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Strategy disclosures in the integrated reports of JSE listed companies in the financials sector

Wostmann, Caroline

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Strategy disclosures in the integrated reports of JSE listed companies in the financials sector

An empirical study on strategy disclosure in integrated reporting

Research Report submitted by
Caroline Wostmann

In partial fulfilment of the Degree: Master of Commerce

Ethics Number: CACCN/1072
Student Number: 585692
Tel: 0713626335

Supervisor: Warren Maroun

School of Accountancy
University of the Witwatersrand
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Declaration

I hereby declare that this research report is my own unaided work. It is submitted in partial fulfilment of the degree of Master of Commerce by Coursework and Research Report at the University of the Witwatersrand, Johannesburg. It has not been submitted elsewhere for the purpose of being awarded another degree or for examination purposes at any other university.



Caroline Wostmann
10 September 2015

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I. Abstract

This research examines strategy disclosures in the integrated annual reports of companies which have a primary listing in the financials sector on the Johannesburg Stock Exchange [JSE]. A strategy disclosure checklist, based on the relevant academic and professional literature, was developed by the researcher and used to quantify the extent of strategy disclosures in the environmental, social and economic areas. Results suggest that companies are not yet providing adequate disclosure on their strategy and that where strategy disclosure is provided a preference towards economic strategy over social and environment strategy exists.

II. List of abbreviations

ABBREVIATION/ACRONYM DESCRIPTION

Board	The Board of Directors
CSR	Corporate Social Responsibility
ESG	Environmental Social Governance
IFAC	International Federation of Accountants
IIFR	International Integrated Reporting Framework - 2013
IIRC	International Integrated Reporting Committee
IRC	International Integrated Reporting Committee of South Africa
JSE	Johannesburg Stock Exchange
King-I	The King Report on Governance for South Africa – 1994
King-II	The King Report on Governance for South Africa – 2002
King-III	The King Report on Governance for South Africa – 2009
OECD	Organisation for Economic Co-operation and Development
WCED	United Nations World Commission for Environment and Development Report – 1987

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1. Introduction

1.1 Purpose and context

A series of corporate failures, specifically in the banking and financial industry, highlighted a need for clear, concise and transparent reporting (Abdo and Fisher, 2007). Corporates have an obligation to behave as responsible corporate citizens conducting their business in a manner which meets their needs without compromising the right of future generations to do the same (Marx and Mohammadali-Haji, 2014, Solomon and Maroun, 2012, WCED, 1987, Solomon, 2010). This involves protecting, enhancing and investing in the wellbeing of the economy, society and the natural environment in which they do business (Marx and Mohammadali-Haji, 2014). To demonstrate this behaviour, it is imperative that they provide relevant, reliable and accurate information to their stakeholders on the organisation's financial, sustainability, management and governance practices and performance (Marx and Mohammadali-Haji, 2014). This reporting should give the user a holistic view of a company and how it operates in the environment and community in which it is situated as well as encourage a culture of forward and integrated thinking (Integrated Reporting Committee [IRC], 2010).

The traditional methods of reporting on financial information through annual financial statements and other information in annual reports has come under scrutiny over the years (Druckman and Fries, 2010) and it was evident that fundamental changes needed to be made to the format of financial reporting in order to increase its relevance and stakeholder value (Eccles and Serafeim, 2014). This change took on a new form of reporting which integrates an organisation's social and environmental performance with its economic performance in a simplified manner (International Federation of Accountants (IFAC, 2011, Harvey, 2011, Roberts, 2012). Financial information was traditionally provided through the annual report, while non-financial reporting, which focuses on environmental, social, transformation, ethical, safety and health information, was provided as part of the annual report, or in a separate sustainability report (Marx and Van der Watt, 2011). King-III (2009) now recommends that sustainability reporting be integrated with the company's financial reporting (principle 9.2). This is based on the underlying notion that strategy, risk, performance and sustainability have become inseparable, and define integrated reporting as 'the holistic and integrated representation of the company's performance in terms of both its finances and its sustainability' (SAICA, 2013/2014, Marx and Van der Watt, 2011, Roberts, 2012). The

recommendation of King-III regarding integrated reporting gave rise to the establishment of both the International Integrated Reporting Council, and the South African Integrated Reporting Committee, both under the chairmanship of Mervyn King, with the aim of enhancing, consolidating and providing guidance on best practice for integrated reporting. The objective is that an integrated report should enable stakeholders to view the strategy, operations and performance of an entity in the short-, medium- and long-term to provide a comprehensive overview of the sustainability of the reporting entity by highlighting the interconnection between financial and non-financial metrics, including an organisation's strategy in relation to these metrics (IRC, 2011) (Churet and Eccles, 2014, Marx and Van der Watt, 2011, Terry, 2012, IRC, 2011).

Strategy forms the backbone of every organisation because, without an effective strategy, corporate failure would be inevitable (Porter, 1996). The International Integrated Reporting Framework [IIRF] (International Integrated Reporting Committee [IIRC], 2013), as well as King-III (2009) highlight the importance of an effective strategy and provide guidance on what strategy-related disclosure should be provided in integrated reports. Due to limited research in this area, the level and extent of strategy disclosure in the integrated report are unknown. It also remains unclear which areas management have identified as being vital in terms of strategy implementation. A deeper understanding of management's strategic outlook, and whether this is in line with the above disclosure guidelines, is essential in understanding the way corporates are currently operating.

1.2 Purpose statement

The purpose of this study is to explore the extent to which JSE listed companies in the financials industry are incorporating environmental, social and economic elements in the strategy-related disclosures found in their integrated reports. It will also analyse whether there is an increased focus on any single element of 'triple-bottom-line reporting' as defined by King-III (2009) being reporting on environmental, social or economic strategy. The research questions to address these highly topical issues have been identified as follows:

Research Question 1: To what extent are companies including social, environmental and economic issues in strategy disclosures found in the integrated report?

Research Question 2: Are there differences in the emphasis between social, environmental and economic issues being included in the strategy disclosures in integrated reports?

1.3 Significance of the study

Given the importance of corporate strategy (Porter, 2008) and the growing body of academic research on environmental, social and governance (ESG) issues (Solomon, 2010) it is surprising that a gap in academic literature exists between these two essential elements of the integrated report (Solomon and Maroun, 2012). It is clear that there is a need for a study of corporate strategy regarding, not only economic and financial performance, but also relating to ESG issues (Solomon and Maroun, 2012, Eccles and Serafeim, 2014). This is especially true when it comes to the financial services industry.

The 2008 financial crises resulted from inadequate regulations in the financial markets(Abdo and Fisher, 2007, Taylor, 2009). As a result legislature and policies detailing sound strategic practices have been at the forefront of academic discussions for a number of years (Taylor, 2009, Campello et al., 2010, Ivashina and Scharfstein, 2010). It is widely noted that the financials industry forms the backbone of the economy (Taylor, 2009, Ivashina and Scharfstein, 2010). The various laws and regulations to ensure that risks are identified and addressed and that outstanding governance structures are incorporated would greatly impact the strategy of this industry and make its strategic practices and disclosures meaningful to study in isolation of other companies operating under vastly different conditions (Taylor, 2009, Campello et al., 2010). In addition, it would create some interesting insights into what strategic processes are in place following the financial crises and would answer some of questions raised in academic discussions around this area (Taylor, 2009). It is for this reason that the study will be limited to the financials industry of JSE listed companies.

This study assesses the extent to which companies are disclosing their strategy with reference to environmental, social and economic aspects in their integrated reports, as required by King-III. The study also identifies possible trends by considering whether JSE listed companies in the financials industry are more focused on individual elements of the triple-bottom-line (environmental, social, economic or financial) in their strategy. Such trends act as a catalyst for further research opportunities. The findings will also be of interest to academics and practitioners given the limited understanding of the extent to which ESG strategy-related matters are being

incorporated in the integrated reports of companies listed on the JSE (Solomon and Maroun, 2012, Marx and Mohammadali-Haji, 2014).

1.4 Assumptions

A data research instrument was constructed using the disclosure recommendations found in the IIRF (IIRC, 2013) and King-III (2009). This was complemented by a review of the academic literature (Section 2). The study assumes that the disclosure recommendations identified and included in the research instrument are key to the appropriate disclosure of strategy and that no key elements relating to strategy disclosure have been omitted. A thorough literature review did not identify any further significant areas relating to strategy disclosure and, therefore, supports this assumption.

Only companies in the financials sector on the JSE were included in the study. This is as a result of the JSE listings requirement that companies should comply with King-III and produce an integrated report (Marx and Mohammadali-Haji, 2014). This study assumes that the findings of companies' disclosure practices on the JSE would be relevant and meaningful to the understanding of the strategic disclosure practices of companies in other financial industries world-wide.

1.5 Scope and limitations

This study has the following specific limitations.

Firstly it is subjective in nature and incorporates a large degree of the researcher's judgement. Content analysis has specific limitations, such as the risk of capturing an incomplete picture, as noted by Unerman (2000). As discussed further in Section 3, content analysis is widely recognised and supported in the literature as a research instrument for analysing the characteristics of a population (Maroun, 2012, Coetsee, 2011, Solomon and Maroun, 2012, Marx and Mohammadali-Haji, 2014). A detailed explanation of the methods and assumptions used when interpreting and concluding on the data is provided as a means to mitigate this limitation (Leedy and Omrod, 2001).

Secondly, the assessment is limited to JSE listed companies in the financials industry in South Africa, and the findings may not be representative of the integrated reporting practices of listed companies operating in other industries, unlisted entities or public sector institutions. The financials industry includes the banking, insurance and investment industries. Due to this limitation, extrapolation of the findings onto other companies may not be possible but the validity of the findings within the study is significantly increased due to the companies' operations being similar in nature in that entities on the JSE are listed into industries based on the nature of their operating activities (Mangena and Chamisa, 2008). As a result, variations in strategy resulting from vastly different operations will be eliminated. The results of the research will consequently be more reliable.

Finally, the research concentrates on social, economic and environmental metrics of strategy disclosure as recommended by King-III and IIRC. It does not investigate the adequacy of these recommended disclosures.

1.6 Report structure

The structure of the remainder of this report is as follows. Section 2 reviews the literature, beginning with an analysis of both the agency and stakeholder theories and the related change in corporate governance systems. An analysis of the corporate failures and the relationship to corporate governance is then discussed (Section 2.1) followed by a review of the corporate governance landscape in South Africa (Section 2.1). Section 2.1.1 examines King-III and the importance of the integrated report. A thorough background of the academic literature around

strategy follows in Section 2.2. Section 2.3 concludes by identifying the suggested disclosures in terms of strategy as identified in King-III and the IIRF (2013).

Section 3 details the research methodology used in this study, the research instrument and the data collection. Section 4 reviews the results from the data analysis, examining the overall strategy disclosure scores, the disclosures per theme, as well as using various statistical techniques to allow patterns and themes to emerge. Section 5 contains the conclusion and recommendations for future research. Appendix A contains the research instrument used to compile the data for analysis. Appendix B contains the final sample of companies selected for testing. Appendix C and D include the statistical analysis of results discussed in Section 4.

