies disclosed satisfactory to good information for the IAF. Furthermore, there were no state owned company that did not comply with this disclosure.

An Issue which is of concern is that from the integrated reports analysed on average 10.5 percent of state owned companies in 2015 had no information as to whether the IAF reports to the audit committee. This is an improvement though from the average of 21.1 percent of state owned companies that did not comply with this requirement in 2013 and 2014. This suggests that there are still serious issues in relation to the line of communication in respect of the IAF and the board in some entities however, on average 84.2 percent of state owned companies provided excellent disclosure in this regard, up from 68.4 percent in 2014.

Another area of concern is that there is a lack of disclosure on whether a CAE is appointed to head up the IAF with on average 42.1 percent of state owned companies analysed, not providing disclosure on this matter in 2015. Again it does seem that this is being addressed by state owned companies given that non-compliance with this requirement has decreased to 42.1 percent from 47.4 percent in 2014. However, this is slower than the decrease in non-compliance from 2013 to 2014 which decreased from 63.2 percent to 47.4 percent in 2014. This may be explained by the fact that the Friedman's Test found that there was no real statistical evidence of an increased level of reporting from 2014 to 2015. The lack of information on the appointment of a CAE could further explain the poor internal controls in place at state owned companies which do not work effectively as is widely reported in media reports.

A significant increase was observed from 2014 to 2015 as to the number of state owned entities that reported at a level 5 disclosure in respect of having the IAF subject to an independent quality review. This is in line with the call for greater independent assurance from stakeholders (Atkins and Maroun, 2012) and the increased importance that the IAF has gained more recently in ensuring good corporate governance (Gramling *et al*., 2004).



	1	2	3	4	5
2013	0.0%	36.8%	42.1%	21.1%	0.0%
2014	0.0%	21.1%	36.8%	42.1%	0.0%
2015	0.0%	10.5%	47.4%	36.8%	5.3%

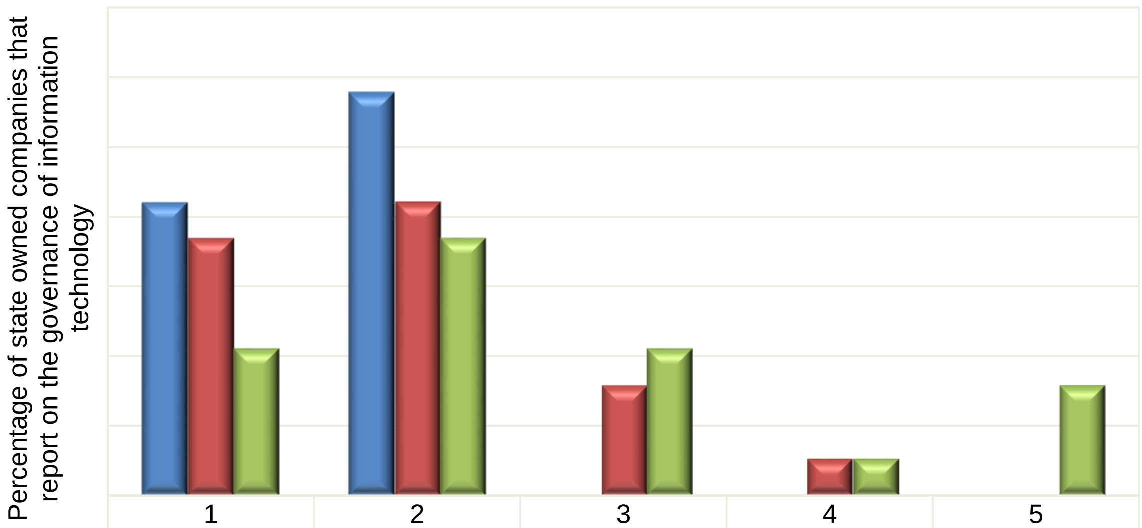
Figure 4.10: Bar graph representing the percentage of state owned companies that report on the internal audit function based on the different levels of disclosure.

4.4.8 The Governance of Information Technology

In respect of the governance of IT, one of the most significant improvements was witnessed over the three years analysed for any indicator. The mean increased from a dismal 1.4649 in 2013 to 1.8070 in 2014 and finally to a significantly improved mean of 2.5 in 2015 (per Table 4.2). Furthermore, the statistical analysis of Figure 4.11 shows that the number of state owned companies that did not comply with IT governance requirements halved on average from 42.1 percent in 2013 to 21.1 percent in 2015. These findings are in line with the realization that the governance of IT can create a completive advantage for an entity if adopted and governed correctly or spell disaster if it is not (Nolan and McFarlan, 2005; Trautman and Altenbaumer-Price, 2011).

Disclosure relating to the governance of IT is still however lacking based on the results of this study. The appointment of a CIO to manage the IT function has improved from on average 94.7 percent non-compliance by companies in 2013 to 63.3 percent in average in 2015. Although it is a major improvement the fact that the vast majority of state owned companies do not comply with this requirements still is a matter of great concern, given the importance of IT in the current economic world. A further concern is that there was a decreasing trend experienced in the number of state owned companies that did not provide any disclosure on the board's consideration of IT investment from 2014 to 2015. This is concerning as governance should be driven from the top down to ensure effective adoption of good governance throughout an entity in a matter of such importance as is the case with IT (IOD, 2009).

An improvement was seen in the consideration of overall risk as well as financial risks in relation to IT with between 3 and 4 companies disclosing such information on a level 5 rating.

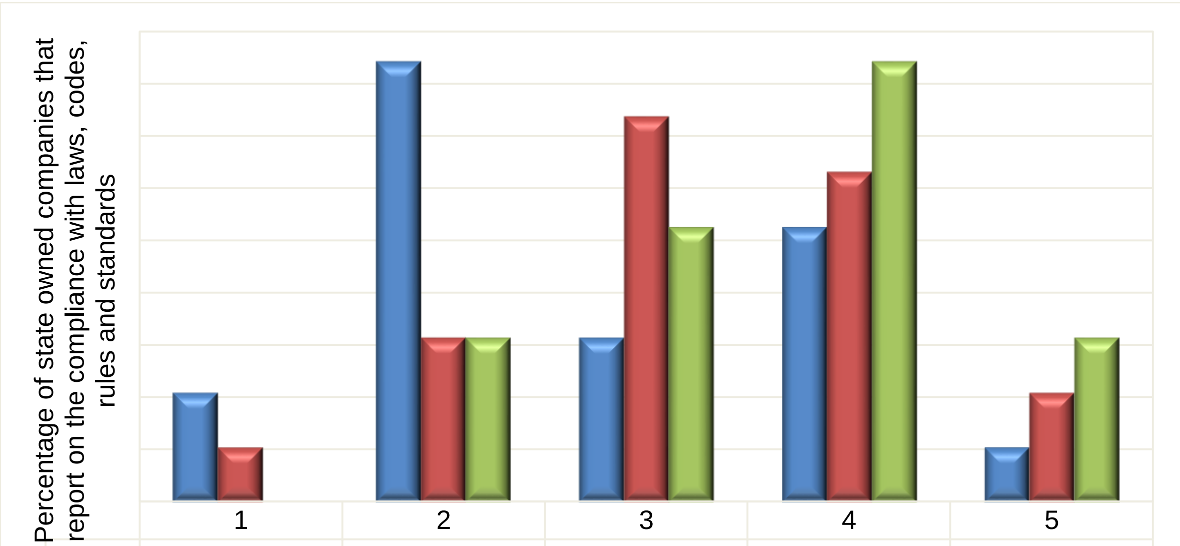


	1	2	3	4	5
2013	42.1%	57.9%	0.0%	0.0%	0.0%
2014	36.8%	42.1%	15.8%	5.3%	0.0%
2015	21.1%	36.8%	21.1%	5.3%	15.8%

Figure 4.11: Bar graph representing the percentage of state owned companies that report on the governance of information technology based on the different levels of disclosure.

4.4.9 Compliance with Laws, Rules, Codes and Standards

Another area where disclosure improved fairly well was compliance with laws, codes and standards. Disclosure moved from providing little information to a satisfactorily disclosing some information with a mean of 3.6842 in 2015. This upward trend is further supported by the fact that there was not one state owned company that did not comply with this disclosure requirement in 2015 compared to one company in 2014 and two companies in 2013 (Figure 4.12). This surge in disclosure may be attributable to the fact that stakeholders of entities require greater information of the factors and risks that can affect entity value (Frias-Aceituno *et al*., 2014) such as, non-compliance with laws and regulations. There were vast improvements in disclosure by state owned companies to the set-up of a compliance function and the oversight that they provide in terms of compliance with laws, regulations, codes and standards. Furthermore, the disclosure of non-binding codes and standards which state owned entities adhere to was significantly improved with a decrease in the average number of companies that did not disclose information on this indicator from 31.6 percent in 2014 to 10.5% in 2015. An average increase from 15.8 percent in 2014 to 31.6 percent of state owned companies that reported excellent disclosure in relation to disclosure of compliance with non-binding rules and standards was also observed. This is a step in the right direction for state owned companies in ensuring transparency in the interest of good corporate governance.

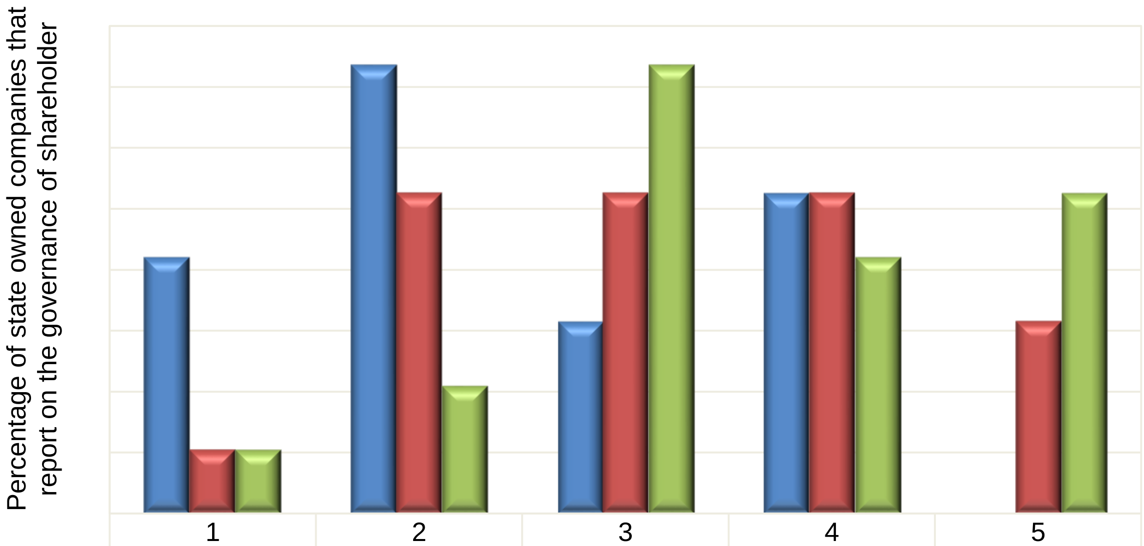


	1	2	3	4	5
2013	10.5%	42.1%	15.8%	26.3%	5.3%
2014	5.3%	15.8%	36.8%	31.6%	10.5%
2015	0.0%	15.8%	26.3%	42.1%	15.8%

Figure 4.12: Bar graph representing the percentage of state owned companies that report on the compliance with laws, codes, rules and standards based on the different levels of disclosure.

4.4.10 Governing Stakeholder Relationships

Disclosure in relation to the governances of stakeholder relationships improved, following an upward trend from a mean score of 2.2632 in 2013 to 3.3947 in 2015. This resulted in the disclosure by state owned companies in respect of stakeholder relations, improving from poor to average. There was a vast decrease in the number of state owned companies that did not comply with the requirements of this subsection as depicted in Figure 4.13 from 21.1 percent non-compliance in 2013 to only 5.3 percent in 2015. Furthermore, 2015 seen disclosure for this subcategory reached an excellent level for 26.3 percent of companies compared to 0 percent in the prior periods analysed. Improvements were seen in the identification of stakeholders by state owned companies with only 1 company not identifying and disclosing who its stakeholders were in 2015 compared to 9 in 2013. These points to the fact that state owned companies are realising the importance that stakeholder relationships play in improving entity value (IIRC, 2013). Furthermore, pressure on state owned companies to meet stakeholders expectations in terms of accountability (KPMG, 2012), may be the reason for the increased interest in taking stakeholders interests into account.