2 Literature review

2.1 Theoretical framework

The turn of the 19th century saw a separation between ownership and management of businesses in the formation of limited liability companies (Jensen and Meckling, 1976). This resulted in the directors of these companies being entrusted with management power, and shareholders needing to protect their investments against the abuse of power by the directors. Classic agency problems arose, together with the need for a system of checks and balances to mitigate increasing residual losses (Jensen and Meckling, 1976). Corporate governance was born (Marx and Van der Watt, 2011, Reynecke, 1995, Pullinger, 1995).

The agency theory deals with the relationship in which one party (the principal) delegates work to another (the agent), who performs that work. The agency theory attempts to describe this relationship in terms of the contractual undertakings between the principal and agent in which measures are put in place to streamline the interests of both parties (Jensen & Meckling, 1976). In this context, effective corporate reporting, including the disclosure of non-financial information, is simply part of an agency-construct of the corporate governance paradigm (Solomon, 2010). In order to lower the probability of non-compliance with laws and regulations, to reduce risk, and to demonstrate responsible citizenship, ESG disclosure can lower the costs of adverse selection and moral hazard and so is of value to shareholders (Solomon, 2010). The origin of this reporting was, however, primarily of financial and economic content in order to demonstrate stewardship by the agent to the principal. (White, 2010).

Corporate governance issues intensified since the 1990's due to various business failures and corporate collapses (Abdo and Fisher, 2007). Since then various corporate governance codes have been issued, highlighting the need for businesses to act responsibly. However, it was only with the release of the Cadbury Report on Corporate Governance in the United Kingdom in 1992 that the concept of corporate governance was widely recognised and formally defined (Marx and Mohammadali-Haji, 2014). A modern definition of 'corporate governance' is found in the Cadbury Report, which described corporate governance as 'the system by which companies are directed and controlled' (Cadbury Report, 1992).

The first report on Corporate Governance in South Africa, King-I was released in 1994 (IoD, 1994), and the first influential international corporate governance code was produced by the Organisation for Economic Co-operation and Development (OECD) in 1999. Today, corporate governance codes can be found all over the world in more than 90 markets (Marx and Van der Watt, 2011).

A key feature of contemporary codes of corporate governance is that the economic focus on organsiations has given way to a stakeholder-centric mindset. In particular, most modern codes on corporate governance deal with the concept of sustainable development, which led to the notion of sustainability, originating from the United Nations World Commission for Environment and Development Report (WCED, 1987). Sustainable development can be defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987, Terry, 2008).

The Second Report on Corporate Governance for South Africa (hereafter King-II) introduced this concept of sustainability to corporate governance (IoD, 2002) defining it as: 'This means that each enterprise must balance the need for long-term viability and prosperity – of the enterprise itself and the societies and environment upon which it relies for its ability to generate economic value – with the requirement for short-term competitiveness and financial gain' (IoD, 2002: 91, Section 4).

It moved the focus from the needs of the "stockholder" to a broader category, the "stakeholder" (Freeman, 1984). This global movement towards the "stakeholder" came from a wide-spread acknowledgement that without ethical conduct and consideration of the society and environment in the community within which an entity operates, the future prospects of a corporate would be dismal (Heaps, 2010).

The stakeholder theory arose from this movement which recognises that the purpose of an organisation is to realise a gain for all participating interests and not only for the shareholder (Massie, 2010). The organisation is conceived under this theory as a complex entity of economic, environmental and social capacity (Massie, 2010, Solomon, 2010). The purpose of stakeholder management was to create methods to manage the different groups and relationships that resulted in fulfilling the corporates strategy. Freeman (1984) was of the opinion that a stakeholder approach to strategic management, required managers to formulate and implement processes which satisfy all, not only those groups who have a stake in the business. The main task in this process is to manage and integrate the relationships and interests of shareholders, employees,

customers, suppliers, communities and other groups in a way that guarantees the long-term success of the firm (Freeman, 1984). A stakeholder approach is, thus, very much concerned with active management of the business environment, relationships and the promotion of shared interests in order to develop business strategies (Druckman and Fries, 2010, Solomon, 2010). Only companies which have a profound connection of their sustainability efforts with their strategy and management cycle will be able to successfully integrate their corporate social responsibility (CSR) practices with their strategy and report on this in an integrated report (KPMG, 2010).

King-III, the most recent of the South African corporate governance reports issued to date, and hailed by Sir Adrian Cadbury as 'a charter for corporate citizenship', now describes the sustainability of a company as: 'conducting operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. It means having regard to the impact that business operations have on the economic life of the community in which it operates. Sustainability includes environmental, social and governance issues' (Cadbury, 2010, IoD, 2002, Marx and Van der Watt, 2011, Marx and Dyk, 2011, Terry, 2012).

There is considerable academic literature identifying and discussing the benefits of CSR and sustainability practices and disclosures (White, 2010, Haboucha, 2010). Despite there being consensus that it is essential for corporates not only to consider their bottom line in terms of profits but also to assess their future sustainability in terms of the environment in which they operate and the communities to which they deliver goods and services, it was evident that the reporting was not sufficiently disclosing or prioritising this issue (KPMG, 2010, White, 2010). A disconnect between sustainability reports, corporate social responsibility reports and financial reports was evident and reporting was becoming more generic and disjointed, rendering little value to the end user. These reports were not providing the much needed decision-useful information required for a successful principal-agent relationship to exist (Druckman and Fries, 2010).

Under the stakeholder theory, management desperately needed to demonstrate the corporates strategic outlook taking into account all stakeholders in order to display its stewardship to the business owners. This outlook needed to consist of an integrated picture incorporating economic, environmental and social issues in order for it to meet user needs. A desperate need for a more transparent and integrated way of thinking arose and, with it, the concept of integrated reporting (Ernst and Young, 2012).

2.1.1 The Integrated Report

The integrated report recognises that an entity operates as a whole in terms of its financial performance as well as its sustainability (IIRC, 2013). It focuses on the short-, medium- and long-term and the related risks, opportunities and strategies of the reporting entity (IIRC, 2013). It realises that theoretical components of a business cannot exist in isolation and that, in order for an entity to reach its maximum potential, these theoretical components must be addressed as a whole (IIRC, 2013).

The drive towards disclosing this holistic representation of a corporate to its stakeholders pushes management into integrated forward thinking (PWC, 2013). This integrated thinking triggers conversations that otherwise would not occur, insights that would not otherwise surface, and innovations that would not otherwise be introduced (Eccles and Serafeim, 2014). Through encouraging integrated thinking, integrated reporting will result in a better overall quality of management (Churet and Eccles, 2014). Ultimately the cycle of integrated reporting and integrated thinking will result in businesses and the communities in which they operate becoming symbiotic and business investors will have the comfort of lower risk investments with higher future returns (SAICA, 2013/2014). The IIRF (IIRC, 2013) recognises that integrated reporting needs to be based on principles in order to promote the integrated thinking it aims to achieve. This lack of a rigid structure in the integrated report has, however, left the content of integrated reports subjective and difficult to compare (Solomon and Maroun, 2012). It has, however, also opened a doorway into the minds of management and how they are addressing and operating the businesses which drive the economy. Essentially through this principle- based reporting we can identify areas for concern and development in management thinking and the process will in turn promote integrated thinking and will close this expectation gap in future.

‘By its very nature an integrated report cannot simply be a reporting by-product. It needs to flow from the heart of the organisation and it should be the organisation’s primary report to stakeholders.’ (IRCSA 2011)

Ultimately, integrated reporting is a journey (IRC, 2010). As integrated thinking develops, so will the information disclosed in the integrated report and so will the entities’ ability to continue as responsible corporate citizens, giving maximum benefit to all its stakeholders through reaching their full potential (Wandrag and Hanks, 2010).

The IIRF (IIRC, 2013) identifies eight content elements that link to create an integrated whole. Among these elements is a specific consideration to strategy and resource allocation aiming to answer the question of where the entity wants to go and how it aims to get there. This strategy and resource allocation element is analysed further in terms of the requirements in the IIRF (IIRC, 2013) as well as King-III (2009) to create a matrix against which the strategic element of integrated reports can be assessed. First, a deeper understanding of strategy is essential.

2.2 Strategy

2.2.1 What is Strategy?

Porter (1996) defines strategy as either performing different activities from your competitors or performing similar activities differently. This focus on differentiating yourself from your rivals would result in a sustainable competitive advantage as opposed to operating efficiencies which can be copied easily by competitors (Porter, 1996). Operating efficiencies should support the entity's strategy by assisting in the creation of the most cost effective product but the differentiation of this product from other market players is the strategy (Porter 1996). Therefore strategy can be seen as the management of a group of long-term unique activities and resources.

2.2.2 Developing a successful strategy

The key principles of a successful strategy are first, that a unique and valuable position should be created by developing a different set of activities (Porter 1996). The second key principle is that trade-offs are necessary and the third principle is that a fit needs to be created among the different activities (Porter 1996). South West Airlines demonstrates the use of these key principles in their successful strategy (Porter 1996). Their difference is in that they provide cost effective air transport to large volumes of customers as an alternative to automobile transport (Porter 1996). They make various trade-offs such as not providing meals on planes, not using travel agents and not including baggage handling as a service to their customers (Porter 1996). These tradeoffs result in a perfect fit between their activities as they are able to avoid the costs associated with meals and travel agent commissions and have fast turnaround times by selecting only certain locations and not including baggage handling (Porter 1996). This reduced cost and increased number of flights enables them to provide low cost flights and still make profits (Porter 1996). Therefore the implementation of the key principles resulted in a successful strategy (Porter 1996).

There are five competitive forces that shape strategy (Porter, 2008). These forces can be reshaped in an entities favour (Porter 2008). The obvious force is established rivals products or services which can be reshaped by using the principles mentioned above of differentiating your product from your rivals (Porter 2008). This is referred to by Kim and Mauborge (2004) as finding the blue ocean in overcrowded waters where the example of Circe du Soleil was used. Circ du Soleil differentiated themselves from other established rivals by catering to a more adult market, not only attracting a different audience to competitors but also eliminating the large costs associated with traditional circus acts such as the animals (Kim and Mauborgne, 2004). Companies can also differentiate themselves through social strategy aiming to enhance or uplift communities which at the same time will benefit the company (Porter and Kramer, 2011). The societal benefits of providing appropriate products to lower-income and disadvantaged consumers can be profound, while the profits for companies can be substantial. For example, low-priced cell phones that provide mobile banking services are helping the poor save money securely and transforming the ability of small farmers to produce and market their crops. In Kenya, Vodafone's M-PESA mobile banking service signed up 10 million customers in three years: the funds it handles now represent 11% of that country's GDP. In India, Thomson Reuters has developed a promising monthly service for farmers who earn an average of $2,000 a year. For a fee of $5 a quarter, it provides weather and crop-pricing information and agricultural advice. The service reaches an estimated 2 million farmers, and early research indicates that it has helped increase the incomes of more than 60% of them—in some cases even tripling incomes. As capitalism begins to work in poorer communities, new opportunities for economic development and social progress increase exponentially.

The second force is customer power which can be reshaped by expanding services so that it makes it more difficult for customers to find an alternate supplier (Porter 2008). The third force is supplier power which can be addressed through standardising parts so that changing vendors is relatively easy (Porter 2008). The fourth force is new entrants which can be alleviated through making entrance into the market costly which can be achieved through research and development expenditure (Porter 2008). The final competitive force is the threat of substitutes and this can be addressed by offering better value through wider coverage (Porter 2008). For example, the soft drink companies used vending machines to make their drinks more accessible than other substitutes (Porter 2008).