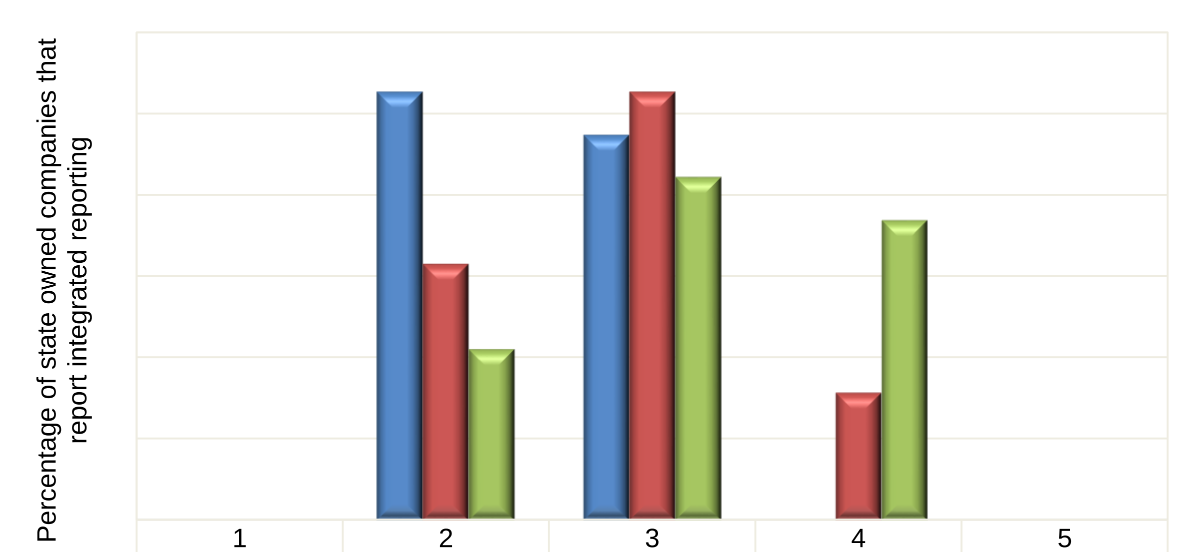
	1	2	3	4	5
2013	21.1%	36.8%	15.8%	26.3%	0.0%
2014	5.3%	26.3%	26.3%	26.3%	15.8%
2015	5.3%	10.5%	36.8%	21.1%	26.3%

Figure 4.13: Bar graph representing the percentage of state owned companies that report on the governance of shareholder relationships based on the different levels of disclosure.

4.4.11 Integrated Reporting

The application of the overall disclosure requirements per King III and the IR Framework by state owned companies improved by 21.62 percent in 2014 from disclosure in 2013, which disclosed very little information. As indicated in Table 4.2 the year 2015 seen disclosure just reached a satisfactory level. It was observed that not one of the state owned companies analysed, reported on a level 5 disclosure for this subcategory over all three years analysed, which suggest that there is still room for improvement for these disclosures that are made in the integrated reports by state owned companies. A commendable improvement was that on average the number of state owned companies that reported on a level 4 disclosure level improved from 0 percent in 2013 to 15.8 percent in 2014 and finally increased to 36.8 percent in 2015 (Figure 4.14). This improvement observed could also explain the reduction in the number of state owned companies that on average reported on a level 2, disclosure level as they move upward by disclosing information at a level 3 or 4 basis (Figure 4.14). On inspection at a deeper level on the results of the state owned companies analysed, it was found that financial and sustainability issues such as social, economic and environmental impacts were assessed and taken in into account in one or more documents relating to the integrated reports by all state owned companies in 2015. This follows the upward trend in reducing non-compliance with the requirements of this subcategory of indicators from 2013. The conciseness of reports also improved in line with the findings of Atkins and Maroun (2012), regarding the call for integrated reports to be more concise. Integrated reporting amongst state owned entities has also become more balanced, with the majority of entities reporting information in a more balanced way as time progressed. This may be as a result of state owned companies becoming more familiar with integrated reporting as time goes by and improving their disclosures due to their increased experience in preparing integrated reports.

An issue that still persisted is the lack on connectivity of information in integrated reports issued by state owned companies. The majority of state owned companies are still battling with this concept and are only able to connect information at a level 2 disclosure. It can be assumed that in accordance with the manner in which state owned companies improved the balance of their reporting, with time their integrated reports will have greater connectivity of information as evidenced by the upward trend in connecting information in these reports from 2013 to 2015.

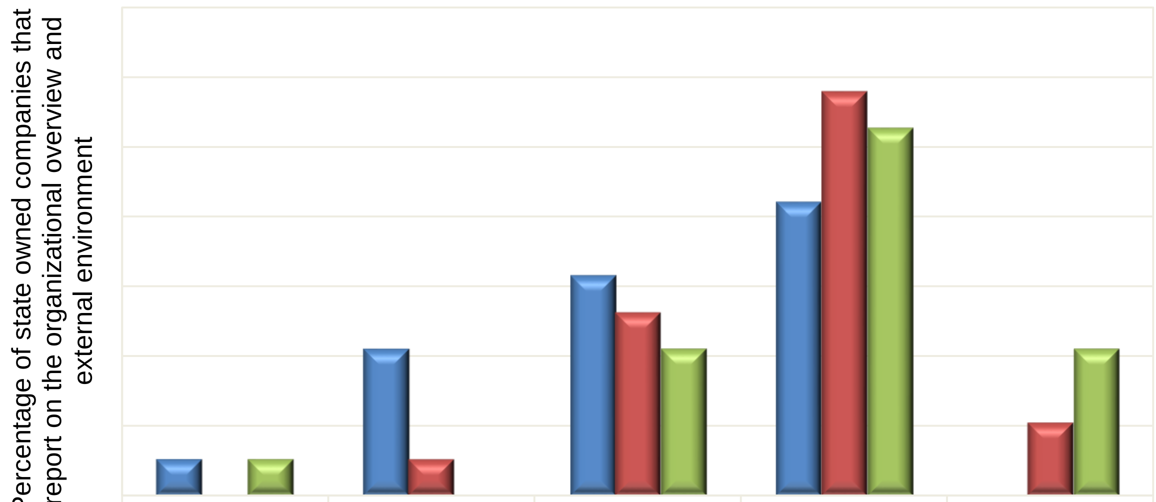


	1	2	3	4	5
2013	0.0%	52.6%	47.4%	0.0%	0.0%
2014	0.0%	31.6%	52.6%	15.8%	0.0%
2015	0.0%	21.1%	42.1%	36.8%	0.0%

Figure 4.14: Bar graph representing the percentage of state owned companies that report integrated reporting based on the different levels of disclosure.

4.4.12 Organizational Overview and External Environment

Disclosure on the organizational overview and external environment of state owned companies improved from disclosure which was satisfactory in 2013 with a mean of 3.0526 to 3.9123 in 2015, as indicated in Table 4.2. The score in 2015 achieved on average by state owned companies suggests that disclosure is at a good level and improving steadily in this regard. Ten state owned companies on average reported at a level 4 disclosure and 4s at a level 5 compared to 11 and 0 in 2013 and 2014 respectively as depicted in Figure 4.15. The improvement seen can be attributable to the adoption of the IR Framework principles in respect of the preparation and presentation of integrated reports which was released in 2013 and as such its implementation improved as the years progressed. Generally, the state owned companies that were analysed improved their disclosure in terms of disclosing the external factors affecting the entity, identifying the vison and mission of the entity and recognizing the importance that the identification of the competitive landscape in which the entity operates can have on value creation per the IR Framework. Improvement in this regard can be attributable to the adoption of the IR Framework.

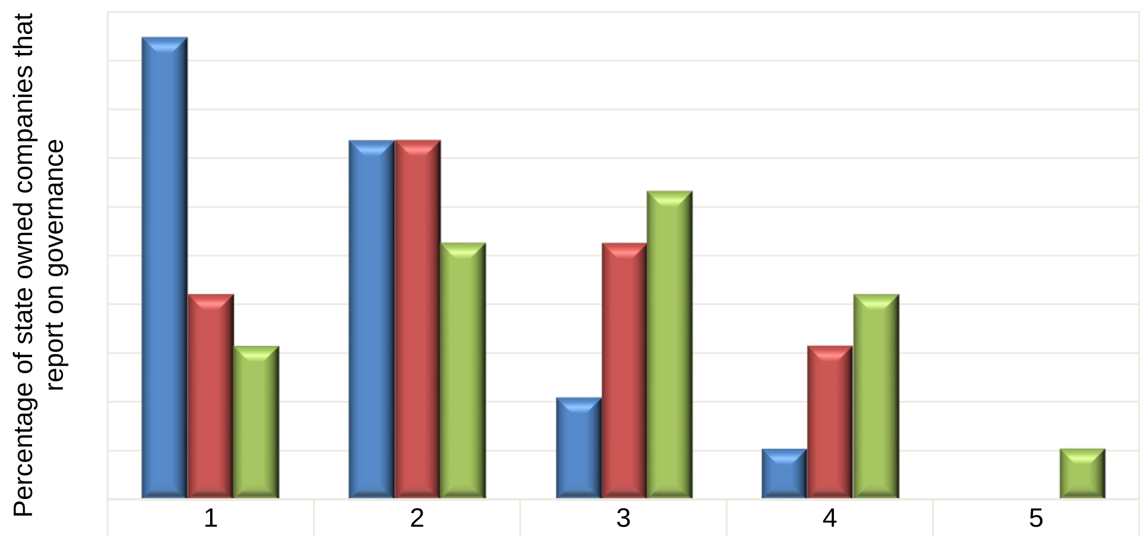


	1	2	3	4	5
2013	5.3%	21.1%	31.6%	42.1%	0.0%
2014	0.0%	5.3%	26.3%	57.9%	10.5%
2015	5.3%	0.0%	21.1%	52.6%	21.1%

Figure 4.15: Bar graph representing the percentage of state owned companies that report on the organizational overview and external environment based on the different levels of disclosure

4.4.13 Governance

Disclosure in respect of how an entity's governance structure supports value creation in the short, medium and long-term was one of the indicators that was drastically improved. The mean score achieved improved from a poor 1.7368 in 2013 to an impressive 2.7368 in 2015. Although the disclosure is still just below satisfactory, the improvement in disclosure for this indicator is improving well. The improvement can again be linked to the application of the IR Framework which as per the results of this study has improved integrated reporting disclosure. Figure 4.16 shows on average the percentage of state owned entities that reported at the different levels of disclosure in respect of this indicator, which clearly depicts the massive improvement in the disclosure.



	1	2	3	4	5
2013	47.4%	36.8%	10.5%	5.3%	0.0%
2014	21.1%	36.8%	26.3%	15.8%	0.0%
2015	15.8%	26.3%	31.6%	21.1%	5.3%

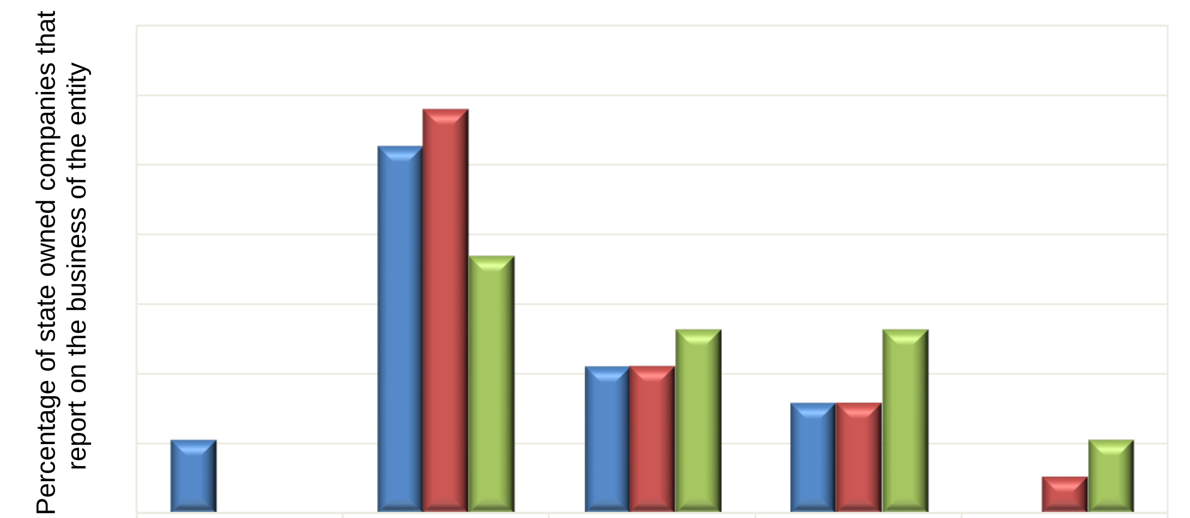
Figure 4.16: Bar graph representing the percentage of state owned companies that report on governance based on the different levels of disclosure

4.4.14 Business Model

The importance of the business model of an entity and the fruitful information it provides for decision making (IIRC, 2013), has led state owned companies to improve the disclosure of their business models in their integrated reports. The mean score achieved by state owned entities in respect of the disclosure of their business models improved from by 0.3258 from 2013 to 2014 and 0.3895 from 2014 to 2015 (Table 4.2).

The results of this report have shown that satisfactory information is currently being provided by state owned companies in relation to their business model. A major improvement from 2013 was that on average not 1 company did not disclose information on their business model in both 2014 and 2015. Furthermore, 2015 seen the percentage of state owned companies that on average report on a level 2 disclosure to decrease from 52.6 percent in 2013 to 26.8 percent in 2015 and the companies that report on a level 5 disclosure to increase from 0 percent in 2013 to 10.5 percent in 2015, as indicated in Figure 4.17. The number of state owned companies that on average report on a level 4 in respect of describing the entity's business model, increased from 15.8 percent in 2014 to 36.8 percent which is a step in the right direction in applying the IR framework requirements for this disclosure.