A company should build a vision to support its strategy (Collins and Porras, 1996).. It should support the core ideology of the business (Collins & Porras, 2008). The core ideology is the company's character discovered by careful reflection. It should be constant whereas the envisioned future should be achievable in the next ten to thirty years (Collins & Porras, 2008).

In order to determine whether the company's strategy is still successful, the business model should be continuously assessed (Johnson et al., 2008). A successful model will add value to customers, create profits and clearly define the key resources and processes of the organisation (Johnson, Clayton & Kagermann, 2008). A successful model will not only focus on the creation of economic value but will also create value for society by addressing its needs and challenges in such a way that "shared value" can be created. The concept of 'shared value' can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress. Therefore, a successful strategy will incorporate the economic, environmental and social aspects that are unique to it and address them in a way that best benefits all stakeholders (Porter and Kramer, 2011).

2.2.3 Implementing a developed strategy

A well-developed strategy will put an entity onto the map but only a solid execution will keep it there, (Neilson et al., 2008).

A key way to implement a successful strategy is through the use of the balanced score card (Kaplan and Norton, 2007). This method augments traditional financial measures with benchmarks of performance in three key nonfinancial areas: a company's relationship with its customers; key internal processes and learning and growth. These non-financial measurement tools will include strategic goals relating to environmental, social and governance aspects (Porter and Kramer, 2011). This results in operations which are synchronised with the entities strategy (Kaplan and Norton, 2007).

Another effective implementation technique is to create an effective strategic principle which maintains strategic focus and empowers workers to be innovative (Gadiesh and Gilbert, 2001). An effective strategic principle would force trade-offs between competing resources, test the validity of leadership decisions and set boundaries within which employees can operate (Gadiesh

& Gilbert, 2001). An example of an effective strategic principle is that of South West Airlines which states “Meet customers short haul travel needs at fares competitive with the cost of automobile travel.” (Gadiesh & Gilbert, 2001). This forced a strategic principle trade off when South West Airlines moved to Denver but factors such as the weather forced long delays which was against their strategic principle of keeping costs down and forced them to withdraw (Gadiesh & Gilbert, 2001). This phrase should be kept simple to describe clearly what your entity will and won’t do (Mankins and Steele, 2005).

Finally, in order for strategy to be successfully implemented clear decision roles need to be identified to avoid ambiguity over who’s accountable for making decisions (Rodgers and Blenko, 2006). From the above literature review it is clear that, in order for companies to be successful, they need to differentiate themselves from their rivals. In order to do this a strategy needs to be developed and successfully implemented. This strategy in line with triple bottom reporting should be demonstrated in the three categories of environmental, social and economic uniqueness. The corporates strategy should integrate economic, social and environmental strategies in such a way that shared value can be created. Therefore, in performing the assessment of strategy disclosure in the integrated reports an overriding factor of differentiation from competitors will be vital in demonstrating effective strategy disclosure.

2.3 Key items for strategy disclosure

King-III (2009) describes how social, environmental and economic issues have become inseparable. Consequently, strategy should be in place regarding each one of these reporting elements. Each of these three areas has therefore been identified under a separate heading in the data collection instrument in Appendix A under which the key items identified below are assessed.

The starting point in gauging the extent of strategy disclosure is the guidance given in the IIRF (IIRC, 2013). The matrix created for this assessment can be viewed under Appendix A. The methodology underlying the development and use of this matrix is described in detail in Section 3.3.

IIRF (IIRC, 2013) in paragraph 3A describes having strategic focus and future orientation as being able to highlight significant risks, opportunities and dependencies resulting from the market position and business model of the entity (IRC 2013). It should also lead those charged with

corporate governance to have views about the relationships between past and future performance, how the organization is balancing its short, medium and long term interests, and how past experiences have affected future development (IRC 2013). The availability, quality and affordability of significant capitals on which future value can be created needs to be clearly articulated (IIRC 2013). These items have been summarised into the first five items in the developed checklist in Appendix A as follows:

1. Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity
2. Highlights the relationships between past and future performance
3. Describes how the organization is balancing its short-, medium- and long-term interests
4. Describes how past experiences have affected future development
5. Clearly articulates availability, quality and affordability of significant capitals on which future value can be created

The fact that this information, by its nature, is uncertain is not reason to exclude it from the report (IIRC, 2013). This element will be considered when evaluating the extent of disclosure using the scoring matrix in the developed checklist as uncertainty should not limit or exclude the identified disclosures.

Per paragraph 4E in the IIRF (2013), in terms of its strategy disclosure, an integrated report should answer the question: “Where does the organisation want to go and how does it intend to get there?” (IIRC, 2013: p27). This has been included under point 6 of the developed matrix (Appendix A) as follows:

6. Answers the question: Where does the organization want to go and how does it intend to get there?

Paragraph 4E continues with point 7 to 11 in the matrix, to determine whether the above question was sufficiently and appropriately addressed by considering various aspects of how the disclosure came to answer the above question. It does this through identifying the organisation’s short-, medium- and long-term objectives and determining how it would meet these objectives (IIRC 2013). It will identify the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working (IIRC 2013). To achieve this, the organisation can describe the link between these plans and its business model and any changes which might be

necessary to the business model (IIRC 2013). It will also look at the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy (IIRC 2013). The effect of capitals available on the identified strategy will also need to be assessed (IIRC, 2013).

7. Identifies the organisations short-, medium- and long-term objectives and determines how it would meet these objectives
8. Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working
9. Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies
10. Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy
11. Assesses the effect of capitals available on the identified strategy

Finally, point 12 in the matrix sums up the considerations of the IIRF (IIRC, 2013), addressing the disclosure of the differentiating factor which gives the organisation its competitive advantage which will need to be addressed through looking at areas such as the role of innovation, how the organisation develops and exploits intellectual capital and the extent to which environmental and social considerations have been embedded into strategy to give the organisation a competitive advantage (IIRC, 2013). This has been summarized in the data collection instrument as follows:

12. Differentiates what gives the organisation a competitive advantage

The board of directors is ultimately responsible for the implementation of corporate strategy and strategy should be approved and informed by the board. This strategy also needs to be aligned with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders (King-III, 2009). The strategy and business plans must also not be encumbered by risks which have not been thoroughly examined by management (King-III, 2009). Strategy must furthermore take into account people, the planet and profit, or as previously referred to, environment-, social- and economic factors (King-III, 2009). Points 13 to 15 in the matrix deal with these disclosure recommendations under each of the three main headings being Environment, Social and Economic (Appendix A) as follows:

13. Demonstrated how strategy aligns with the purpose of the company and value drivers of its business and the legitimate interests and expectations of its stakeholders. (King-III, paragraph 2.2)
14. Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management (King-III, paragraph 2.2).
15. Identifies risk management processes and systems are in place regarding the companies risk strategy (King-III, paragraph 4.4).

In order for effective risk management processes and systems to be in place regarding the companies risk strategy (King-III, 2009), a Chief Risk Officer (CRO) should be appointed, having sufficient experience and access to act regularly on these strategic matters (King-III, 2009). As part of these risk management processes, the strategy around IT needs to be evaluated and its integration within the company's strategic and business processes needs to be considered (King-III, 2009). A strategy should also be developed to manage the relationships of each stakeholder group identified (King-III, 2009)

16. Identifies a Chief Risk Officer (CRO) who has sufficient experience and access to regularly act on these strategic matters. (King-III, paragraph 4.4).
18. Describes how the IT strategy has been integrated within the companies' strategic and business processes (King-III, paragraph 5.2).
19. Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals (King-III, paragraph 7.2).
21. Identifies a strategy to manage relationships of each stakeholder group (King-III, paragraph 8.2).
22. Describes Internal Audits role in the strategic function (King-III, paragraph 8.2)

Areas specific to risks in South Africa, such as BEE and HIV/Aids need to be addressed (Padia and Yasseen, 2011). These areas have been addressed under point 16 to 19 in the matrix. The specific risks relating to BEE and HIV/Aids have been limited to the "Social" section of the matrix due to their nature under points 21 and 22 respectively (Appendix A). Internal audit needs to play an integral part in formulating an approach which is informed around the strategy and risks of the company and identifies any risks which may prevent the realisation of strategic goals (King-III, 2009). It should also identify the controls to mitigate these risks and identify opportunities to

promote the realisation of strategic goals (King-III, 2009). The consideration of internal audits role in strategic development has been included under point 20 in the matrix.

Whilst these principles identified above are generic in nature, it is important to note that, by the very definition of strategy as discussed previously, it needs to be unique to each company. There is no one-size-fits-all due to the complexity of sustainability type reporting (Fornelli, 2010). By trying to create a comprehensive list of specific strategies we would be undermining the very purpose of the study. It is imperative that the matrix remains generic although the analysis will consider the specificity and uniqueness of strategy for each company studied through the scoring process used (Appendix A).

3 Method

3.1 Research paradigm

While historically most research has been performed under a positivist approach in terms of which an outcome is objectively measured and verified, it is being argued that the nature of accounting is more suited to interpretative research (Maroun, 2012, Coetsee, 2011). This is due to the fact that accounting is based on a socially constructed body of knowledge which is interpreted and acted upon by unpredictable human actors (Maroun, 2012, Coetsee, 2011).

It is for this reason that an interpretative study was performed. The absence of a large body of prior research on disclosure in South African integrated reports made an interpretive approach most suitable (Maroun, 2012, Coetsee, 2011, Solomon and Maroun, 2012, Marx and Mohammadali-Haji, 2014). Rather than seeking to quantify an optimal level of strategic disclosure, the research is exploratory seeking to understand current strategy disclosure practices and gauge the extent to which ESG issues are being disclosed at a strategic level. It also proposes a number of normative recommendation through identifying emerging trends and themes in integrated reports in order to improve integrated reporting practices.

The research method was broken down into four phases. The first phase involved the development of a data collection instrument (Section 3.2). The second phase was to perform an in depth content analysis of a sample of integrated reports (Section 3.3). The third phase entailed performing a detailed statistical analysis on the recorded data for the purpose of describing relationships and trends in the data (Section 3.3). Finally, an interpretation of the results and findings was undertaken with the purpose of answering the research questions and identifying areas for future research (Section 4).

3.2 Developing and using the data collection instrument

A thorough literature review was undertaken with the aim of systematically organising the data into relevant categories (Unerman, 2000). This process involved the researcher performing a detailed review of the literature and results in the identification of the primary themes, disclosure requirements and reporting recommendations which could be incorporated into a data collection checklist (Unerman, 2000; Solomon and Maroun, 2012; Carels et al, 2014). Particular attention

was paid to the requirements of King-III (2009) and the IIRF (IIRC, 2013) . This was complemented by an analysis of the primary themes and principles emerging in academic strategy literature for inclusion in the checklist (Appendix A)

This approach has been used by various researchers of accounting and corporate governance disclosure (Abdo and Fisher, 2007, Carels et al., 2013, Marx and Dyk, 2011, Marx and Mohammadali-Haji, 2014, Solomon and Maroun, 2012). The identification of the key relevant categories as described in this paragraph are included under Section 2.3 as part of the literature review and the data collection instrument has been included in Appendix A.

In order to gauge the extent of disclosure across the different metrics included in the disclosure matrix (Appendix A), a scoring system similar to those used in other disclosure studies (Abdo and Fisher, 2007, Carels et al., 2013, Marx and Dyk, 2011, Marx and Mohammadali-Haji, 2014, Solomon and Maroun, 2012, Makiwane, 2012, Padia, 2012) was applied. While the use of scorecards is subjective it is important to note that the aim of the scorecard in this research is not to 'measure' the disclosure to find an optimal point but to aggregate and interpret the data in a way which will allow for interpretation of the findings. The scorecard approach does not aim in any way to quantify results in a positivist sense (Abdo and Fisher, 2007, Carels et al., 2013, Marx and Dyk, 2011, Marx and Mohammadali-Haji, 2014, Solomon and Maroun, 2012, Makiwane, 2012, Padia, 2012). The scorecard, as included in Appendix A, ranges from a score of '0' for no disclosure to a score of '5' for detailed disclosure. No attempt was made to score the quality of the disclosure. This approach allows a reasonably objective, quantifiable and comparable method by which data can be statistically analysed. This method of scoring is consistent with other similar studies performed by Marx et al. (2014), Padia (2012) and Solomon et al. (2012) and is further supported by Berelson (1952), Krippendorff (1980) and Mouton (2005), who agree that content analysis can be used for analysing documents and reports according to content categories based on rules of coding.

In addition to the scoring system above an additional column was included in the data collection instrument for a description of key strategy disclosures and interpretation of the nature of the disclosure. An explanation of how the entity was meeting the strategy disclosure or any shortcomings or other useful insights was documented in this column on the data collection sheet. This allowed for a more detailed analysis and comparison of the data at a highly qualitative level and eliminated some of the subjectivity of the study through a thorough documentation of the

findings and interpretations in the study. The general themes or ideas find through this qualitative study have been discussed alongside the quantitative findings from the scoring method used in Section 4.

3.3 Data analysis

Each of the integrated reports included in the sample was read several times and the content within the report was identified and mapped to the data collection instrument to determine its score against the developed matrix as described in Section 3.2 (adapted from (Abdo and Fisher, 2007, Carels et al., 2013, Marx and Dyk, 2011, Marx and Mohammadali-Haji, 2014, Solomon and Maroun, 2012, Makiwane, 2012, Padia, 2012). The nature of the disclosure and any subjective interpretations were also documented next to each applicable point on the checklist in the matrix. The scores were used to generate a data frequency table, and descriptive statistics (means, modes and variances) were used to provide initial results on the type and extent of information included in different integrated reports.

To provide additional insights it was originally decided that the research results would be submitted to an ANOVA in order to analyse the relationship between the type of strategy disclosure and its scoring. The sector in which entities were included was treated as a control variable. An ANOVA can be used for analysis if data is parametric and univariat, but will only be useful if (1) the observations are independent, (2) the data is normally distributed and (3) there is homogeneity of variances in the data groups. To address the reliability of using an ANOVA to analyse the findings, an initial test for normal distribution/skewness of the data using a Kolmogorov–Smirnov and 'skewness' test for normality was performed.

Due to violations of the normality assumption of the parametric ANOVA, the non-parametric Kruskal-Wallis test was used to determine whether the sector had a significant effect on the disclosure scores. The Kruskal–Wallis one-way analysis of variance by ranks (named after William Kruskal and W. Allen Wallis) is a non-parametric method for testing whether samples originate from the same distribution. It is used for comparing two or more samples that are independent, and that may have different sample sizes (McKight and Najab, 2010).

To provide additional insights, the researcher also considered the relevance of market capitalisation. To test the relationship between market capitalisation and the disclosure scores, a

Spearman's correlation coefficient (due to non-normality of indicator scores) was calculated between the market capitalisation and the disclosure score for each indicator. A Spearman's Rank Order Correlation [rho] can be used to calculate the strength of the relationship between sets of data. Spearmans's rho is a non-parametric alternative to Pearson's product-moment correlation and makes no assumption regarding the distributions of variables in the population. Spearman's test ranks the data first and then applies Pearson's equation to these ranks (Field, 2005). Spearman's rho was selected to determine if there is any correlation between the disclosure scores and the market capitalision as a result of the departure from normal of the distributions of the variables. Different authors suggest different interpretations of the correlation coefficient. Guidelines as suggested by Cohen (1988) were used for this analysis as follows: r=.10 to .29 or r=-.10 to - .29 represents a small significance; r=.30 to .49 or r=-.30 to -.49 represents a medium significance and r=.50 to 1.00 or r=-.50 to -1.00 represents a large significance (Cohen, 1988).

The non-parametric Friedman test was then used to determine whether there is a significant difference among the mean levels of disclosure for Environmental, Social and Economic.(For these purposes, and in line with other studies in the social sciences an alpha value of 5% is planned for (Arnold and Ponemon, 1991)).

Finally, the quantitative data was complemented by text analysis. The researcher re-read each report several times after the disclosure checklists were completed (Appendix A) to gain additional insights into reporting trends and themes. Excel was used to consolidate this information for the purpose of comparison and key words or issues were highlighted to assist in the identification of trends. These trends were then summarized and are included in Section 4 of this report to supplement the statistical analysis. It should, however, be pointed out that this part of the data collection and analysis phase was subjective. The researcher did not rely on statistical techniques (which often rely on counting words or sentences). This is because the researcher had already completed the disclosure frequency tables and wanted to use only examples from the integrated reports of companies under review to illustrate key points.

3.4 Population and sampling

3.4.1 Define the population

The population consists of all companies listed on the JSE in the financials industry which are required in terms of the JSE listing requirements to comply with King-III (2009) which recommends the preparation of an integrated report. As a result of this requirement JSE listed companies need to either prepare an integrated report as recommended by King-III or explain why they were not able to do so.

As companies listed on the JSE have been preparing integrated reports for over three financial periods, the learning curve relating to the thought processes of developing integrated reports would have been reached in prior periods. Therefore little additional insight would be gained through the process of comparing the integrated reports over more than one period for the companies selected. In addition to this, the matrix which has been used to gather data has been created from the requirements of the International Integrated Reporting Framework (IIRF) which was only issued in 2013. So using this matrix on prior periods' integrated reports could compromise the validity of the data collected. The study is limited to the latest integrated reports issued in the selected sample.

3.4.2 Sample

In order to ensure the validity and reliability of the findings, all companies in the financials industry on the JSE were selected. The JSE in itself is smaller than other international listings and focusing on just one industry reduces the population size further. In order to obtain the most meaningful and comprehensive data possible, the entire population was included in the study, with the exception of those listings which do not have integrated reports available. These include listings in the financials industry relating to financial instruments rather than companies and those companies with a primary listing in another jurisdiction who are exempt from compliance with the requirements of King-III. Companies who had been suspended from the JSE or who were only listed in the current year and had not yet issued their first integrated report were also excluded from the sample. The sample has been included in Appendix B and consists of 55 companies.

Despite this sample being relatively small, it is believed to be adequate for the purpose of this study. The research adopts a predominantly interpretative/critical approach to analysing the content of integrated reports and as Merkl-Davies et al. (2011) explains, social constructivist and critical text analysis approaches do not adopt a positivist scientific approach and, therefore, do not follow a rigid set of procedures. Linked to this, critical textual analysis does not require the gathering of data from large samples in order to 'represent a population'. Smaller samples can be analysed in order to respond to general research questions, with the findings providing unique insights into the research question.

The availability of reports was also taken into consideration and any companies who had not prepared a separate integrated report were omitted from the study. This method of sample selection is similar to that of other disclosure studies performed by Solomon and Maroun (2012), Padia (2012), Marx and Mohammadali-Haji (2014), Raemaekers et al. (2015) and van Staden and Hooks (2007).

The most recently published integrated reports at commencement of the research phase were used in the sample.

3.5 Data management

The integrated reports were obtained from the companies' websites, downloaded and stored electronically in pdf form. PDF tools was used to highlight and make notes of relevant areas in the report for the purpose of gathering data.

3.6 Validity and reliability

Validity consists of both internal and external validity. Internal validity means that the study must measure what it intends to measure. In this case the study will be enhancing knowledge around strategy disclosure in the integrated report (Kalof, Dan et al. 2008). In order to ensure internal validity, the researcher has undertaken to obtain sufficient knowledge in the area of strategy disclosure and integrated reporting to enable the researcher to fairly assess and benchmark the strategy disclosed in the integrated reports which will be analysed (Kalof et al., 2008). External validity is the ability to offer a coherent argument on principles or themes which can be applied in alternate scenarios are identified (Kalof, Dan et al. 2008).

Reliability is concerned with consistency of the findings. The findings are reliable if repeated applications result in similar findings. The aim of interpretive based research is to explore the underlying subject matter rather than to study it in a purely scientific fashion. The fact that exact replication may, therefore, be difficult does not in itself provide a threat the reliability of the findings (Maroun, 2012, Merkl-Davies et al., 2011). In order to keep this subjectivity to a minimum and safeguard research quality a pilot study of one integrated report was performed by both the researcher and an independent expert (Creswell, 2009). The results were then compared and the consistency discussed in an attempt to identify and eliminate any researcher bias. The scoring system used as well as the development of the matrix are also similar to those used successfully in similar studies thereby indicating reliability of the data collection instrument (Makiwane, 2012, Solomon and Maroun, 2012, Ernst and Young, 2012, PWC, 2013). In addition to these steps to enhance the reliability of data collection, results measurement involved statistical techniques to limit the researcher's involvement with summarising the results.

4 Results outline

This is divided into sub-sections to address the research questions identified in Section 1.2, namely:

> ***Research Question 1: To what extent are companies including social, environmental and economic issues in strategy disclosures found in the integrated report?***
>
> ***Research Question 2: Are there differences in the emphasis between social, environmental and economic issues being included in the strategy disclosures in integrated reports?***

Section 4.1 – 4.3 examines and discusses the disclosure practices identified in the sample of companies according to the type of disclosure: social, environmental and economic. As part of this analysis, any additional insights discovered during the statistical analysis (Section 3.3) are addressed. Section 4.1 addresses environmental disclosure, section 4.2 addresses social disclosure and section 4.3 addresses economic disclosure. This is in relation to Research Question 1.

Section 4.4 compares the disclosure scores in order to identify whether or not there are statistically significant differences between social, environmental and economic disclosures (in the context of strategy-related disclosures). This is in relation to Research Question 2.

The determination of the sample has been discussed in detail in Section 3.4.2. The 55 companies included in the analysis are detailed in Appendix B.

4.1 Environmental Disclosures

As described in detail in Section 3.2 a disclosure matrix was formulated to gather data relating to the extent of strategy disclosure (Appendix A). In order to measure the extent of disclosure, descriptive statistics were used by aggregating the scores given to each individual entity in the sample. A score of 0 was given for no disclosure up to a score of 5 for excellent disclosure per company (Section 3.2). The percentages identified were then graphed in Figure 1 to highlight the proportions of disclosures under each point on the checklist. It is clearly evident from Figure 1 that very little disclosure of environmental strategy has been included by the industry. Of all the levels of disclosure, “No disclosure” makes up the largest proportion (quote %) for each of the indicators.

Figure 2 is a measurement of the average score for all companies in the sample. As the maximum score is 5 being excellent disclosure and the minimum score of zero is no disclosure with a score of 3 being acceptable any individual item which scored below 3 can be seen to be below the acceptable or expected range per the measurement criteria.