An area that should still be addressed is related to entities needing to disclose information on how key inputs into their business model relates to the capitals of the entity. Although decreasing year on year, the number of state owned companies that on average do not disclose information relating to how key inputs into their business model relates to the capitals of the entity is still high at 57.9 percent in 2015. This should be addressed effectively and efficiently in order to allow for stakeholders to understand the business model of the company more adequately.



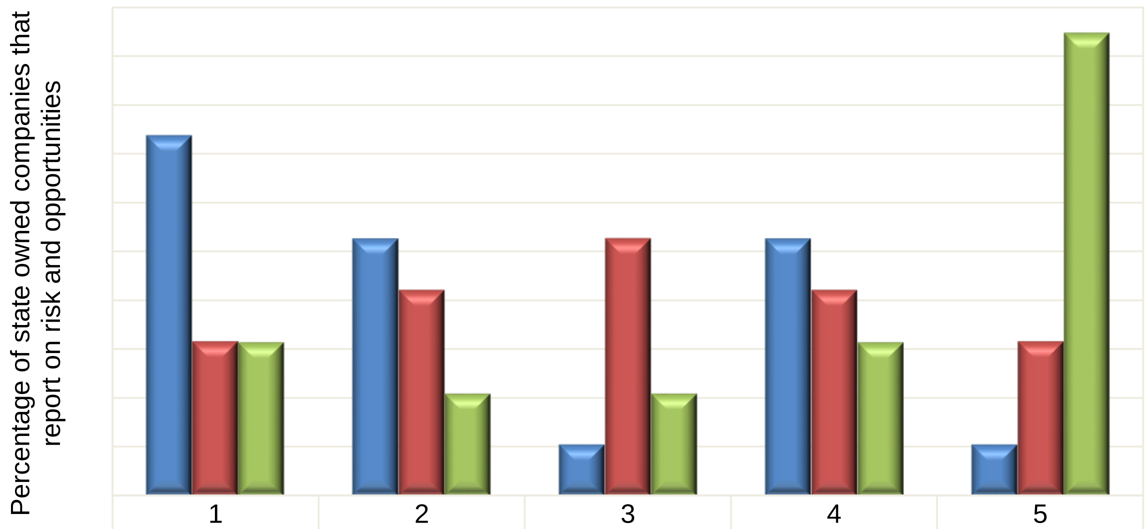
	1	2	3	4	5
2013	10.5%	52.6%	21.1%	15.8%	0.0%
2014	0.0%	57.9%	21.1%	15.8%	5.3%
2015	0.0%	36.8%	26.3%	26.3%	10.5%

Figure 4.17: Bar graph representing the percentage of state owned companies that report on the business of the entity based on the different levels of disclosure

4.4.15 Risks and Opportunities

Disclosure as to the key risk and opportunities that the entity has identified, including those that have an impact of the capitals of an entity in the short, medium and long-term has improved very well from 2013 to 2015. The mean score achieved increased from 2.3684 in 2013 to 3 in 2014 and 3.6842 in 2015 based on Table 4.2.

As reflected in Figure 4.18, an impressive 47.4 percent of state owned companies on average reported at a level 5 disclosure in 2015. It can be deduced that this is a key item that is being addressed by state owned companies given the realisation that the identification of risks and opportunities play in creating value for an entity.

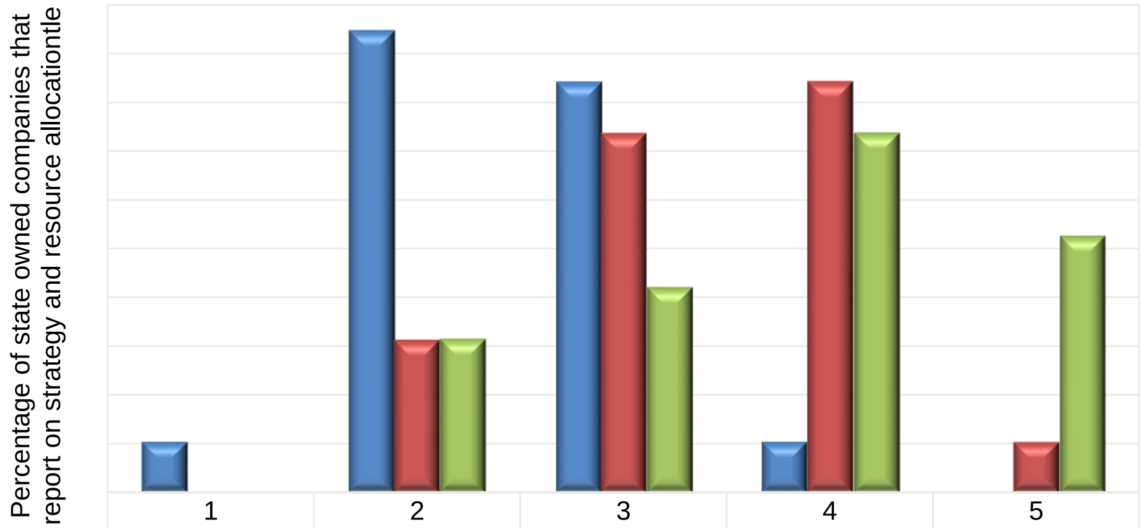


	1	2	3	4	5
2013	36.8%	26.3%	5.3%	26.3%	5.3%
2014	15.8%	21.1%	26.3%	21.1%	15.8%
2015	15.8%	10.5%	10.5%	15.8%	47.4%

Figure 4.18: Bar graph representing the percentage of state owned companies that report on risk and opportunities based on the different levels of disclosure.

4.4.16 Strategy and Resource Allocation

State owned companies drastically improved their disclosure relating to strategy and resource allocation from disclosing little information in a poor manner to providing good disclosure on strategy and resource allocation. This is evidenced by the increase in the mean score achieved from 2.4737 in 2013 to 3.7368 in 2015. Furthermore, not one state owned company did not disclose information on this indicator and 63.1 percent of state owned companies reported on a level 3 and 4 disclosure, as indicated in Figure 4.19. A reason for the increased focus on strategy by state owned companies may be due to the increased calls for state owned companies to have a clear robust plan to achieve their objectives.

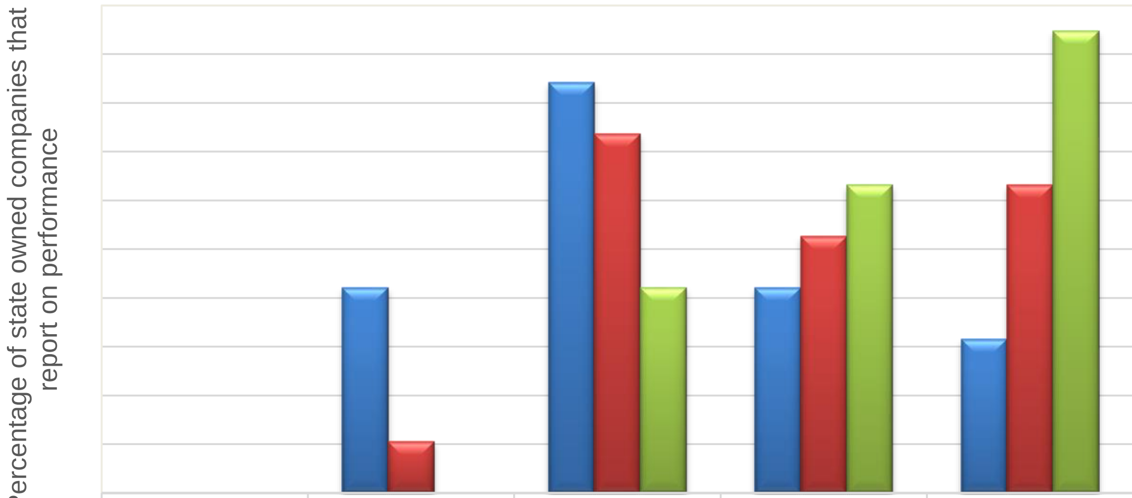


	1	2	3	4	5
2013	5.3%	47.4%	42.1%	5.3%	0.0%
2014	0.0%	15.8%	36.8%	42.1%	5.3%
2015	0.0%	15.8%	21.1%	36.8%	26.3%

Figure 4.19: Bar graph representing the percentage of state owned companies that report on strategy and resource allocation based on the different levels of disclosure.

4.4.17 Performance

Disclosure in relation to performance information by state owned companies was originally satisfactory in 2013 and thereafter increased to good with more detail provided in relation to performance. In respect of disclosing both quantitative and qualitative information on performance, on average the percentage of state owned companies who provided excellent disclosure in this regard in 2015 was 42.1 percent, up from 21.1 percent in 2014 and a mere 5.3 percent in 2013, which is supported by the data in Figure 4.20. This suggests that more state owned companies are increasingly realising the value of providing not only quantitative information on performance but qualitative as well. A significant improvement was also seen in the number of state owned companies that provide Key Performance Indicators (KPI's) that combine financial measures with other measures as well. Non-compliance in this regard decreased from 4 companies in 2013 to 1 in 2014 and finally 0 in 2015. Again, the implementation and time of adoption of the IR Framework seems to have played an important part in improving the level of disclosure made in this regard, given the increased scrutiny surrounding state owned company performance.



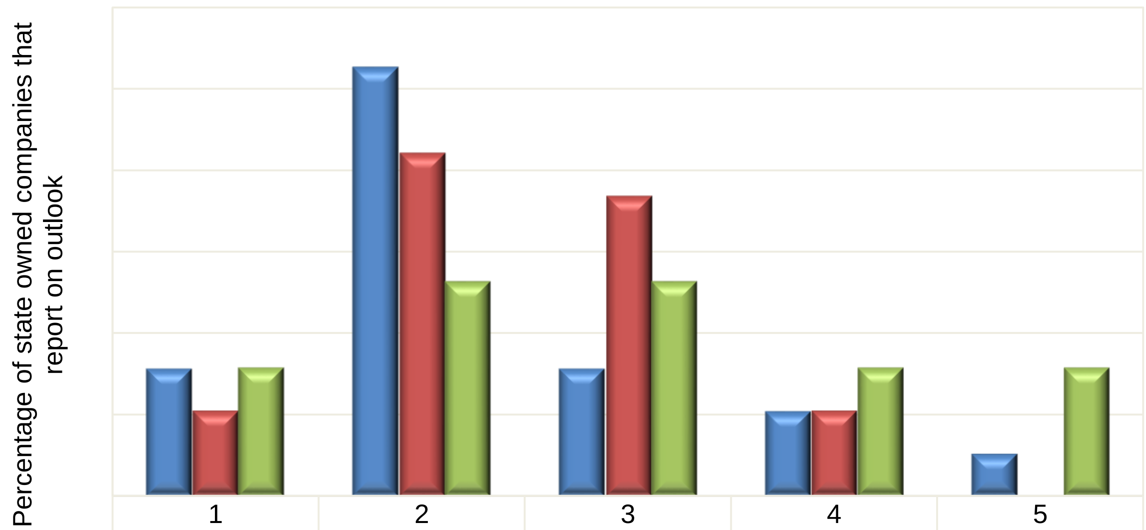
	1	2	3	4	5
2013	0.0%	21.1%	42.1%	21.1%	15.8%
2014	0.0%	5.3%	36.8%	26.3%	31.6%
2015	0.0%	0.0%	21.1%	31.6%	47.4%

Figure 4.20: Bar graph representing the percentage of state owned companies that report on performance based on the different levels of disclosure.

4.4.18 Outlook

Disclosure in relation to the outlook of the entity is another area where a significant improvement was seen. The level of reporting improved from bordering on non-compliant to just below satisfactory for this subcategory. The level of non-compliance has dropped significantly and as a result disclosure has improved with most state owned entities now providing disclosure on the outlook for entity in most cases at a lower level due to late adoption of this principle in 2014 but this gradually improved in 2015 to include disclosures at levels as high as 5 for 5 companies (Figure 4.21).

An area addressed but which still has a large percentage of state owned companies that on average are non-compliant is in respect of the provision of lead indicators and KPI’s. The level of non-compliance on this disclosure item is still high at 42.1 percent on average in 2015 although, improved from the prior periods. A reason for the high levels of non-compliance with the provision of lead indicators and KPI’s could be due to the fact that state owned companies are still getting comfortable with reporting on the future outlook on an entity in general and as a result may be battling in terms of actually providing lead indicators due to teething issues in the adoption of integrated reporting.

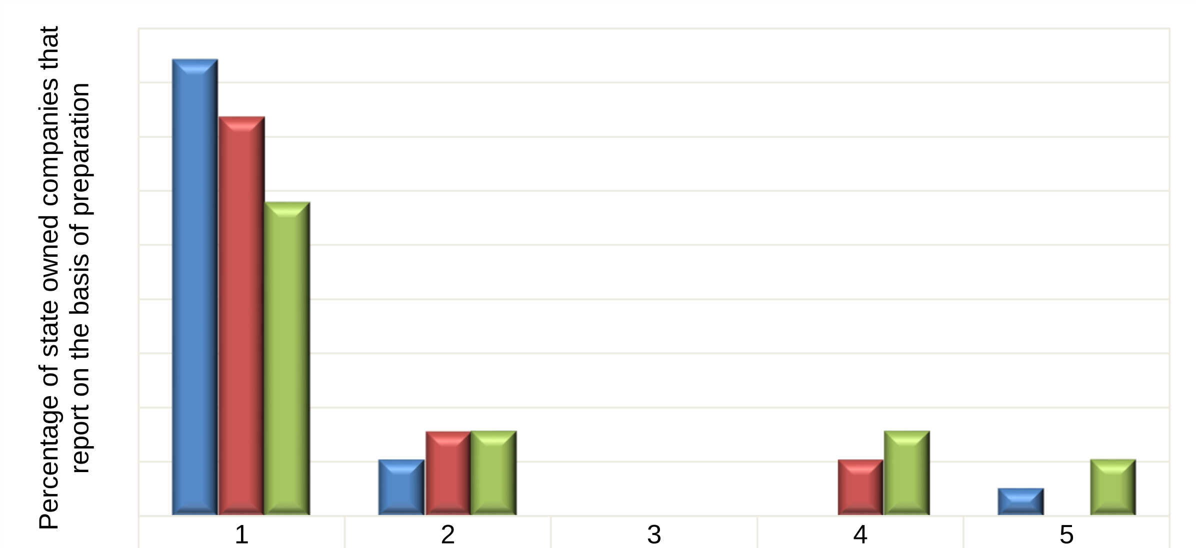


	1	2	3	4	5
2013	15.8%	52.6%	15.8%	10.5%	5.3%
2014	10.5%	42.1%	36.8%	10.5%	0.0%
2015	15.8%	26.3%	26.3%	15.8%	15.8%

Figure 4.21: Bar graph representing the percentage of state owned companies that report on outlook based on the different levels of disclosure.

<u>4.4.19 Basis of Preparation</u>

The mean level of disclosure for information pertaining to the basis upon which the integrated reports are prepared has pleasingly improved. State owned companies do provide little detail on the basis of preparation of their integrated reports however, per Figure 4.22, 57.9 percent of state owned companies on average do not provide any information on this disclosure. This is an area that should be improved in order for stakeholders to gain greater clarity per the IR Framework of how and why information was included in the integrated report so that they can make informed assessments on the entity (IIRC, 2013). The lack of compliance on the provision of information on the basis of preparation of an entity's integrated report can again be attributable to the late adoption of the IR Framework by state owned companies.



	1	2	3	4	5
2013	84.2%	10.5%	0.0%	0.0%	5.3%
2014	73.7%	15.8%	0.0%	10.5%	0.0%
2015	57.9%	15.8%	0.0%	15.8%	10.5%

Figure 4.22: Bar graph representing the percentage of state owned companies that report on the basis of preparation based on the different levels of disclosure.

4.5 Overall Observations

Analysing the number of state owned companies that reported at the different disclosure levels overall as indicated in Table 4.4 and Figure 4.23, it can be seen that no company had an overall classification of 1 in any of the three years and no company had an overall classification of 5 in any of the three years. No company had a classification of 4 (good) in 2013 while 15.8 percent of the companies had an overall classification of 4 in 2014 and 47.4 percent of the companies were classified at level 4 in 2015.

Table 4.4: The average level of disclosure made by state owned companies in their integrated reports

Year		Level of disclosure					
		1	2	3	4	5	Total
2013	Number of companies	0	10	9	0	0	19
	Percentage of companies	0	52.6%	47.4%	0.0%	0	100.0%
2014	Number of companies	0	3	13	3	0	19
	Percentage of companies	0	15.8%	68.4%	15.8%	0	100.0%
2015	Number of companies	0	2	8	9	0	19
	Percentage of companies	0	10.5%	42.1%	47.4%	0	100.0%

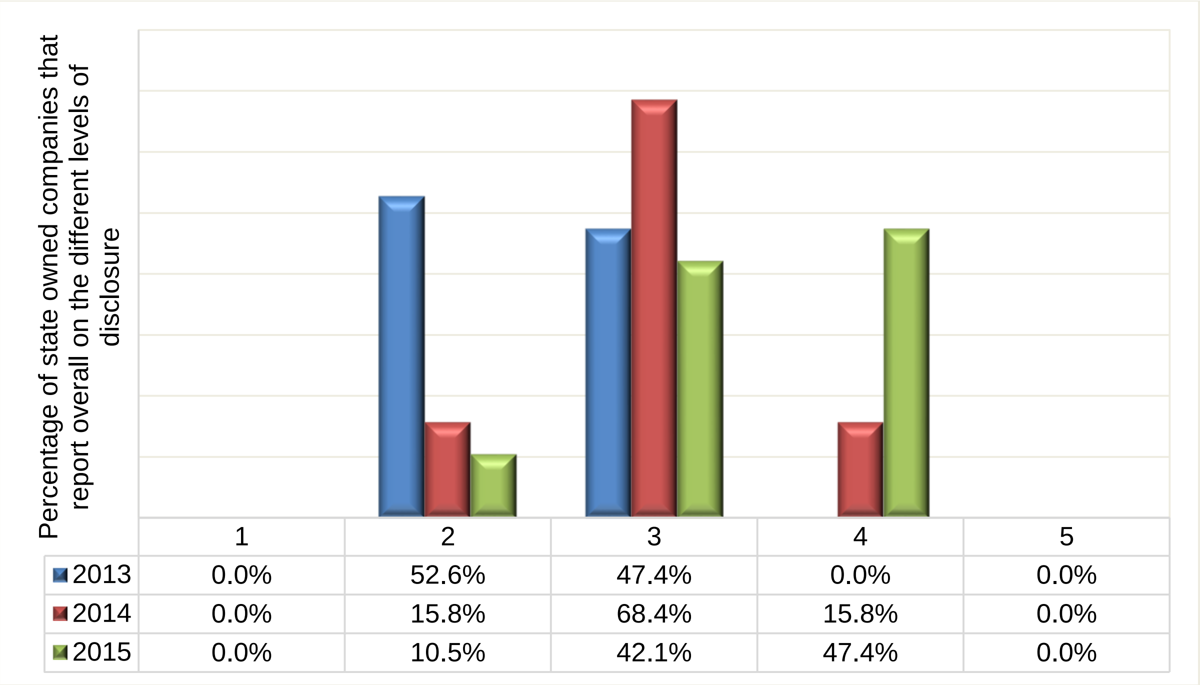


Figure 4.23: Bar graph representing the percentage of state owned companies that report overall on the different levels of disclosure.

On an overall basis across all the indicators tested in this report, the mean score achieved by state owned companies in respect of the level of disclosure in their integrated reports as whole has followed an upward trend to provide more information. Over the three years analysed, the mean average for disclosure by state owned companies in their integrated report moved from providing little information at score of 2.5496 to providing just below satisfactory information in 2014 at a score of 2.9962. Finally, the information disclosed by state owned entities in their integrated report as a whole improved to proving some information in a satisfactory manner at a score of 3.3454 in 2015.

4.6 Conclusion

It is evident from the overall analysis that as time progresses the level of integrated reporting by state owned companies improve with experience and adoption of standards such as the IR Framework in respect of integrated reporting. These further highlights the improving trend in disclosure made by state owned companies in their integrated reports. Although improving, the level of disclosure is still only satisfactory and as such there is a lot of room for improvement over time. Areas has highlighted above that should be addressed effectively relate to governance, the governance of information technology, the provision of information on the outlook of the entity and information as to the basis upon which integrated reports are prepared.

Chapter 5: Conclusion and Recommendations

The purpose of this report was to analyse the trends in integrated reporting from a state owned company perspective. The analysis of the trending in integrated reporting by state owned companies was conducted by means of analysing the annual/integrated reports of all the state owned companies that formed part of Schedule 2 of the PFMA for the disclosure per King III and the IR Framework. This analysis was carried out for the 2013, 2014 and 2015 financial years of each state owned company and where the 2015 results were not available the analysis was done over the 2012, 2013 and 2014 financial years. The disclosures made in the integrated reports of the various state owned entities analysed, was scored against a scorecard which classified disclosure as non-compliant, poor/average, good or excellent. The mean scores of the disclosures made by all the state owned companies was then determined based on each subcategory of indicators analysed and for the indicators as a whole. The mean scores was then further analysed to provide information as to the percentage of state owned companies that reported under the different levels of disclosure. The Friedman's test and Spearman's rho was also used to determine if the level of disclosure increased or not and if there was a pattern in reporting disclosure respectively.

The results of analysis of the trends in integrated reporting by state owned companies revealed that there was a strong pattern in reporting disclosures from the 2013 financial year to the 2014 financial year and the 2014 financial year to the 2015 financial year. The level of reporting was found to have increased between 2013 and 2014, 2014 and 2015 and 2013 and 2015 however the increase in disclosure from 2014 to 2015 could not be proved to be statistically significant. The mean scores observed for the disclosures made by state owned companies followed an increasing positive trend with the disclosures on average increasing from providing little information on a poor to average basis in 2013 to providing some information at a satisfactory level in 2015. It was also found that no state owned company had on average an overall classification of 1 (non-compliance) in any of the three years and no company had an overall classification of 5 (excellent disclosure) in any of the three years analysed. This suggests that although improving, the level of disclosure by state owned companies is still only satisfactory and as such there is a lot of room for improvement over time. Areas as highlighted in chapter 4 that are in need of reform relate to governance, the governance of information technology, the provision of information on the outlook of the entity and information as to the basis upon which integrated reports are prepared. Areas where information was disclosed well by state owned companies include issues relating to the risk committee per King III, performance information and information pertaining to the organizational overview of the entity and external environment it operates in. Furthermore, it was observed that the adoption of the principles of the IR Framework by state owned entities tended to improve their reporting disclosure and as state owned companies become more comfortable with integrated reporting and the frameworks that can be applied to enable effective and efficient disclosure of information, the level of disclosure by state owned companies in their integrated reports will improve over time.

An area for future research includes analysing if the adoption of integrated reporting by state owned entities has a positive effect on the economic value of the entity given, the increased adoption of integrated reporting by state owned entities.

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Annexure A: Research Indicators used

	Research Indicators
	Ethical leadership and corporate citizenship [King III – Chapter 1]
1	Effective leadership based on ethical values such as integrity, honesty, independence, accountability and trust can be ascertained from the integrated report. [Par. 1]
2	Company strategies and vision are clearly outlined. **[Par. 7, 9, 35]**
3	Mission statement and company values are provided. **[Par. 9, 10]**
4	Ethical standards are articulated in the code of conduct. **[Par. 12-15]**
5	Independent assurance of ethics by internal audit or external assurance providers.[Par. 52]
	Boards and directors [King III – Chapter 2]
6	Company is governed by a unitary board of directors. **[Par. 62]**
7	Directors are appointed through a formal process. [Principle 2.19, Par. 80-82]
8	Board is comprised of the majority of non-executive directors. [Par. 64]
9	Of the non-executive directors, the majority are independent. [Par. 64]
10	Board is chaired by a non-executive independent director. [Par. 38]
11	Board has appointed a lead independent director, if the chairman is not independent. [Par. 38]
12	The CEO is a board member. [Par. 47, 73]
13	The financial director (or CFO) is a board member. **[Par. 47, 73]**
14	Qualifications and experience of directors are disclosed. **[Par. 88]**
15	Board is assisted by a competent, suitably qualified and experienced company secretary. [Principle 2.21]
16	Board is regulated by a formal charter which sets out the role of the board and each director. [Par. 1]

17	Appointment of well-structured committees to deal with key functions of the board, whichinclude separate audit, risk, remuneration and nomination committees as a minimum.[Principle 2.23, par. 130]
18	Committees are regulated by formal charters which set out the role of individual committees. [Par. 125-126]
19	Board meets at least 4 times a year. **[Par. 1]**
20	Induction programme for new directors is in place. **[Par. 89-90]**
21	Ongoing training for all directors is in place. **[Par. 92]**
22	Performance of the board, individual directors and committees is evaluated on a regular
23	Basis. **[Par. 109-114]**
24	Share option scheme is not available to non-executive directors. **[Par. 154]**
25	Policy is in place for appointment and retirement of directors. **[Par. 74-75, 80-82]**
26	Remuneration of directors and senior executives is disclosed. **[Par. 180]**
27	Remuneration of the three most highly-paid employees (other than directors) is disclosed. [Par. 180]
28	Remuneration policy regarding directors is approved by the shareholders. [Par. 186]
	C. Audit Committees (King III-Chapter 3)
29	Audit committee is appointed by the board (through the nomination committee) and is approved by the shareholders. [Par. 3]
30	Formal charter and processes are in place outlining the functions of the audit committee. [Par. 6 of Audit Committees, Par. 125,126,129&134 of Boards & Directors]
31	Suitably skilled and experienced independent non-executive directors. [Principle 3.2,Par. 12-15]
32	Comprised of at least three non-executive, independent directors. **[Par. 10]**
33	Chairman of the Board is not a member of the audit committee. **[Par. 11]**