Figure 2 demonstrates that very little emphasis is placed on environmental strategy disclosure in the integrated reports of the sample of companies under review. Thirty-five percent of the sample of companies scored zero for all categories in environmental disclosure indicating that they completely neglected to provide any environmental disclosure in the integrated report which is concerning.

Figure 1: Treating the scores as categorical in measurement level – Environmental



Figure 2: Treating the disclosure scores as scale in measurement – Environmental[1]



[1] Considering that the scores are measured on a scale of 0 to 5, a mean score of between 1 and 2 is an indication that, on average, not much was disclosed relative to these indicators.

The analysis of these reports further revealed that where disclosure was provided it was basic and generic rather then something which was pre-identified and strategically input throughout the period. An example of the typical disclosure on environmental issues is shown below in Extract 1.

Extract 1: Example of Environmental Disclosure[2]

Total carbon footprint (tonnes CO_2)[3]	**366 815**	405 164
South Africa carbon footprint (tonnes CO_2)[3]	**335 442**[LA]	367 897[LA]

Given our large physical footprint, we also actively manage the direct environmental impact of our operations. The greatest opportunity for reducing our impact is in the way we manage our buildings and business travel. Continuing the success of previous years, we reduced our carbon footprint by 9,5% (South Africa 8,8% [LA]) in 2013.

Of the companies which did provide some environmental disclosure, the majority seemed to realize the weaknesses in their environmental strategy disclosure with many identifying in their reports that more emphasis would be placed on reducing their carbon footprint and playing a more active role in environmental activities in future periods. It was also noted that environmental strategy was seldom isolated from economic strategy. Where examples of activities with an environmental benefit were identified, these were almost always linked to a financial or economic benefit. For example, the majority of banks were involved in making loans to government for "green" energy initiatives such as wind and solar power projects. While the loan was granted for a project with an environmental focus, the core objective of the loan was to generate income in line with the banks' normal business practices. This indicates that this was an economic decision rather than one dedicated to environmental sustainability. This is exactly what Porter (2011) is prescribing as the preferred practice for companies in creating "shared –value" by streamlining their economic and sustainability activities as discussed in Section 2.2. This demonstrates that while corporates are strategically adding economic value through environmental actions the low average score indicates that more needs to be done. The concern is therefore the quantity of environmental strategy disclosure as opposed to the type of disclosure.

Another example of this environmental strategy disclosure with a clear economic incentive or "shared value" was creating "green" buildings which was disclosed quite extensively in the retail

[2] Barclays Africa Group Limited integrated report 2013

sector. With the retail sector's primary business activity being the acquisition of buildings to generate rental income, it makes economic sense to keep costs lower and increase capital appreciation of their assets through "green" initiatives such as solar power and LED lighting. An example of this type of economic focus on environmental initiatives is demonstrated in Extract 2 as follows:

Extract 2: Environmental strategy with an economic benefit[3]

Sustainability a key differentiator

Sustainability is a focus for Attacq, not only because it is the 'right thing to do' for the environment, but it will contribute to the reduction in the cost of occupancy for tenants which in turn will allow better rental growth going forward.

Attacq has developed a detailed, self-monitoring set of guidelines in line with South Africa's Green Star set of benchmark standards which will be used in the design of greenfields developments.

All new buildings being developed, including those developed during 2013, have been designed based on the principles encompassed in a four star green building. Although official 4-star green ratings will not be pursued for all new buildings (unless specifically requested by a tenant), the idea is that these buildings will be benchmarked and rated according to the new existing building performance tool released by the Green Building Council of SA (GBCSA) during October 2013. This tool will prove the quality of the ongoing sustainable performance of the building.

As a supplement the above results the mean of disclosures was computed using descriptive statistics as documented in Figure 2 below. The mean for all items in the checklist was below 2. Based on the scoring system used in which 0 is no disclosure and 5 is excellent disclosure, these mean values demonstrate the lack of emphasis towards environmental strategy disclosure in the integrated report.

[3] Attaq Integrated Annual Report 2014

4.1.1 Analysis of strategy disclosure per sector - Environmental

The companies under the financials industry in the JSE are included in 5 different sectors per the JSE. As illustrated in Figure 3, a weighting was given to each sector based on the number of companies in that sector.

Figure 3: Sectors included in the sample

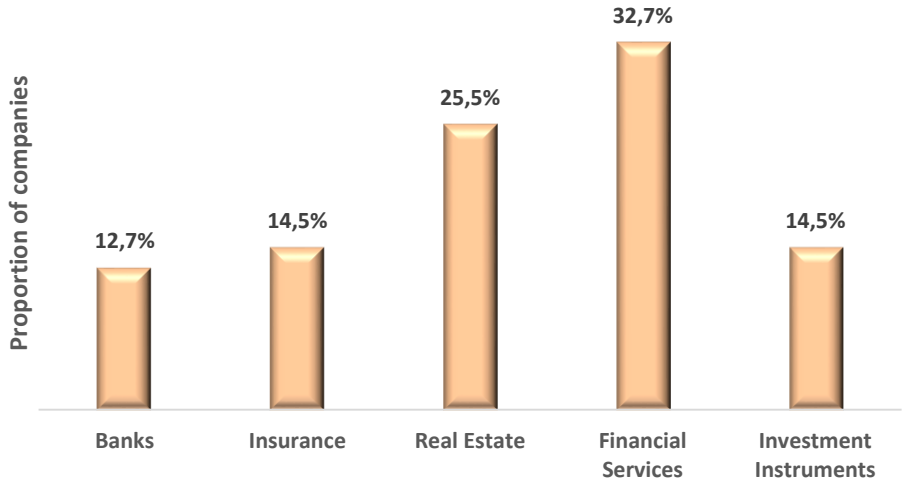


Figure 3, shows that companies in the financial services sector (32.7%, n=18) make up the largest sector proportion in the sample, and banks (12.7%, n=7) the smallest. Real estate companies (25.5%, n=14) also make up a substantial proportion of the sample.

Due to violations of the normality assumption of the parametric ANOVA, the non-parametric Kruskal-Wallis test was used to determine whether any relationship exists between the level of disclosure and the sector within the entity operates. The Kruskal-Wallis test revealed that there was at least one pair of sector means which differed significantly at the 5% level. SPSS Custom Tables with Bonferroni correction were then used to compare the means per sector in order to identify which pairs of means differed significantly. This test has been tabulated in Appendix C. Only the pairs of means marked in green in the table differed significantly. (Note that due to the Bonferroni correction no pairs of means differ.)

Table 1-3 measure the average scoring from 0 (being no disclosure) up to 5 (being excellent disclosure per sector) and then compare the score per sector average to the total average scoring

for the entire financials industry and to the other individual sectors in order to determine whether any sectors scored very differently to the average.

A summary of the test considering environmental disclosures as a single factor is shown in Table 1-3 below.

Table1: Mean differences per sector – Environmental (Descriptive Statistics)

	N	Mean	Std. Deviation	Minimum	Maximum
Environmental disclosure	55	1.1773	1.44430	.00	5.00
Sector listed under	55	3.22	1.243	1	5

.

Table2: Mean differences per sector – Environmental (Ranks)

	Sector listed under	N	Mean Rank
Environmental disclosure	Banks	7	34.93
	Insurance	8	25.44
	Real Estate	14	38.71
	Financial Services	18	19.22
	Investment Instruments	8	25.50
	Total	55	

.

Table3: Mean differences per sector – Environmental (Test Statistics[a,b])

	Chi-Square	df	Asymp. Sig.
Environmental disclosure	13.968	4	.007

a. Kruskal Wallis Test

b. Grouping Variable: Sector listed under

The Kruskal-Wallis test revealed that there is at least one pair of sectors for which the mean disclosure scores differ significantly ($\chi 2(4)=13.968$, $p<.01$).

From the Table 4 below, it can be seen that Real estate and Financial services companies differ significantly regarding the extent of disclosure. Specifically, when the focus is on environmental disclosure, Real estate companies (MR=38.71, n=14) tend, on average, to disclose more than Financial services companies (MR=19.22, n=18).

Table4: Mean differences per sector – Environmental (Sector listed)[4]

	Sector listed under				
	Banks	Insurance	Real Estate	Financial Services	Investment Instruments
Environmental disclosure	$1.83_{a,b}$	$.81_{a,b}$	2.05_{a}	$.45_{b}$	$1.08_{a,b}$

During the analysis of the integrated reports it was evident that due to the economic link between "green" buildings and an increased profitability, the retail sector had significantly more disclosure relating to environmental projects of renovating, acquiring or constructing green buildings. This increased interest, despite being directlylinked to economic strategy, resulted in increased environmental disclosure. The financial services sector had poor strategy disclosure in general with many neglecting to disclose any environmental and social disclosure. This may be due to business operations in the financial services sector mainly including insurance and financing activities which have very little to no perceived environmental impact. It would be very difficult for corporates in this sector to create any economic benefit through environmental activities (Atkins & Maroun, 2015). This indicates that strategy relating to the environment would need to be purely philanthropic and has therefore been omitted. It would be of interest to investigate whether insurance activities relating to the environment such as farming insurance or home and vehicle insurance after the recent hail storms in 2013 could warrant an increase in strategy relating to the environment in this sector. A comparison of future strategy disclosures in this regard could yield

[4] Note: Values in the same row and subtable not sharing the same subscript are significantly different at p< .05 in the two-sided test of equality for column means. Cells with no subscript are not included in the test. Tests assume equal variances.1

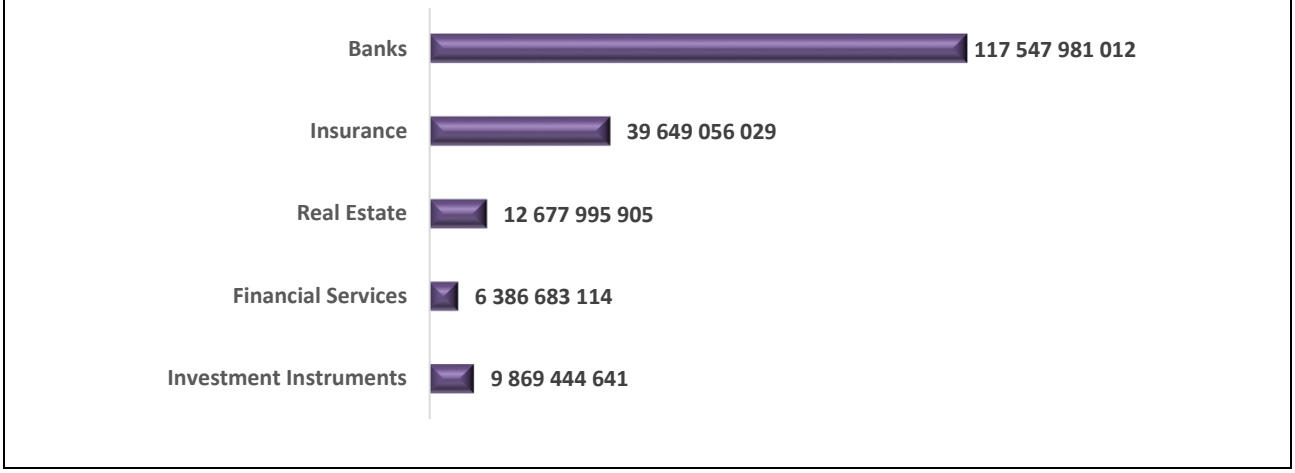
1. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

interesting results and has been including as a recommendation for future research in Section 5 of this report.