34	Chaired by a non-executive, independent director, other than the chairman of the Board. [Principle 3.3]
35	Meets at least 2 times a year. **[Par. 7]**
36	Satisfactory attendance of audit committee as per attendance register. **[Par. 7]**
37	Oversees internal and financial controls. **[Par. 30, 64, 66-70]**
38	Oversees internal audit function. **[Par. 66-70, Principle 7.4 of Internal Audit Function]**
39	Oversees financial risk management (and other risks if necessary). **[Par. 64, 65]**
40	Assesses the performance, expertise and skills of the financial function including financial director. [Par. 51, 52]
41	Oversees the preparation of the integrated report (including sustainability issues). [Principle 3.4, Par. 24-29]
42	Audit committee (or company as a whole) applies a combined assurance model inproviding assurance on activities such as risk, compliance, internal audit andgovernance. [Principle 3.5, Par. 46-48]
43	Evaluates independence and credentials of the external auditor. **[Par. 77]**
44	Evaluates performance of the external auditor. **[Par. 77]**
45	Reports to the board and shareholders how it carried out its responsibilities. [Principle 3.10, Par. 83-85]
	D. Risk management committee [King III – Chapter 4; Researcher's own indicator]
46	Board appoints risk and/or audit committee to oversee risk management. [Par. 16]
47	Risk (or audit) committee consists of at least 3 directors (both executive and non-executive). [Par. 20, 21]

48	It is chaired by an independent non-executive director, other than chairman of the board or the executive director (not required by King III but considered necessary for the purposes of this research). [Researcher's own indicator]
49	Formal charter and processes are in place outlining the functions of the risk/audit committee. [Par. 5]
50	Risk (or audit) committee meets at least 2 times a year. [Par. 22]
51	Risk committee (or audit/board) identifies key financial risks and quantify them, if possible. [Par. 31-34, 40, 41-43]
52	Risk committee (or audit/board) identifies key non-financial risks and quantify them, if possible. [Par. 31-34, 41-43]
53	Risk committee (or audit/board) explains how the identified financial risks will be addressed. [Par. 31-34, 40, 41-43]
54	Risk committee (or audit/board) explains how the identified non-financial risks will be addressed. [Par. 31-34, 41-43]
55	Risk committee (or audit/board) sets levels of risk tolerance. [Principle 4.2, Par. 11-15]
56	Risk committee (or audit/board) expresses its views on the effectiveness of the company's risk management processes. [Par. 4]
	E. Remuneration committee [King III – Chapter 2]
57	Remuneration committee comprises at least 2 non-executive and independent directors. [Researcher's own indicator]
58	It is chaired by an independent non-executive director, other than the chairman of theBoard or executive director. [Par. 131 of Boards & Directors]
59	Formal charter and processes are in place outlining the functions of the remuneration committee. [Par. 125,126&134 of Boards & Directors]

60	Remuneration committee meets at least 2 times a year (not required by King III but considered necessary for the purposes of this research). [Researcher's own indicator]
61	Remuneration committee or other structure determines remuneration of executive and Non-executive directors. [Par. 150 of Boards & Directors]
	F. Nomination committee [King III – Chapter 2]
62	It is chaired by an independent non-executive director, who can also be the chairman of the Board, other than the executive director. [Par. 131 of Boards & Directors]
63	Directors nominated by the committee or other structure are presented for approval by the shareholders. [Par. 80 of Boards & Directors]
	G. Internal audit function [King III – Chapter 7]
64	Internal audit function has been set up (within the company or externally). **[Par. 1]**
65	Internal audit function reports to the audit committee. **[Par. 24, 33]**
66	Internal audit is headed by the chief audit executive (CAE) or external company. [Par. 11]
67	Internal audit (or its CAE) / external company attends audit committee meetings, board meetings by invitation. [Par. 28, 29, 34]
68	Internal audit/other structure provides assurance on the effectiveness of internal control environment. [Principle 7.3, Par. 2, 12-17]
69	Internal audit/other structure provides assurance on the effectiveness of risk management. [Principle 7.3, Par. 2, 12-17]
70	Internal audit/other structure provides assurance on the effectiveness of governance (including ethics). [Par. 2]
71	Internal audit is subjected to an independent quality review. **[Par. 23]**

72	Internal audit follows a risk-based approach to its plan. **[Principle 7.2, Par. 7, 18]**
	H. Governance of information technology [King III – Chapter 5]
73	Board or other structure monitors and evaluates significant IT investments and expenditure. [Principle 5.4]
74	A suitably qualified and experienced chief information officer (CIO) is appointed tomanage IT. [Par. 20]
75	Board or other structure ensures that IT complies with IT related laws, rules, codes and standards. [Par. 33]
76	Risk committee or other structure oversees overall risk implications of IT. [Par. 30-34; 43-47]
77	Audit committee or other structure oversees financial risk implications of IT. [Par. 47]
78	Board receives an independent assurance on the effectiveness of IT through internal audit function and/or external assurance providers. [Par. 28]
	I. Compliance laws, rules, codes and standards [King III – Chapter 6]
79	Compliance function has been set up by the company. [Par. 16]
80	Compliance function/other structure oversees compliance with laws, rules, codes and standards. [Principle 6.1]
81	Company discloses non-binding rules, codes and standards to which it adheres. [Par. 6]
	J. Governing stakeholder relationships [King III – Chapter 8
82	Board identifies key stakeholders and their interests on a regular basis. [Par. 7, 8 of King III]
83	Interests of key stakeholders are taken into account in the integrated report. [Par. 7, 9 of King III]

	K. Integrated reporting King III – Chapter 9, IRC framework indicators
84	Financial and sustainability issues on economic, social and environmental all covered in one or more documents of integrated report. [Par. 1]
85	Information in the integrated report is connected showing interdependencies between factors that create value over time (IR 3.6)
86	The integrated report provides insight into the nature and quality of the organizations relationships with its key stakeholders including to what extent the organization takes theirs needs into account (IR 3.10)
87	The integrated report is concise (IR3.36)
88	The integrated report provides both positive and negative information in a balanced way (IR 3.39)
89	The integrated report is comparable between organizations and consistent over time (IR 3.54)
	IRC framework indicators
	Organizational overview and external environment (IR 4A)
90	Integrated report identifies organizations mission and vision and identifies essential context of the entity (IR 4.5)
91	Identifies the entities culture, ownership structure and competitive landscape (IR 4.5)
92	The integrated report identifies significant factors affecting the external environment include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term. (IR 4.6)
	Governance 4B
93	The Integrated reports sets out how the organization's governance structure support its ability to create value in the short, medium and long term (IR 4.8)
	Business Model 4C
94	The integrated report describes the entiy's business model (IR 4.12)

95	The integrated report shows how key inputs relate to the capitals on which the organization depends on and is material to understanding the business model (IR 4.1.4)
96	The integrated report describes key business activities (IR4.16)
97	The integrated report identifies an organizations key products and services (IR4.18)
98	The integrated report identifies key outcomes of the business model (IR 4.19)
	Risks and opportunities 4D
99	An integrated report identifies the key risks and opportunities that are specific to the organization, including those that relate to the organization's effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term. (IR4.24)
	Strategy and resource allocation 4E
100	The integrated report identifies where the organisation wants to go and how it tends to get there including a description of the linkage between the organization's strategy and resource allocation (IR4.27-4.29)
	Performance 4F
101	The integrated report contains qualitative and quantitative information about performance pertaining to whether the entity has achieved its strategic objectives and the outcomes effect on capitals (IR4.31)
102	KPI's combine financial measures with other measures (IR4.32)
	Outlook 4G
103	The integrated report identifies what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance (IR4.34)
104	The integrated report provides lead indicators, KPI's or objectives (IR 4.38)
	Basis of preparation 4H
105	The How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated (IR4.40)

Annexure B: The percentage of state owned companies that report on each individual indicator and the level of disclosure the companies scored on average

	Research Indicator	Score per year	1 Non-compliance	2 Little detail provided (poor/average)	3 Some detail provided (satisfactory)	4 More detail provided (good)	5 Much detail provided (very good)	*Total*
1	Effective leadership based on ethical values such as integrity, honesty, independence, Accountability and trust can be ascertained from the integrated report. [Par. 1]	2013	5	8	5	1	0	19
			26.3%	42.1%	26.3%	5.3%	0.0%	100.0%
		2014	1	8	7	3	0	19
			5.3%	42.1%	36.8%	15.8%	0.0%	100.0%
		2015	2	4	5	5	3	19
			10.5%	21.1%	26.3%	26.3%	15.8%	100.0%
2	Company strategies and vision are clearly outlined. [Par. 7, 9, 35]	2013	3	0	0	4	12	19
			15.8%	0.0%	0.0%	21.1%	63.2%	100.0%
		2014	0	0	0	4	15	19
			0.0%	0.0%	0.0%	21.1%	78.9%	100.0%
		2015	0	1	0	1	17	19
			0.0%	5.3%	0.0%	5.3%	89.5%	100.0%
3	Mission statement and company values are provided. [Par. 9, 10]	2013	4	0	1	3	11	19
			21.1%	0.0%	5.3%	15.8%	57.9%	100.0%
		2014	1	0	0	3	15	19
			5.3%	0.0%	0.0%	15.8%	78.9%	100.0%
		2015	1	0	0	2	16	19
			5.3%	0.0%	0.0%	10.5%	84.2%	100.0%
4	Ethical standards are articulated in the code of conduct. [Par. 12-15]	2013	4	5	5	2	3	19
			21.1%	26.3%	26.3%	10.5%	15.8%	100.0%
		2014	0	7	7	3	2	19
			0.0%	36.8%	36.8%	15.8%	10.5%	100.0%
		2015	1	5	3	4	6	19
			5.3%	26.3%	15.8%	21.1%	31.6%	100.0%
5	Independent assurance of ethics by internal audit or external assurance providers. [Par. 52]	2013	16	0	1	1	1	19
			84.2%	0.0%	5.3%	5.3%	5.3%	100.0%
		2014	13	2	2	1	1	19
			68.4%	10.5%	10.5%	5.3%	5.3%	100.0%
		2015	11	2	3	2	1	19
			57.9%	10.5%	15.8%	10.5%	5.3%	100.0%
6	Company is governed by a unitary board of directors. [Par. 62]	2013	3	1	1	0	14	19
			15.8%	5.3%	5.3%	0.0%	73.7%	100.0%
		2014	2	0	2	2	13	19
			10.5%	0.0%	10.5%	10.5%	68.4%	100.0%
		2015	1	1	2	0	15	19
			5.3%	5.3%	10.5%	0.0%	78.9%	100.0%
7	Directors are appointed through a formal process. [Principle 2.19, Par. 80-82]	2013	5	5	2	2	5	19
			26.3%	26.3%	10.5%	10.5%	26.3%	100.0%
		2014	6	3	1	4	5	19
			31.6%	15.8%	5.3%	21.1%	26.3%	100.0%
		2015	5	4	1	0	9	19
			26.3%	21.1%	5.3%	0.0%	47.4%	100.0%
8	Board is comprised of the	2013	0	0	1	2	16	19

	majority of non-executive directors. [Par. 64]		0.0%	0.0%	5.3%	10.5%	84.2%	100.0%
		2014	0	0	0	3	16	19
			0.0%	0.0%	0.0%	15.8%	84.2%	100.0%
		2015	0	0	0	1	18	19
			0.0%	0.0%	0.0%	5.3%	94.7%	100.0%
9	Of the non-executive directors, the majority are independent. [Par. 64]	2013	6	1	2	5	5	19
			31.6%	5.3%	10.5%	26.3%	26.3%	100.0%
		2014	7	0	1	5	6	19
			36.8%	0.0%	5.3%	26.3%	31.6%	100.0%
		2015	5	1	0	3	10	19
			26.3%	5.3%	0.0%	15.8%	52.6%	100.0%
10	Board is chaired by a non-executive independent director. [Par. 38]	2013	0	3	2	3	11	19
			0.0%	15.8%	10.5%	15.8%	57.9%	100.0%
		2014	1	3	0	5	10	19
			5.3%	15.8%	0.0%	26.3%	52.6%	100.0%
		2015	1	1	1	2	14	19
			5.3%	5.3%	5.3%	10.5%	73.7%	100.0%
11	Board has appointed a lead independent director, if the chairman is not independent. [Par. 38]	2013	5	0	0	0	1	6
			83.3%	0.0%	0.0%	0.0%	16.7%	100.0%
		2014	5	0	0	0	0	5
			100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
		2015	4	0	0	0	0	4
			100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
12	The CEO is a board member. [Par. 47, 73]	2013	1	0	0	0	18	19
			5.3%	0.0%	0.0%	0.0%	94.7%	100.0%
		2014	1	0	0	1	17	19
			5.3%	0.0%	0.0%	5.3%	89.5%	100.0%
		2015	1	0	0	1	17	19
			5.3%	0.0%	0.0%	5.3%	89.5%	100.0%
13	The financial director (or CFO) is a board member. [Par. 47, 73]	2013	6	0	0	0	13	19
			31.6%	0.0%	0.0%	0.0%	68.4%	100.0%
		2014	5	0	0	1	13	19
			26.3%	0.0%	0.0%	5.3%	68.4%	100.0%
		2015	4	0	0	1	14	19
			21.1%	0.0%	0.0%	5.3%	73.7%	100.0%
14	Qualifications and experience of directors are disclosed. [Par. 88]	2013	2	2	1	4	10	19
			10.5%	10.5%	5.3%	21.1%	52.6%	100.0%
		2014	3	2	1	1	12	19
			15.8%	10.5%	5.3%	5.3%	63.2%	100.0%
		2015	2	0	2	2	13	19
			10.5%	0.0%	10.5%	10.5%	68.4%	100.0%
15	Board is assisted by a competent, suitably qualified and experienced company secretary. [Principle 2.21]	2013	5	6	2	1	5	19
			26.3%	31.6%	10.5%	5.3%	26.3%	100.0%
		2014	1	7	2	2	7	19
			5.3%	36.8%	10.5%	10.5%	36.8%	100.0%
		2015	1	7	1	1	9	19
			5.3%	36.8%	5.3%	5.3%	47.4%	100.0%
16	Board is regulated by a formal charter which sets out the role of the board and each director. [Par. 1]	2013	0	8	5	5	1	19
			0.0%	42.1%	26.3%	26.3%	5.3%	100.0%
		2014	0	4	10	3	2	19
			0.0%	21.1%	52.6%	15.8%	10.5%	100.0%
		2015	0	4	6	4	5	19
			0.0%	21.1%	31.6%	21.1%	26.3%	100.0%
17	Appointment of well-structured committees to deal with key functions of the board, which include separate audit, risk,	2013	0	0	10	4	5	19
			0.0%	0.0%	52.6%	21.1%	26.3%	100.0%
		2014	0	0	7	6	6	19
			0.0%	0.0%	36.8%	31.6%	31.6%	100.0%
		2015	0	0	9	5	5	19

	remuneration and nomination committees as a minimum. [Principle 2.23, par. 130]		0.0%	0.0%	47.4%	26.3%	26.3%	100.0%
18	Committees are regulated by formal charters which set out the role of individual committees. [Par. 125-126]	2013	3	10	3	1	2	19
			15.8%	52.6%	15.8%	5.3%	10.5%	100.0%
		2014	1	7	7	2	2	19
			5.3%	36.8%	36.8%	10.5%	10.5%	100.0%
		2015	0	7	4	6	2	19
			0.0%	36.8%	21.1%	31.6%	10.5%	100.0%
19	Board meets at least 4 times a year. [Par. 1]	2013	0	0	0	2	17	19
			0.0%	0.0%	0.0%	10.5%	89.5%	100.0%
		2014	0	0	0	2	17	19
			0.0%	0.0%	0.0%	10.5%	89.5%	100.0%
		2015	1	0	0	0	18	19
			5.3%	0.0%	0.0%	0.0%	94.7%	100.0%
20	Induction programme for new directors is in place. [Par. 89-90]	2013	10	1	1	2	5	19
			52.6%	5.3%	5.3%	10.5%	26.3%	100.0%
		2014	6	1	3	2	7	19
			31.6%	5.3%	15.8%	10.5%	36.8%	100.0%
		2015	4	2	1	0	12	19
			21.1%	10.5%	5.3%	0.0%	63.2%	100.0%
21	Ongoing training for all directors is in place. [Par. 92]	2013	9	2	1	3	4	19
			47.4%	10.5%	5.3%	15.8%	21.1%	100.0%
		2014	8	1	3	2	5	19
			42.1%	5.3%	15.8%	10.5%	26.3%	100.0%
		2015	7	2	2	0	8	19
			36.8%	10.5%	10.5%	0.0%	42.1%	100.0%
22	Performance of the board, individual directors and committees is evaluated on a regular basis. [Par. 109-114]	2013	9	2	4	4	0	19
			47.4%	10.5%	21.1%	21.1%	0.0%	100.0%
		2014	3	2	6	6	2	19
			15.8%	10.5%	31.6%	31.6%	10.5%	100.0%
		2015	3	2	4	4	6	19
			15.8%	10.5%	21.1%	21.1%	31.6%	100.0%
24	Share option scheme is not available to non-executive directors. [Par. 154]	2013	16	1	0	0	2	19
			84.2%	5.3%	0.0%	0.0%	10.5%	100.0%
		2014	13	2	1	1	2	19
			68.4%	10.5%	5.3%	5.3%	10.5%	100.0%
		2015	13	2	1	0	3	19
			68.4%	10.5%	5.3%	0.0%	15.8%	100.0%
25	Policy is in place for appointment and retirement of directors. [Par. 74-75, 80-82]	2013	5	6	5	3	0	19
			26.3%	31.6%	26.3%	15.8%	0.0%	100.0%
		2014	4	7	5	2	1	19
			21.1%	36.8%	26.3%	10.5%	5.3%	100.0%
		2015	2	9	4	3	1	19
			10.5%	47.4%	21.1%	15.8%	5.3%	100.0%
26	Remuneration of directors and senior executives is disclosed. [Par. 180]	2013	2	3	8	2	4	19
			10.5%	15.8%	42.1%	10.5%	21.1%	100.0%
		2014	0	4	5	3	7	19
			0.0%	21.1%	26.3%	15.8%	36.8%	100.0%
		2015	0	3	5	4	7	19
			0.0%	15.8%	26.3%	21.1%	36.8%	100.0%
27	Remuneration of the three most highly-paid employees (other than directors) is disclosed. [Par. 180]	2013	6	2	8	1	2	19
			31.6%	10.5%	42.1%	5.3%	10.5%	100.0%
		2014	5	1	6	2	5	19
			26.3%	5.3%	31.6%	10.5%	26.3%	100.0%
		2015	5	2	6	1	5	19
			26.3%	10.5%	31.6%	5.3%	26.3%	100.0%
28	Remuneration policy	2013	6	4	2	4	3	19

	regarding directors is approved by the shareholders. [Par. 186]		31.6%	21.1%	10.5%	21.1%	15.8%	100.0%
		2014	4	3	6	3	3	19
			21.1%	15.8%	31.6%	15.8%	15.8%	100.0%
		2015	4	0	5	6	4	19
			21.1%	0.0%	26.3%	31.6%	21.1%	100.0%
29	Audit committee is appointed by the board (through the nomination committee) and is approved by the shareholders. [Par.	2013	0	2	1	1	15	19
			0.0%	10.5%	5.3%	5.3%	78.9%	100.0%
		2014	0	1	2	0	16	19
			0.0%	5.3%	10.5%	0.0%	84.2%	100.0%
		2015	0	0	0	3	16	19
			0.0%	0.0%	0.0%	15.8%	84.2%	100.0%
30	Formal charter and processes are in place outlining the functions of the audit committee. [Par. 6 of Audit Committees, P	2013	1	8	4	3	3	19
			5.3%	42.1%	21.1%	15.8%	15.8%	100.0%
		2014	2	4	8	3	2	19
			10.5%	21.1%	42.1%	15.8%	10.5%	100.0%
		2015	1	2	6	6	4	19
			5.3%	10.5%	31.6%	31.6%	21.1%	100.0%
31	Suitably skilled and experienced independent non-executive directors. [Principle 3.2,Par. 12-15]	2013	0	3	3	2	11	19
			0.0%	15.8%	15.8%	10.5%	57.9%	100.0%
		2014	0	3	3	1	12	19
			0.0%	15.8%	15.8%	5.3%	63.2%	100.0%
		2015	0	2	1	1	15	19
			0.0%	10.5%	5.3%	5.3%	78.9%	100.0%
32	Comprised of at least three non-executive, independent directors. [Par. 10]	2013	0	3	4	3	9	19
			0.0%	15.8%	21.1%	15.8%	47.4%	100.0%
		2014	1	3	2	3	10	19
			5.3%	15.8%	10.5%	15.8%	52.6%	100.0%
		2015	0	3	0	3	13	19
			0.0%	15.8%	0.0%	15.8%	68.4%	100.0%
33	Chairman of the Board is not a member of the audit committee. [Par. 11]	2013	0	0	0	1	18	19
			0.0%	0.0%	0.0%	5.3%	94.7%	100.0%
		2014	1	0	1	2	15	19
			5.3%	0.0%	5.3%	10.5%	78.9%	100.0%
		2015	0	0	0	1	18	19
			0.0%	0.0%	0.0%	5.3%	94.7%	100.0%
34	Chaired by a non-executive, independent director, other than the chairman of the Board. [Principle 3.3]	2013	0	0	5	4	10	19
			0.0%	0.0%	26.3%	21.1%	52.6%	100.0%
		2014	0	1	2	5	11	19
			0.0%	5.3%	10.5%	26.3%	57.9%	100.0%
		2015	0	1	0	4	14	19
			0.0%	5.3%	0.0%	21.1%	73.7%	100.0%
35	Meets at least 2 times a year. [Par. 7]	2013	0	0	1	0	18	19
			0.0%	0.0%	5.3%	0.0%	94.7%	100.0%
		2014	0	0	0	0	19	19
			0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
		2015	1	0	0	0	18	19
			5.3%	0.0%	0.0%	0.0%	94.7%	100.0%
36	Satisfactory attendance of audit committee as per attendance register. [Par. 7]	2013	2	1	0	1	15	19
			10.5%	5.3%	0.0%	5.3%	78.9%	100.0%
		2014	0	0	1	2	16	19
			0.0%	0.0%	5.3%	10.5%	84.2%	100.0%
		2015	1	0	0	1	17	19
			5.3%	0.0%	0.0%	5.3%	89.5%	100.0%
37	Oversees internal and financial controls. [Par. 30, 64, 66-70]	2013	2	7	8	2	0	19
			10.5%	36.8%	42.1%	10.5%	0.0%	100.0%
		2014	0	6	7	5	1	19
			0.0%	31.6%	36.8%	26.3%	5.3%	100.0%
		2015	0	3	7	5	4	19

			0.0%	15.8%	36.8%	26.3%	21.1%	100.0%
38	Oversees internal audit function. [Par. 66-70, Principle 7.4 of Internal Audit Function]	2013	1	8	6	2	2	19
			5.3%	42.1%	31.6%	10.5%	10.5%	100.0%
		2014	0	6	6	5	2	19
			0.0%	31.6%	31.6%	26.3%	10.5%	100.0%
		2015	0	3	8	3	5	19
			0.0%	15.8%	42.1%	15.8%	26.3%	100.0%
39	Oversees financial risk management (and other risks if necessary). [Par. 64, 65]	2013	2	8	5	2	2	19
			10.5%	42.1%	26.3%	10.5%	10.5%	100.0%
		2014	0	9	4	4	2	19
			0.0%	47.4%	21.1%	21.1%	10.5%	100.0%
		2015	0	6	5	3	5	19
			0.0%	31.6%	26.3%	15.8%	26.3%	100.0%
40	Assesses the performance, expertise and skills of the financial function including financial director. [Par. 51, 52]	2013	7	3	5	3	1	19
			36.8%	15.8%	26.3%	15.8%	5.3%	100.0%
		2014	5	5	7	2	0	19
			26.3%	26.3%	36.8%	10.5%	0.0%	100.0%
		2015	3	7	3	4	2	19
			15.8%	36.8%	15.8%	21.1%	10.5%	100.0%
41	Oversees the preparation of the integrated report (including sustainability issues). [Principle 3.4, Par. 24-29]	2013	8	4	6	1	0	19
			42.1%	21.1%	31.6%	5.3%	0.0%	100.0%
		2014	7	5	6	0	1	19
			36.8%	26.3%	31.6%	0.0%	5.3%	100.0%
		2015	4	6	3	3	3	19
			21.1%	31.6%	15.8%	15.8%	15.8%	100.0%
42	Audit committee (or company as a whole) applies a combined assurance model in providing assurance on activities such as	2013	2	7	5	4	1	19
			10.5%	36.8%	26.3%	21.1%	5.3%	100.0%
		2014	1	5	7	3	3	19
			5.3%	26.3%	36.8%	15.8%	15.8%	100.0%
		2015	0	7	6	4	2	19
			0.0%	36.8%	31.6%	21.1%	10.5%	100.0%
43	Evaluates independence and credentials of the external auditor. [Par. 77]	2013	2	8	1	7	1	19
			10.5%	42.1%	5.3%	36.8%	5.3%	100.0%
		2014	1	5	8	2	3	19
			5.3%	26.3%	42.1%	10.5%	15.8%	100.0%
		2015	1	3	6	3	6	19
			5.3%	15.8%	31.6%	15.8%	31.6%	100.0%
44	valuates performance of the external auditor. [Par. 77]	2013	3	8	2	6	0	19
			15.8%	42.1%	10.5%	31.6%	0.0%	100.0%
		2014	1	7	6	2	3	19
			5.3%	36.8%	31.6%	10.5%	15.8%	100.0%
		2015	1	3	7	3	5	19
			5.3%	15.8%	36.8%	15.8%	26.3%	100.0%
45	Reports to the board and shareholders how it carried out its responsibilities. [Principle 3.10, Par. 83-85]	2013	2	1	14	2	0	19
			10.5%	5.3%	73.7%	10.5%	0.0%	100.0%
		2014	1	1	12	5	0	19
			5.3%	5.3%	63.2%	26.3%	0.0%	100.0%
		2015	0	1	9	5	4	19
			0.0%	5.3%	47.4%	26.3%	21.1%	100.0%
46	Board appoints risk and/or audit committee to oversee risk management. [Par. 16]	2013	0	0	1	0	18	19
			0.0%	0.0%	5.3%	0.0%	94.7%	100.0%
		2014	0	0	1	0	18	19
			0.0%	0.0%	5.3%	0.0%	94.7%	100.0%
		2015	0	0	1	0	18	19
			0.0%	0.0%	5.3%	0.0%	94.7%	100.0%
47	Risk (or audit) committee consists of at least 3 directors (both executive and non	2013	0	0	2	2	15	19
			0.0%	0.0%	10.5%	10.5%	78.9%	100.0%
		2014	0	1	2	2	14	19