4.1.2 Analysis of strategy disclosure per market capitalisation - Environmental

By categorizing each sector by the total market capitalizing for that sector it is evident that the banking sector has by far the highest market capitalisation with the financial services sector having the lowest as demonstrated in Figure 4.

Figure 4: Market Capitalisation per sector



To determine whether there is a relationship between market capitalisation and the disclosure scores, a Spearman's correlation coefficient (due to non-normality of indicator scores) was calculated between the market capitalisation and the disclosure score for each indicator. This is included in Table 5.

Table 5: Correlation analysis between market capitalisation and extent of disclosure			
	Market Cap at report date		
	Spearman's rho Correlation Coefficient	Sig. (2-tailed)	N
Environ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	.378**	.004	55
Environ_IIRF_3A Highlights the relationships between past and future performance,	.343*	.010	55
Environ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	.306*	.023	55
Environ_IIRF_3A Describes how past experiences have affected future development	.301*	.026	55
Environ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	.371**	.005	55
Environ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	.361**	.007	55
Environ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	.347**	.009	55
Environ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	.374**	.005	55
Environ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	.353**	.008	55
Environ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	.384**	.004	55
Environ_IIRF_4E Assesses the effect of capitals available on the identified strategy	.380**	.004	55
Environ_IIRF_4E Differentiates what gives the organisation a competitive advantage	.297*	.028	55
Environ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	.326*	.015	55
Environ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	.320*	.017	55
Environ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	.390**	.003	55
Environ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	.369**	.006	55
Environ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	.239	.079	55
Environ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	.397**	.003	55
Environ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	.437**	.001	55
Environ_KingIII_8.2 Describes Internal Audits role in the strategic function	.359**	.007	55

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

All indicator score, except two (shaded black) correlate positively with market capitalisation. These correlations are small (just over .3, green) with one of them being small to medium (shaded in blue). This is an indication that when market cap increases, so do disclosure scores.

Using the single environmental score derived from all the environmental indicator scores and correlating it with market capitalisation, the Spearman's rho indicated that there is a small positive correlation between the average environmental disclosure of companies and their market capitalisation (Table 6).

Table 6: Correlation[5]

			Market Cap at report date	Environmental disclosure
Spearman's rho	Market Cap at report date	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.	
		N	55	
	Environmental disclosure	Correlation Coefficient	.382**	1.000
		Sig. (2-tailed)	.004	.
		N	55	55

There is an indication that a higher market capitalisation is directly related to increased environmental disclosure although the correlation is small.

[5] Correlation is significant at the 0.01 level (2-tailed). *(This latter result is a summarised version (due to data reduction) of the individual results in the previous section.)*

4.1.3 Conclusion on environmental disclosure

The findings which indicate a lack of environmental disclosure were disappointing especially when considering the current academic focus of ESG significance. It is evident that corporates in the financials industry need to do more in terms of their environmental strategy and disclosure.

What was of substantial interest was how corporates are streamlining environmental strategy to their economic strategy and creating the shared value that Porter (2011) describes. Whether this approach is an adequate contribution to the sustainability of the environment is questionable and it can be argued that merely focusing on only the environmental aspects which would be profitable is not enough to be a good corporate citizen.

It could be argued that due to the limited impact on the environment in the nature of business in the financials industry it is unnecessary to have a focused strategy in this area (Atkins & Maroun, 2015, Raemaekers et al., 2015). An industry with a greater environmental impact such as the mining industry would be expected to have a detailed strategy in place to counteract the negative environmental impact caused through the nature of their business activities. This also then gives rise to a debate on whether all corporate citizens are equally responsible for ESG contributions or whether these should be streamlined to the nature of entities operations. These comparisons and discussions give way to exciting future research opportunities and are included as recommendations for future research in Section 5 of this report.

4.2 Social disclosures

Descriptive statistics were used to portray graphically the extent of social disclosure as illustrated in Figure 5. What is evident from Figure 5 is that the majority of outcomes had no disclosure or very little disclosure around social strategy in their integrated reports.

Figure 5 - Treating the scores as categorical in measurement level – Social



Note that two additional items are included as identified and discussed in part 2 of this report. The first of these related to disclosure around strategic action to address the HIV/AIDS pandemic in South Africa which had very little disclosure. Where there was disclosure it related to either a charitable donation or a staff awareness program. The second additional point related to BEE disclosure. This was the only item on the social strategy disclosure checklist where adequate disclosure was made. The majority of companies did discuss their BEE strategy with some making extensive disclosure on this area as demonstrated in Extract 3.

Extract 3: Strategy around BEE[6]

TRANSFORMATION

Peregrine is committed to transformation as a critical business practice, not only for the group's sustainability, but also for that of the South African society in which a large part of its businesses operate. Peregrine further acknowledges the reputational and operational risk inherent in failing to meet its B-BBEE objectives. To this end Peregrine has an established Group Transformation Forum ("GTF"), which meets at least three times a year.

Category/level	2014 Number of employees	%*	2013 Number of employees	%*
Top management	**18**	**0**	14	0
Senior management	**18**	**11**	12	17
Professionally qualified	**143**	**9**	137	9
Skilled	**206**	**38**	162	36
Semi-skilled	**62**	**73**	64	80
Unskilled	**15**	**94**	10	100
Disabled	**5**	**40**	10	90
Total	**467**	**34**	409	33

** Percentage of workforce which is black.*

Figure 6 supplements these findings indicating that, with the exception of strategy disclosure dealing with BEE, very little is evident in the integrated reports of companies under review.

[6] Peregrine Holding Group 2014 Annual Integrated Report
(pages 44 – 47 of the integrated report specifically discuss transformation issues and strategy)

Considering that the scores are measured on a scale of 0 to 5, 1 and 2 shows that little was disclosed. Although the extent of disclosure was generally poor, an interesting observation was made where disclosure was provided. Whilst environmental strategy had a clear link to economic strategy as discussed in 4.1.2.1, social strategy had a more philanthropic approach. The lack of disclosure relating to environmental strategy was explained in Section 4.1 as a possible result of the nature of the business operations which have a perceived minimal environmental impact. When looking at the viability of this explanation in the social category it could be argued that a direct correlation between social development and improved business activities would be present in the financials industry. This indicates that a gap could exist in the opportunity to create shared value through social upliftment activities. The more educated and financially capable a community becomes, the more the financials industry should prosper in the long term (Porter, 2008). This link between social development and future potential economic prosperity appears to be overlooked in most companies in the financials sector who could benefit greatly through developing a more detailed strategy in this area. This has been included as an observation in Section 5 of this report in the conclusion and as a recommendation for future research to investigate whether improvements in the nature of social strategy disclosure are made in future periods.

Figure 6: Treating the disclosure scores as scale in measurement - Social



4.2.1 Analysis of strategy disclosure per sector

The five sectors as identified and weighted in Figure 4 under discussion on environmental strategy in Section 4.1.1 were used to measure whether any differences between the sectors in terms of social disclosures are evident. The Kruskal-Wallis test revealed that there was at least one pair of sector means that differed significantly. SPSS Custom Tables with Bonferroni correction were then used to compare the means per sector in order to identify which pairs of means differed significantly (Appendix C). Only the pairs of means marked in green in the table differed significantly. Due to the Bonferroni correction no pairs of means differ. A summary of the test considering social strategy disclosures as a single factor is shown in Tables 7 - 9 below.

Table 7: Mean differences per sector – Social (Descriptive Statistics)

	N	Mean	Std. Deviation	Minimum	Maximum
Social disclosure	55	1.3289	1.42467	.00	5.00
Sector listed under	55	3.22	1.243	1	5

Table 8: Mean differences per sector – Social (Ranks)

	Sector listed under	N	Mean Rank
Social disclosure	Banks	7	37.07
	Insurance	8	34.00
	Real Estate	14	29.50
	Financial Services	18	23.14
	Investment Instruments	8	22.38
	Total	55	

Table 9: Mean differences per sector – Social (Test Statistics[a,b])

	Chi-Square	df	Asymp. Sig.
Social disclosure	6.161	4	.187

a. Kruskal Wallis Test

b. Grouping Variable: Sector listed under

Whilst a couple of individual items portrayed a difference, as a whole the Kruskal-Wallis test revealed that there is no significant mean disclosure score differences among the sectors, $\chi 2(4)=6.161$, $p>.05$.

4.2.2 Analysis of strategy disclosure per market capitalisation - social

As in environmental disclosure a link between the market capitalisation and the extent of social disclosure was evident as demonstrated in Table 10 below. To determine whether there is a relationship between market capitalisation and the disclosure scores, a Spearman's correlation coefficient (due to non-normality of indicator scores) was calculated between the market capitalisation and the disclosure score for each indicator.

Table 10: Correlation analysis between market capitalisation and extent of disclosure			
	Market Cap at report date		
	Spearman's rho Correlation Coefficient	Sig. (2-tailed)	N
Social_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	.527**	.000	55
Social_IIRF_3A Highlights the relationships between past and future performance,	.551**	.000	55
Social_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	.530**	.000	55
Social_IIRF_3A Describes how past experiences have affected future development	.533**	.000	55
Social_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	.500**	.000	55
Social_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	.531**	.000	55
Social_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	.544**	.000	55
Social_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	.541**	.000	55
Social_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	.472**	.000	55
Social_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	.511**	.000	55
Social_IIRF_4E Assesses the effect of capitals available on the identified strategy	.484**	.000	55
Social_IIRF_4E Differentiates what gives the organisation a competitive advantage	.468**	.000	55
Social_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	.513**	.000	55
Social_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	.537**	.000	55
Social_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	.489**	.000	55
Social_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	.458**	.000	55
Social_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	.455**	.000	55
Social_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	.396**	.003	55
Social_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	.462**	.000	55
Social_KingIII_8.2 Describes Internal Audits role in the strategic function	.440**	.001	55
Social_Padia & Yasseen (2011) Describes its strategy over HIV/AIDS	.257	.058	55
Social_Padia & Yasseen (2011) Describes its strategy around BEE	.389**	.003	55

**. Correlation is significant at the 0.01 level (2-tailed).

All indicator scores except one (black) correlate positively with market capitalisation. Two of these correlations are small (just over .3, green) with the rest being medium (green) to large (blue). This is an indication that when market capitalisation increases, so does the social disclosure score. Using the single social score derived from all the social indicator scores and correlating it with market capitalisation, the Spearman's rho indicate that there is a medium to large positive correlation between the average social disclosure of companies and their market capitalisation (Table 11).

Table 11: Correlation [7]

			Social disclosure	Market Cap at report date
Spearman's rho	Social disclosure	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.	
		N	55	
	Market Cap at report date	Correlation Coefficient	.506**	1.000
		Sig. (2-tailed)	.000	.
		N	55	55

4.2.3 Conclusion on social disclosure

As with environmental disclosure, the lack of disclosure on social aspects in the integrated report demonstrates that corporates are not yet adequately addressing ESG issues in their strategy. Where disclosure was included it was evident that, unlike environmental strategy, social strategy was viewed as being more charitable in nature with a long- term sustainability approach and with the goal of being a good corporate citizen. As discussed in Section 4.2.1, social strategy could create shared value opportunities for businesses in the financials industry. Initiatives driven at education and community development can expand the client base within the financials sector resulting in an increased economic benefit in future periods. This illustrates how vital it is to take a long term perspective when assessing strategy and how, in the long term, all three elements of

[7] Correlation is significant at the 0.01 level (2-tailed).

(This latter result is a summarised version (due to data reduction) of the individual results in the previous section.)

the triple bottom line merge into the success of a corporate. It is highly recommended that corporates focus on this area in the future when looking at the long term sustainability of the entity.

4.3 Economic disclosures

Similar to environmental and social disclosures, the extent of economic disclosure was graphically portrayed and measured using descriptive statistics as per Figure 7. The below are vastly different from the previous two where it is obvious that very few instances of no disclosure were identified. Figure 8, however, identifies that whilst very few cases of no disclosure exist the mean in most instances fell below 3, indicating that on average, disclosure over economic strategy was sub par.

Considering that the scores are measured on a scale of 0 to 5, a mean score of between 1 and 3 is an indication that disclosure relative to these indicators was inadequate.

From the analysis of the integrated reports it was evident that a marked gap existed between the disclosures in different reports. Some reports had excellent economic strategy disclosure whereas others failed even to identify and disclose a strategy. The results indicate that whilst some entities are clearly identifying and disclosing their economic strategy, as a whole, the financial sector has significant room for improvement in terms of strategy disclosure. Extract 5 and Extract 6 show some examples of the disclosure of strategy identification.

Figure 7: Treating the scores as categorical in measurement level – Economic

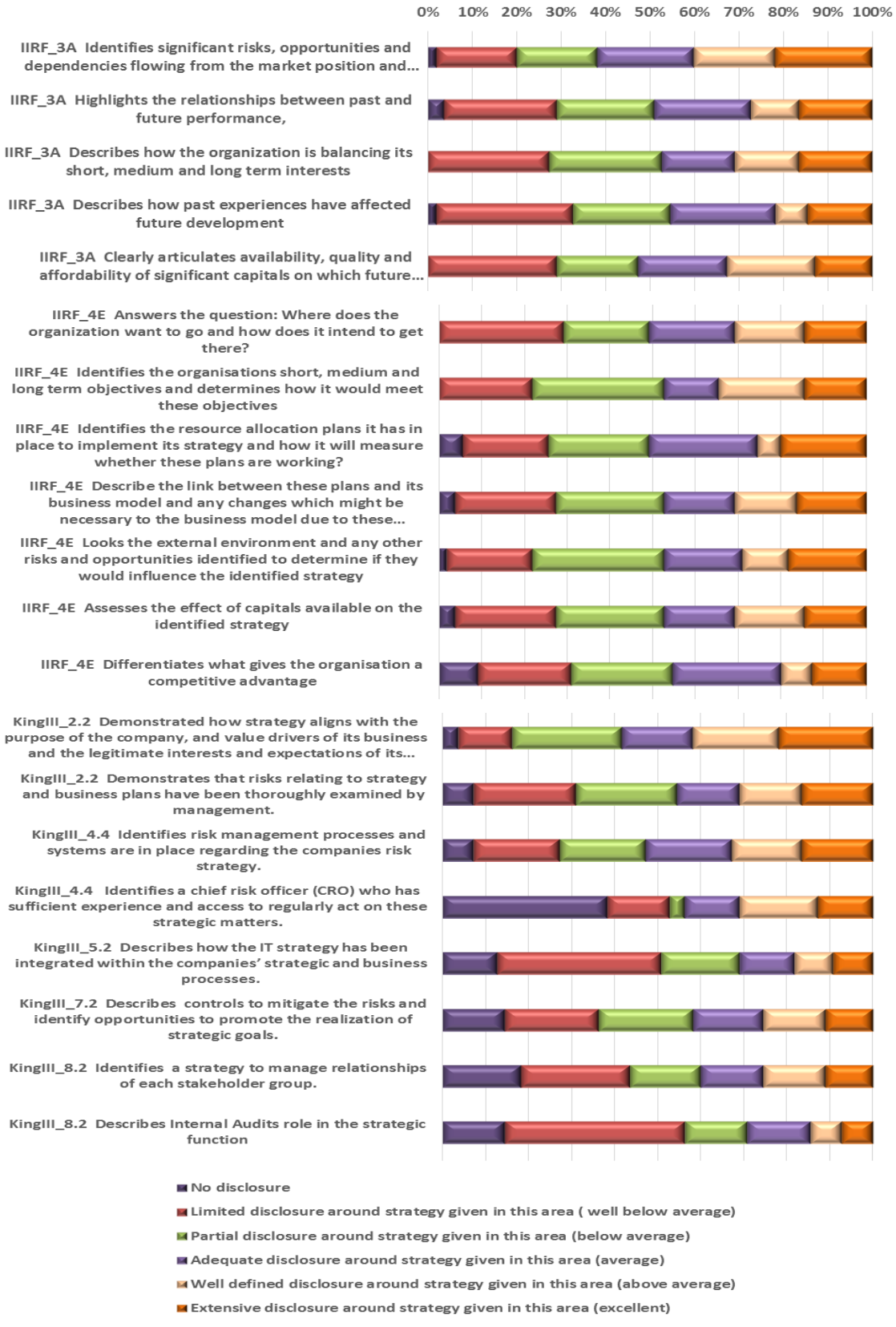
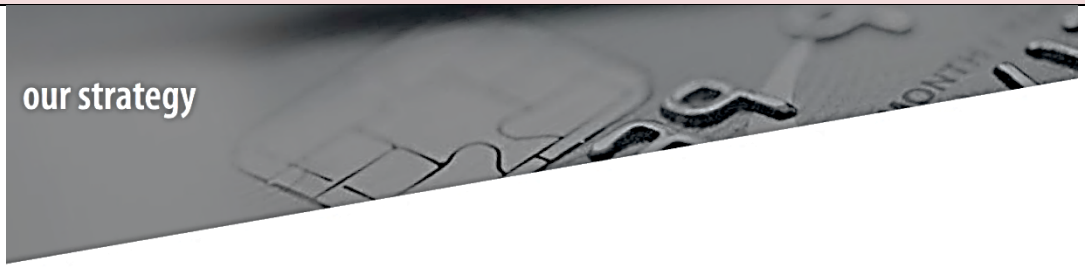


Figure 8: Treating the disclosure scores as scale in measurement – Economic



Extract 5: Strategy identification in the integrated report[8]

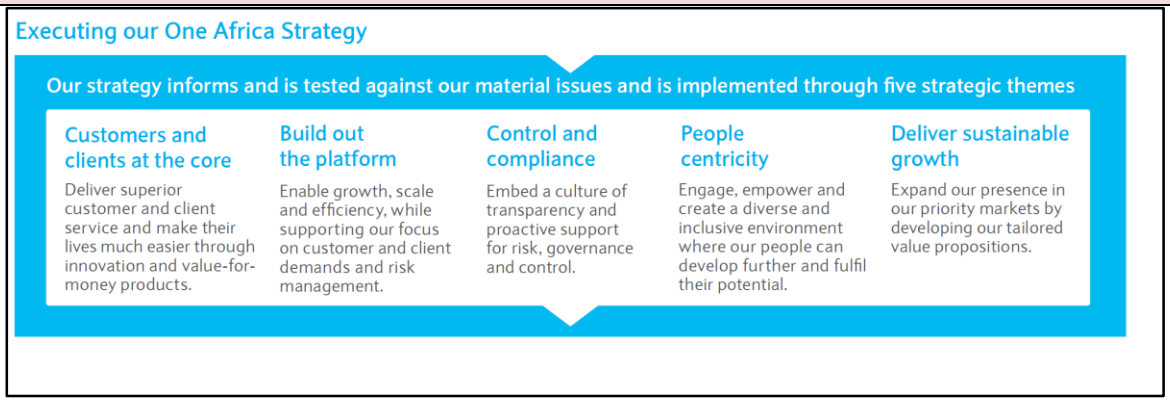


Our strategy is the roadmap to fulfilling our vision and mission. It informs and is tested by our material issues and is implemented through four strategic pillars.

Strategic pillars	Optimise synergies across a broad range of products and services	Enhance efficiencies and reduce cost-to-income ratio
What is our goal?	Focus on client-centric service to differentiate ourselves from bigger, more bureaucratic institutions who struggle to deliver in this realm Ensure synergistic products and services across the entrepreneurial value chain Focus on our distinct target markets: • Entrepreneurs • Corporates • Institutions • High-net-worth individuals	Grow new income streams Achieve meaningful scale in all products and services Positive JAWS ratio Increase in market share
Achieved through	Ensuring that our offerings to our clients are specialised and integrated High touch service offering	Maintaining and enhancing our diversified business. Cost control Growth in marginal businesses System efficiencies and 'straight through' processing
Strategic business enablers	Working capital and equity Tailor-made solutions Agility and speed Appropriate, flat operating and management structure Bespoke IT systems Equity, debt capital and securitisation market expertise	Multiple product offerings Grow lending, wealth management, transactional, logistics and advisory services Greater annuity-based non-interest income
What have we achieved in 2014?	Developed Transactional Banking Increased the breadth and depth of our range of products and services Improved cross-selling across the business	A focused look at efficiencies and cost-to-income ratio which remained flat in the last financial year Concerted effort to reduce negative carry on high surplus funds
What do we want to achieve beyond 2014?	Increase critical mass in all business units Continue building on our current strategy to ensure that we capitalise on the significant potential that exists in the Group Improve customer retention and experience Strategically reposition Sasfin as the primary bank to our customers	Invested in infrastructure for significant growth in Business Banking, Wealth and Transactional Banking which negatively impacted this year's cost-to-income ratio but will show future benefit Annuity-driven revenue streams Effective deployment of surplus liquidity into quality, higher-yielding assets Cost to income ratio below 65%

[8] Sasfin Holdings Limited Annual Integrated Report 2014

Extract 6: Strategy identification in the integrated report[9]