	executive). [Par. 20, 21]		0.0%	5.3%	10.5%	10.5%	73.7%	100.0%
		2015	0	0	2	3	14	19
			0.0%	0.0%	10.5%	15.8%	73.7%	100.0%
48	It is chaired by an independent non-executive director, other than chairman of the board or the executive director (not	2013	0	0	3	4	12	19
			0.0%	0.0%	15.8%	21.1%	63.2%	100.0%
		2014	0	0	2	6	11	19
			0.0%	0.0%	10.5%	31.6%	57.9%	100.0%
		2015	0	1	1	5	12	19
			0.0%	5.3%	5.3%	26.3%	63.2%	100.0%
49	Formal charter and processes are in place outlining the functions of the risk/audit committee. [Par. 5]	2013	2	10	5	1	1	19
			10.5%	52.6%	26.3%	5.3%	5.3%	100.0%
		2014	0	6	8	3	2	19
			0.0%	31.6%	42.1%	15.8%	10.5%	100.0%
		2015	0	4	7	5	3	19
			0.0%	21.1%	36.8%	26.3%	15.8%	100.0%
50	Risk (or audit) committee meets at least 2 times a year. [Par. 22]	2013	0	1	0	0	18	19
			0.0%	5.3%	0.0%	0.0%	94.7%	100.0%
		2014	0	0	0	1	18	19
			0.0%	0.0%	0.0%	5.3%	94.7%	100.0%
		2015	1	0	0	1	17	19
			5.3%	0.0%	0.0%	5.3%	89.5%	100.0%
51	Risk committee (or audit/board) identifies key financial risks and quantify them, if possible. [Par. 31-34, 40, 41-43]	2013	4	7	3	5	0	19
			21.1%	36.8%	15.8%	26.3%	0.0%	100.0%
		2014	1	5	5	7	1	19
			5.3%	26.3%	26.3%	36.8%	5.3%	100.0%
		2015	2	3	1	8	5	19
			10.5%	15.8%	5.3%	42.1%	26.3%	100.0%
52	Risk committee (or audit/board) identifies key non-financial risks and quantify them, if possible. [Par. 31-34, 41-43]	2013	5	7	4	3	0	19
			26.3%	36.8%	21.1%	15.8%	0.0%	100.0%
		2014	2	4	6	6	1	19
			10.5%	21.1%	31.6%	31.6%	5.3%	100.0%
		2015	2	3	1	8	5	19
			10.5%	15.8%	5.3%	42.1%	26.3%	100.0%
53	Risk committee (or audit/board) explains how the identified financial risks will be addressed. [Par. 31-34, 40, 41-43]	2013	2	8	6	3	0	19
			10.5%	42.1%	31.6%	15.8%	0.0%	100.0%
		2014	1	3	9	5	1	19
			5.3%	15.8%	47.4%	26.3%	5.3%	100.0%
		2015	2	2	2	9	4	19
			10.5%	10.5%	10.5%	47.4%	21.1%	100.0%
54	Risk committee (or audit/board) explains how the identified non-financial risks will be addressed. [Par. 31-34, 41-43]	2013	4	8	4	3	0	19
			21.1%	42.1%	21.1%	15.8%	0.0%	100.0%
		2014	3	1	8	6	1	19
			15.8%	5.3%	42.1%	31.6%	5.3%	100.0%
		2015	2	3	1	9	4	19
			10.5%	15.8%	5.3%	47.4%	21.1%	100.0%
55	Risk committee (or audit/board) sets levels of risk tolerance. [Principle 4.2, Par. 11-15]	2013	5	9	3	1	1	19
			26.3%	47.4%	15.8%	5.3%	5.3%	100.0%
		2014	3	4	8	2	2	19
			15.8%	21.1%	42.1%	10.5%	10.5%	100.0%
		2015	2	4	6	5	2	19
			10.5%	21.1%	31.6%	26.3%	10.5%	100.0%
56	Risk committee (or audit/board) expresses its views on the effectiveness of the company's risk management processes. [Par. 4]	2013	7	6	5	0	1	19
			36.8%	31.6%	26.3%	0.0%	5.3%	100.0%
		2014	3	4	9	1	2	19
			15.8%	21.1%	47.4%	5.3%	10.5%	100.0%
		2015	2	7	3	4	3	19
			10.5%	36.8%	15.8%	21.1%	15.8%	100.0%
57	Remuneration committee	2013	2	1	3	4	9	19

	comprises at least 2 non-executive and independent directors. [Researchers own indicator]		10.5%	5.3%	15.8%	21.1%	47.4%	100.0%
		2014	2	0	5	3	9	19
			10.5%	0.0%	26.3%	15.8%	47.4%	100.0%
		2015	1	0	1	5	12	19
			5.3%	0.0%	5.3%	26.3%	63.2%	100.0%
58	It is chaired by an independent non-executive director, other than the chairman of the Board or executive director. [Par	2013	5	2	2	4	6	19
			26.3%	10.5%	10.5%	21.1%	31.6%	100.0%
		2014	5	2	1	4	7	19
			26.3%	10.5%	5.3%	21.1%	36.8%	100.0%
		2015	5	2	1	3	8	19
			26.3%	10.5%	5.3%	15.8%	42.1%	100.0%
59	Formal charter and processes are in place outlining the functions of the remuneration committee. [Par. 125,126&134 of Bo	2013	5	7	5	1	1	19
			26.3%	36.8%	26.3%	5.3%	5.3%	100.0%
		2014	4	6	4	3	2	19
			21.1%	31.6%	21.1%	15.8%	10.5%	100.0%
		2015	2	5	6	3	3	19
			10.5%	26.3%	31.6%	15.8%	15.8%	100.0%
60	Remuneration committee meets at least 2 times a year (not required by King III but considered necessary for the purposes	2013	2	0	0	2	15	19
			10.5%	0.0%	0.0%	10.5%	78.9%	100.0%
		2014	2	0	0	1	16	19
			10.5%	0.0%	0.0%	5.3%	84.2%	100.0%
		2015	2	0	0	1	16	19
			10.5%	0.0%	0.0%	5.3%	84.2%	100.0%
61	Remuneration committee or other structure determines remuneration of executive and Non-executive directors. [Par. 150 of	2013	5	6	2	4	2	19
			26.3%	31.6%	10.5%	21.1%	10.5%	100.0%
		2014	4	2	6	4	3	19
			21.1%	10.5%	31.6%	21.1%	15.8%	100.0%
		2015	4	1	4	5	5	19
			21.1%	5.3%	21.1%	26.3%	26.3%	100.0%
62	It is chaired by an independent non-executive director, who can also be the chairman of the Board, other than the executive director. [Par. 131 of Boards & Directors]	2013	8	2	3	2	4	19
			42.1%	10.5%	15.8%	10.5%	21.1%	100.0%
		2014	8	1	3	2	5	19
			42.1%	5.3%	15.8%	10.5%	26.3%	100.0%
		2015	8	1	3	1	6	19
			42.1%	5.3%	15.8%	5.3%	31.6%	100.0%
63	Directors nominated by the committee or other structure are presented for approval by the shareholders. [Par. 80 of Boar	2013	5	6	5	2	1	19
			26.3%	31.6%	26.3%	10.5%	5.3%	100.0%
		2014	5	5	1	5	3	19
			26.3%	26.3%	5.3%	26.3%	15.8%	100.0%
		2015	4	3	2	7	3	19
			21.1%	15.8%	10.5%	36.8%	15.8%	100.0%
64	Internal audit function has been set up (within the company or externally). [Par. 1]	2013	0	0	2	0	17	19
			0.0%	0.0%	10.5%	0.0%	89.5%	100.0%
		2014	0	0	0	0	19	19
			0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
		2015	0	0	0	0	19	19
			0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
65	Internal audit function reports to the audit committee. [Par. 24, 33]	2013	4	1	1	0	13	19
			21.1%	5.3%	5.3%	0.0%	68.4%	100.0%
		2014	4	1	0	1	13	19
			21.1%	5.3%	0.0%	5.3%	68.4%	100.0%
		2015	2	0	0	1	16	19
			10.5%	0.0%	0.0%	5.3%	84.2%	100.0%
66	Internal audit is headed by the chief audit executive (CAE) or external company. [Par. 11]	2013	12	1	2	0	4	19
			63.2%	5.3%	10.5%	0.0%	21.1%	100.0%
		2014	9	2	1	1	6	19
			47.4%	10.5%	5.3%	5.3%	31.6%	100.0%

		2015	8	2	1	1	7	19
			42.1%	10.5%	5.3%	5.3%	36.8%	100.0%
67	Internal audit (or its CAE) / external company attends audit committee meetings, board meetings by invitation. [Par. 28,	2013	12	0	1	0	6	19
			63.2%	0.0%	5.3%	0.0%	31.6%	100.0%
		2014	9	1	4	1	4	19
			47.4%	5.3%	21.1%	5.3%	21.1%	100.0%
		2015	9	2	2	0	6	19
			47.4%	10.5%	10.5%	0.0%	31.6%	100.0%
68	Internal audit/other structure provides assurance on the effectiveness of internal control environment. [Principle 7.3,	2013	0	8	4	6	1	19
			0.0%	42.1%	21.1%	31.6%	5.3%	100.0%
		2014	0	4	7	5	3	19
			0.0%	21.1%	36.8%	26.3%	15.8%	100.0%
		2015	0	5	8	4	2	19
			0.0%	26.3%	42.1%	21.1%	10.5%	100.0%
69	Internal audit/other structure provides assurance on the effectiveness of risk management. [Principle 7.3, Par. 2, 12-17	2013	0	11	2	5	1	19
			0.0%	57.9%	10.5%	26.3%	5.3%	100.0%
		2014	0	8	5	3	3	19
			0.0%	42.1%	26.3%	15.8%	15.8%	100.0%
		2015	1	7	5	3	3	19
			5.3%	36.8%	26.3%	15.8%	15.8%	100.0%
70	Internal audit/other structure provides assurance on the effectiveness of governance (including ethics). [Par. 2]	2013	1	12	1	4	1	19
			5.3%	63.2%	5.3%	21.1%	5.3%	100.0%
		2014	0	9	5	3	2	19
			0.0%	47.4%	26.3%	15.8%	10.5%	100.0%
		2015	1	9	6	2	1	19
			5.3%	47.4%	31.6%	10.5%	5.3%	100.0%
71	Internal audit is subjected to an independent quality review. [Par. 23]	2013	9	2	2	1	5	19
			47.4%	10.5%	10.5%	5.3%	26.3%	100.0%
		2014	8	3	1	3	4	19
			42.1%	15.8%	5.3%	15.8%	21.1%	100.0%
		2015	8	0	0	3	8	19
			42.1%	0.0%	0.0%	15.8%	42.1%	100.0%
72	Internal audit follows a risk-based approach to its plan. [Principle 7.2, Par. 7, 18]	2013	4	6	6	3	0	19
			21.1%	31.6%	31.6%	15.8%	0.0%	100.0%
		2014	2	5	8	2	2	19
			10.5%	26.3%	42.1%	10.5%	10.5%	100.0%
		2015	4	5	5	3	2	19
			21.1%	26.3%	26.3%	15.8%	10.5%	100.0%
73	Board or other structure monitors and evaluates significant IT investments and expenditure. [Principle 5.4]	2013	7	10	1	1	0	19
			36.8%	52.6%	5.3%	5.3%	0.0%	100.0%
		2014	6	7	4	1	1	19
			31.6%	36.8%	21.1%	5.3%	5.3%	100.0%
		2015	8	3	4	2	2	19
			42.1%	15.8%	21.1%	10.5%	10.5%	100.0%
74	A suitably qualified and experienced chief information officer (CIO) is appointed to manage IT. [Par. 20]	2013	18	1	0	0	0	19
			94.7%	5.3%	0.0%	0.0%	0.0%	100.0%
		2014	15	0	2	1	1	19
			78.9%	0.0%	10.5%	5.3%	5.3%	100.0%
		2015	12	0	0	2	5	19
			63.2%	0.0%	0.0%	10.5%	26.3%	100.0%
75	Board or other structure ensures that IT complies with IT related laws, rules, codes and standards. [Par. 33]	2013	12	5	1	1	0	19
			63.2%	26.3%	5.3%	5.3%	0.0%	100.0%
		2014	13	2	3	0	1	19
			68.4%	10.5%	15.8%	0.0%	5.3%	100.0%
		2015	8	3	4	1	3	19
			42.1%	15.8%	21.1%	5.3%	15.8%	100.0%
76	Risk committee or other structure oversees overall risk	2013	9	8	1	1	0	19
			47.4%	42.1%	5.3%	5.3%	0.0%	100.0%

	implications of IT. [Par. 30-34; 43-47]	2014	7	5	5	2	0	19
			36.8%	26.3%	26.3%	10.5%	0.0%	100.0%
		2015	2	5	7	1	4	19
			10.5%	26.3%	36.8%	5.3%	21.1%	100.0%
77	Audit committee or other structure oversees financial risk implications of IT. [Par. 47]	2013	11	7	1	0	0	19
			57.9%	36.8%	5.3%	0.0%	0.0%	100.0%
		2014	8	7	3	1	0	19
			42.1%	36.8%	15.8%	5.3%	0.0%	100.0%
		2015	3	7	6	0	3	19
			15.8%	36.8%	31.6%	0.0%	15.8%	100.0%
78	Board receives an independent assurance on the effectiveness of IT through internal audit function and/or external assurance providers. [Par. 28]	2013	16	1	2	0	0	19
			84.2%	5.3%	10.5%	0.0%	0.0%	100.0%
		2014	14	1	3	1	0	19
			73.7%	5.3%	15.8%	5.3%	0.0%	100.0%
		2015	10	2	2	1	4	19
			52.6%	10.5%	10.5%	5.3%	21.1%	100.0%
79	Compliance function has been set up by the company. [Par. 16]	2013	3	6	3	3	4	19
			15.8%	31.6%	15.8%	15.8%	21.1%	100.0%
		2014	2	3	4	2	8	19
			10.5%	15.8%	21.1%	10.5%	42.1%	100.0%
		2015	1	3	3	3	9	19
			5.3%	15.8%	15.8%	15.8%	47.4%	100.0%
80	Compliance function/other structure oversees compliance with laws, rules, codes and standards. [Principle 6.1]	2013	1	5	7	1	5	19
			5.3%	26.3%	36.8%	5.3%	26.3%	100.0%
		2014	0	2	6	6	5	19
			0.0%	10.5%	31.6%	31.6%	26.3%	100.0%
		2015	1	0	6	4	8	19
			5.3%	0.0%	31.6%	21.1%	42.1%	100.0%
81	Company discloses non-binding rules, codes and standards to which it adheres. [Par. 6]	2013	6	8	2	2	1	19
			31.6%	42.1%	10.5%	10.5%	5.3%	100.0%
		2014	6	3	6	1	3	19
			31.6%	15.8%	31.6%	5.3%	15.8%	100.0%
		2015	2	5	4	2	6	19
			10.5%	26.3%	21.1%	10.5%	31.6%	100.0%
82	Board identifies key stakeholders and their interests on a regular basis. [Par. 7, 8 of King III]	2013	9	2	4	4	0	19
			47.4%	10.5%	21.1%	21.1%	0.0%	100.0%
		2014	4	4	3	6	2	19
			21.1%	21.1%	15.8%	31.6%	10.5%	100.0%
		2015	1	4	5	5	4	19
			5.3%	21.1%	26.3%	26.3%	21.1%	100.0%
83	Interests of key stakeholders are taken into account in the integrated report. [Par. 7, 9 of King III]	2013	5	7	2	5	0	19
			26.3%	36.8%	10.5%	26.3%	0.0%	100.0%
		2014	3	3	5	5	3	19
			15.8%	15.8%	26.3%	26.3%	15.8%	100.0%
		2015	2	2	6	4	5	19
			10.5%	10.5%	31.6%	21.1%	26.3%	100.0%
84	Financial and sustainability issues on economic, social and environmental all covered in one or more documents of integr	2013	4	7	6	1	1	19
			21.1%	36.8%	31.6%	5.3%	5.3%	100.0%
		2014	0	9	4	3	3	19
			0.0%	47.4%	21.1%	15.8%	15.8%	100.0%
		2015	0	8	4	5	2	19
			0.0%	42.1%	21.1%	26.3%	10.5%	100.0%
85	Information in the integrated report is connected showing interdependencies between factors that create value over time	2013	12	5	2	0	0	19
			63.2%	26.3%	10.5%	0.0%	0.0%	100.0%
		2014	6	7	4	2	0	19
			31.6%	36.8%	21.1%	10.5%	0.0%	100.0%
		2015	3	9	3	3	1	19
			15.8%	47.4%	15.8%	15.8%	5.3%	100.0%

86	The integrated report provides insight into the nature and quality of the organizations relationships with its key stake	2013	8	3	6	2	0	19
			42.1%	15.8%	31.6%	10.5%	0.0%	100.0%
		2014	2	5	8	4	0	19
			10.5%	26.3%	42.1%	21.1%	0.0%	100.0%
		2015	3	3	5	5	3	19
			15.8%	15.8%	26.3%	26.3%	15.8%	100.0%
87	The integrated report is concise (IR3.36)	2013	6	9	3	1	0	19
			31.6%	47.4%	15.8%	5.3%	0.0%	100.0%
		2014	2	7	8	2	0	19
			10.5%	36.8%	42.1%	10.5%	0.0%	100.0%
		2015	1	4	6	7	1	19
			5.3%	21.1%	31.6%	36.8%	5.3%	100.0%
88	The integrated report provides both positive and negative information in a balanced way (IR 3.39)	2013	1	5	8	3	2	19
			5.3%	26.3%	42.1%	15.8%	10.5%	100.0%
		2014	0	1	12	5	1	19
			0.0%	5.3%	63.2%	26.3%	5.3%	100.0%
		2015	0	1	10	4	4	19
			0.0%	5.3%	52.6%	21.1%	21.1%	100.0%
89	The integrated report is comparable between organizations and consistent over time (IR 3.54)	2013	0	7	10	2	0	19
			0.0%	36.8%	52.6%	10.5%	0.0%	100.0%
		2014	0	4	13	2	0	19
			0.0%	21.1%	68.4%	10.5%	0.0%	100.0%
		2015	0	6	9	3	1	19
			0.0%	31.6%	47.4%	15.8%	5.3%	100.0%
90	Integrated report identifies organizations mission and vision and identifies essential context of the entity (IR 4.5)	2013	4	0	1	2	12	19
			21.1%	0.0%	5.3%	10.5%	63.2%	100.0%
		2014	1	0	0	2	16	19
			5.3%	0.0%	0.0%	10.5%	84.2%	100.0%
		2015	1	0	0	1	17	19
			5.3%	0.0%	0.0%	5.3%	89.5%	100.0%
91	Identifies the entities culture, ownership structure and competitive landscape (IR 4.5)	2013	6	5	2	3	3	19
			31.6%	26.3%	10.5%	15.8%	15.8%	100.0%
		2014	0	7	3	2	7	19
			0.0%	36.8%	15.8%	10.5%	36.8%	100.0%
		2015	1	4	2	3	9	19
			5.3%	21.1%	10.5%	15.8%	47.4%	100.0%
92	The integrated report identifies significant factors affecting the external environment include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term. (IR 4.6)	2013	2	8	6	1	2	19
			10.5%	42.1%	31.6%	5.3%	10.5%	100.0%
		2014	0	4	10	3	2	19
			0.0%	21.1%	52.6%	15.8%	10.5%	100.0%
		2015	0	5	7	5	2	19
			0.0%	26.3%	36.8%	26.3%	10.5%	100.0%
93	93 The Integrated reports sets out how the organizations governance structure support its ability to create value in the sh	2013	9	7	2	1	0	19
			47.4%	36.8%	10.5%	5.3%	0.0%	100.0%
		2014	4	7	5	3	0	19
			21.1%	36.8%	26.3%	15.8%	0.0%	100.0%
		2015	3	5	6	4	1	19
			15.8%	26.3%	31.6%	21.1%	5.3%	100.0%
94	The integrated report describes the entiys business model (IR 4.12)	2013	5	7	3	4	0	19
			26.3%	36.8%	15.8%	21.1%	0.0%	100.0%
		2014	3	3	8	3	2	19
			15.8%	15.8%	42.1%	15.8%	10.5%	100.0%
		2015	3	2	4	7	3	19
			15.8%	10.5%	21.1%	36.8%	15.8%	100.0%

95	The integrated report shows how key inputs relate to the capitals on which the organization depends on and is material to understanding the business model (IR 4.1.4)	2013	15	1	1	2	0	19
			78.9%	5.3%	5.3%	10.5%	0.0%	100.0%
		2014	13	3	1	1	1	19
			68.4%	15.8%	5.3%	5.3%	5.3%	100.0%
		2015	11	2	0	1	5	19
			57.9%	10.5%	0.0%	5.3%	26.3%	100.0%
96	The integrated report describes key business activities (IR4.16)	2013	0	10	7	1	1	19
			0.0%	52.6%	36.8%	5.3%	5.3%	100.0%
		2014	0	6	8	3	2	19
			0.0%	31.6%	42.1%	15.8%	10.5%	100.0%
		2015	0	5	6	3	5	19
			0.0%	26.3%	31.6%	15.8%	26.3%	100.0%
97	The integrated report identifies an organizations key products and services (IR4.18)	2013	3	4	6	5	1	19
			15.8%	21.1%	31.6%	26.3%	5.3%	100.0%
		2014	0	6	9	1	3	19
			0.0%	31.6%	47.4%	5.3%	15.8%	100.0%
		2015	0	5	8	3	3	19
			0.0%	26.3%	42.1%	15.8%	15.8%	100.0%
98	The integrated report identifies key outcomes of the business model (IR 4.19)	2013	2	5	7	5	0	19
			10.5%	26.3%	36.8%	26.3%	0.0%	100.0%
		2014	0	7	6	5	1	19
			0.0%	36.8%	31.6%	26.3%	5.3%	100.0%
		2015	1	5	3	6	4	19
			5.3%	26.3%	15.8%	31.6%	21.1%	100.0%
99	An integrated report identifies the key risks and opportunities that are specific to the organization, including those that relate to the organization's effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term. (IR4.24)	2013	7	5	1	5	1	19
			36.8%	26.3%	5.3%	26.3%	5.3%	100.0%
		2014	3	4	5	4	3	19
			15.8%	21.1%	26.3%	21.1%	15.8%	100.0%
		2015	3	2	2	3	9	19
			15.8%	10.5%	10.5%	15.8%	47.4%	100.0%
100	The integrated report identifies where the organisation wants to go and how it tends to get there including a description of the linkage between the organization's strategy and resource allocation (IR4.27-4.29)	2013	1	9	8	1	0	19
			5.3%	47.4%	42.1%	5.3%	0.0%	100.0%
		2014	0	3	7	8	1	19
			0.0%	15.8%	36.8%	42.1%	5.3%	100.0%
		2015	0	3	4	7	5	19
			0.0%	15.8%	21.1%	36.8%	26.3%	100.0%
101	The integrated report contains qualitative and quantitative information about performance pertaining to whether the entity has achieved its strategic objectives and the outcomes effect on capitals (IR4.31)	2013	0	4	10	4	1	19
			0.0%	21.1%	52.6%	21.1%	5.3%	100.0%
		2014	0	0	9	6	4	19
			0.0%	0.0%	47.4%	31.6%	21.1%	100.0%
		2015	0	0	5	6	8	19
			0.0%	0.0%	26.3%	31.6%	42.1%	100.0%
102	KPIs combine financial measures with other measures (IR4.32)	2013	4	3	5	4	3	19
			21.1%	15.8%	26.3%	21.1%	15.8%	100.0%
		2014	1	2	6	4	6	19
			5.3%	10.5%	31.6%	21.1%	31.6%	100.0%
		2015	0	1	7	4	7	19
			0.0%	5.3%	36.8%	21.1%	36.8%	100.0%
103	The integrated report	2013	4	10	2	3	0	19

	identifies what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance (IR4.34)		21.1%	52.6%	10.5%	15.8%	0.0%	100.0%
		2014	2	5	8	4	0	19
			10.5%	26.3%	42.1%	21.1%	0.0%	100.0%
		2015	3	3	4	4	5	19
			15.8%	15.8%	21.1%	21.1%	26.3%	100.0%
104	The integrated report provides lead indicators, KPIs or objectives (IR 4.38)	2013	13	3	1	0	2	19
			68.4%	15.8%	5.3%	0.0%	10.5%	100.0%
		2014	7	8	4	0	0	19
			36.8%	42.1%	21.1%	0.0%	0.0%	100.0%
		2015	8	5	3	1	2	19
			42.1%	26.3%	15.8%	5.3%	10.5%	100.0%
105	The How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated (IR4.40)	2013	16	2	0	0	1	19
			84.2%	10.5%	0.0%	0.0%	5.3%	100.0%
		2014	14	3	0	2	0	19
			73.7%	15.8%	0.0%	10.5%	0.0%	100.0%
		2015	11	3	0	3	2	19
			57.9%	15.8%	0.0%	15.8%	10.5%	100.0%