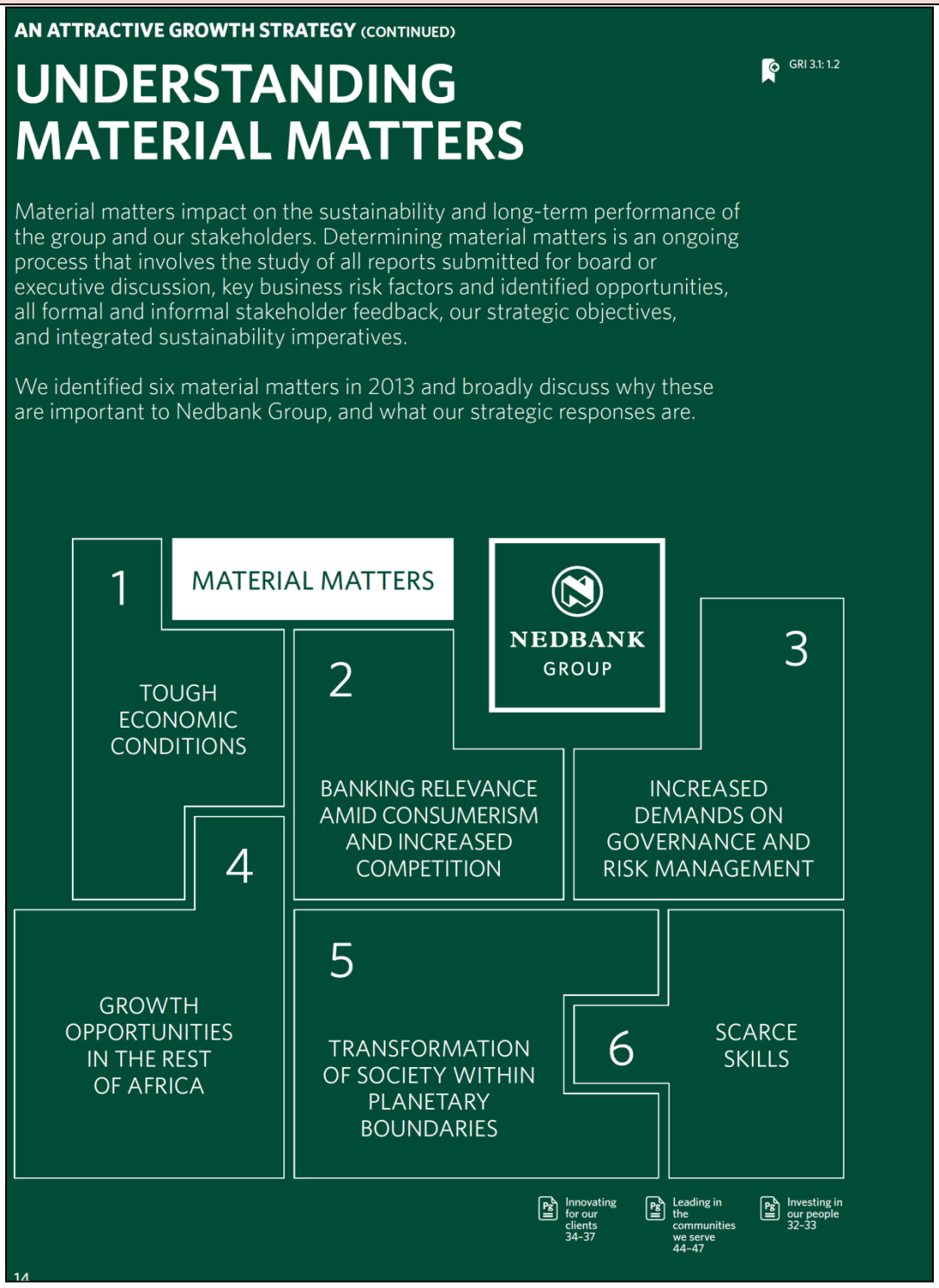


In figure 7 and 8, three points on the checklist can be identified on which approximately 20 percent of the sample have excellent disclosure.

The first is point one on the checklist, relating to the IIRF requirement in paragraph 3A to identify significant risks, opportunities and dependencies flowing from the market position and business model of the entity. In certain cases a generic list of market related risks and opportunities was provided, however, some excellent examples of in-depth analysis and connection with the entities strategy were also shown. An example demonstrating this is in extract 7 which is included in the following three pages of this report. This extract shows how material matters which include significant risks, opportunities and dependencies both internally and externally are identified and how they have been addressed strategically. Page 3 of the extract also shows the forward thinking element of strategy which filters through in various items on the checklist.

[9] Barclays Africa Group Limited Integrated Report 2013

Extract 7: Identification of significant risks, opportunities and dependencies[10]



[10] Nedbank Group Integrated Report 2013

Extract 7: Identification of significant risks, opportunities and dependencies (continued)

4 GROWTH OPPORTUNITIES IN THE REST OF AFRICA

Economic growth rates in the rest of Africa are attractive compared with those in many regions in the world, owing to improvements in the political environment, structural adjustments, the continent's rich resource base and a young, growing, urbanising population.

SA's trade with the rest of Africa continues to grow rapidly. In 2012 the total value of trade was US$26bn, a compound annual growth rate of 12% since 1996. SA firms are also increasingly expanding into and investing in the rest of Africa. Trade liberation and the extension of trade corridors in several regions of Africa support further trade and economic integration.

Notwithstanding these factors, many investors are still cautious about investing in Africa and perceived risks are still high. There is also less regulatory certainty in many African markets. The financial markets are typically much shallower and less sophisticated than in SA and large segments of the population are excluded from the financial sector. Incountry banking in most African countries is dominated by a few established banks. These banks are typically tightly controlled, particularly in the major economies – Nigeria, Angola, Ghana and Kenya – owing to strong historic domestic shareholder ties or subsidiary relationships to larger banking groups.

"The economic growth potential of the rest of Africa remains attractive for banks as well as their clients."

WHY DO WE REGARD THIS AS A MATERIAL MATTER?

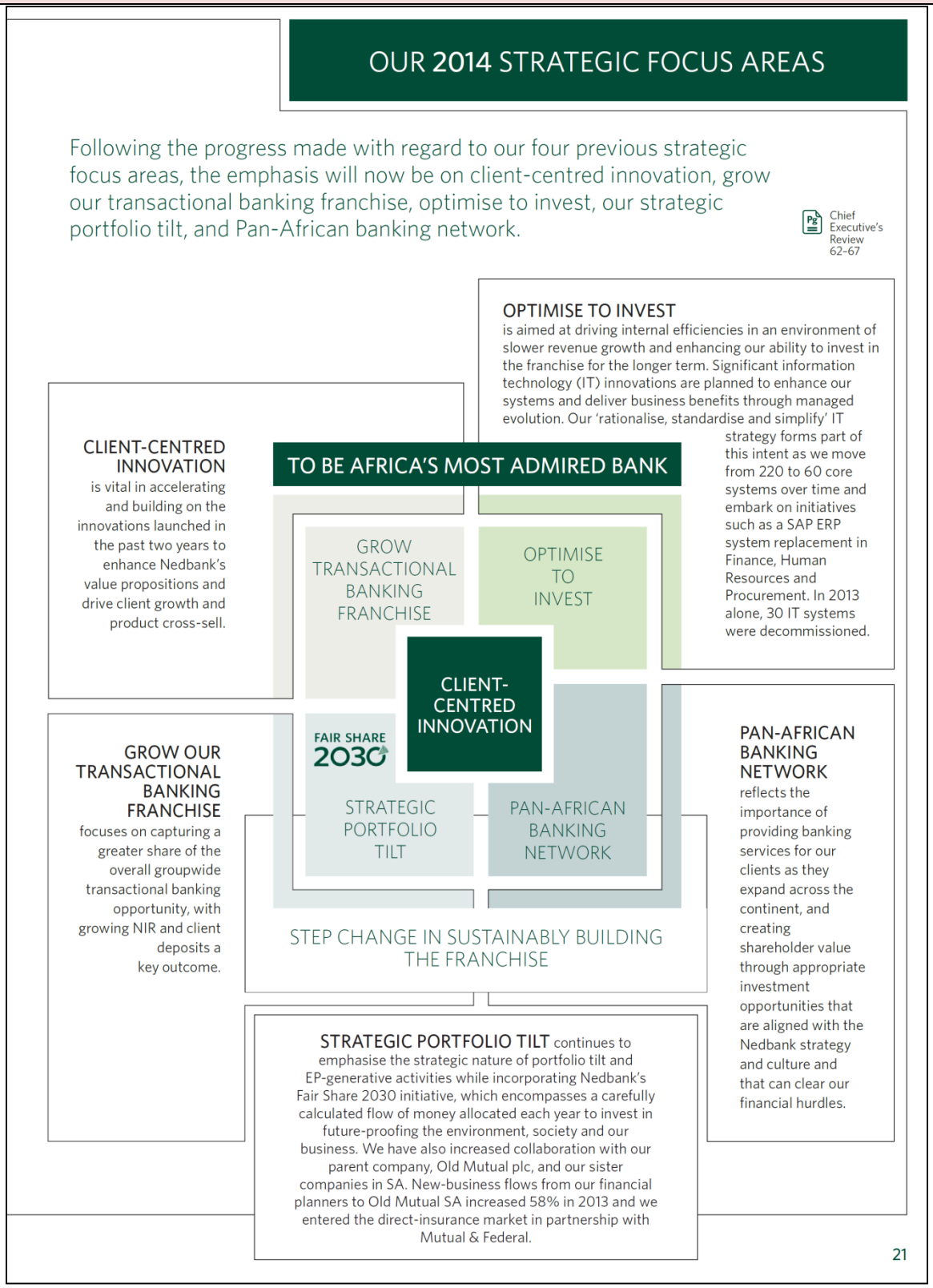
The economic growth potential of the rest of Africa remains attractive for banks as well as their clients:

- With faster economic growth in rest of Africa there is a pressing need for infrastructure and capital-intensive projects – banks play a key role in their funding and structuring.
- SA clients entering the rest of Africa through their local banks seek to benefit from one-stop solutions.
- International banks are increasingly focusing on expansion into Africa as investors seek exposure to the region through investment in well-managed SA banks.
- New entrants to countries in the region could be forced to make comparatively subscale and expensive banking acquisitions.
- Despite high revenue growth rates, many investments in the rest of Africa still have lower risk-adjusted returns.

OUR STRATEGIC RESPONSE

- Our strategy is to develop a 'Pan-African banking network' by extending our Southern and East African country presence from five to approximately 10 countries over the medium term. Our clients are present in all of these countries. This network was most recently strengthened through the acquisition by Nedbank of a 36,4% stake in Banco Unico in Mozambique.
- In addition, our clients have access to West and Central Africa through our strategic alliance with ETI, which is represented in 35 countries. We have the right to acquire 20% of ETI until November 2014. These linkages position us to provide our clients with a 'one bank' experience across the largest Pan-African network in sub-Saharan Africa in a risk-mitigated manner.
- Our Africa approach fits into our growth strategy of a 'step change in sustainably building the franchise'.

Extract 7: Identification of significant risks, opportunities and dependencies (continued)



The second area, where over 20 percent of the sample demonstrated excellent disclosure, is also from the IIRF (2013) under paragraph 4E. This item analysed whether the entity identified the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working. Extract 8 below is an example of disclosure in this regard. This extract was used because it is condensed into one section of the integrated report. Other entities which also had excellent disclosure in this regard discussed resource allocations in response to specific opportunities and risks throughout the report, rather than in one specific section. Example of these entities included Investec, Nedbank, Barclays and Hyprop.

Extract 8: Identification of resource plans to implement economic strategy[11]

FINANCIAL RESOURCE MANAGEMENT

The management of financial resources is critical to ensure the Group achieves its overall strategic objectives, namely to:

- deliver long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

The Group sets quantitative measures and targets outlined below (for various business cycles within a defined confidence level) to ensure the appropriate balance between growth, return and earnings volatility and to deliver on its commitments to stakeholders (e.g. providers of financial resources):

- earnings growth, returns and volatility;
- minimum capital and leverage ratios;
- funding and minimum liquidity ratios; and
- its desired credit rating.

Refer to page 159 of the *risk and capital management report* where these quantitative measures are outlined for normal business cycles.

The management of the Group's financial resources resides in the corporate centre (FCC), represented by Group Treasury, and is independent of the operating franchises and comprises capital, funding and liquidity. To ensure that business units price for these financial resources appropriately in their underlying activities, Group Treasury:

- determines the level of capital, capital structure and gearing;
- allocates capital and cost of capital to business units and sets required hurdle rates; and
- decides on the availability and pricing of funding and liquidity to business units.

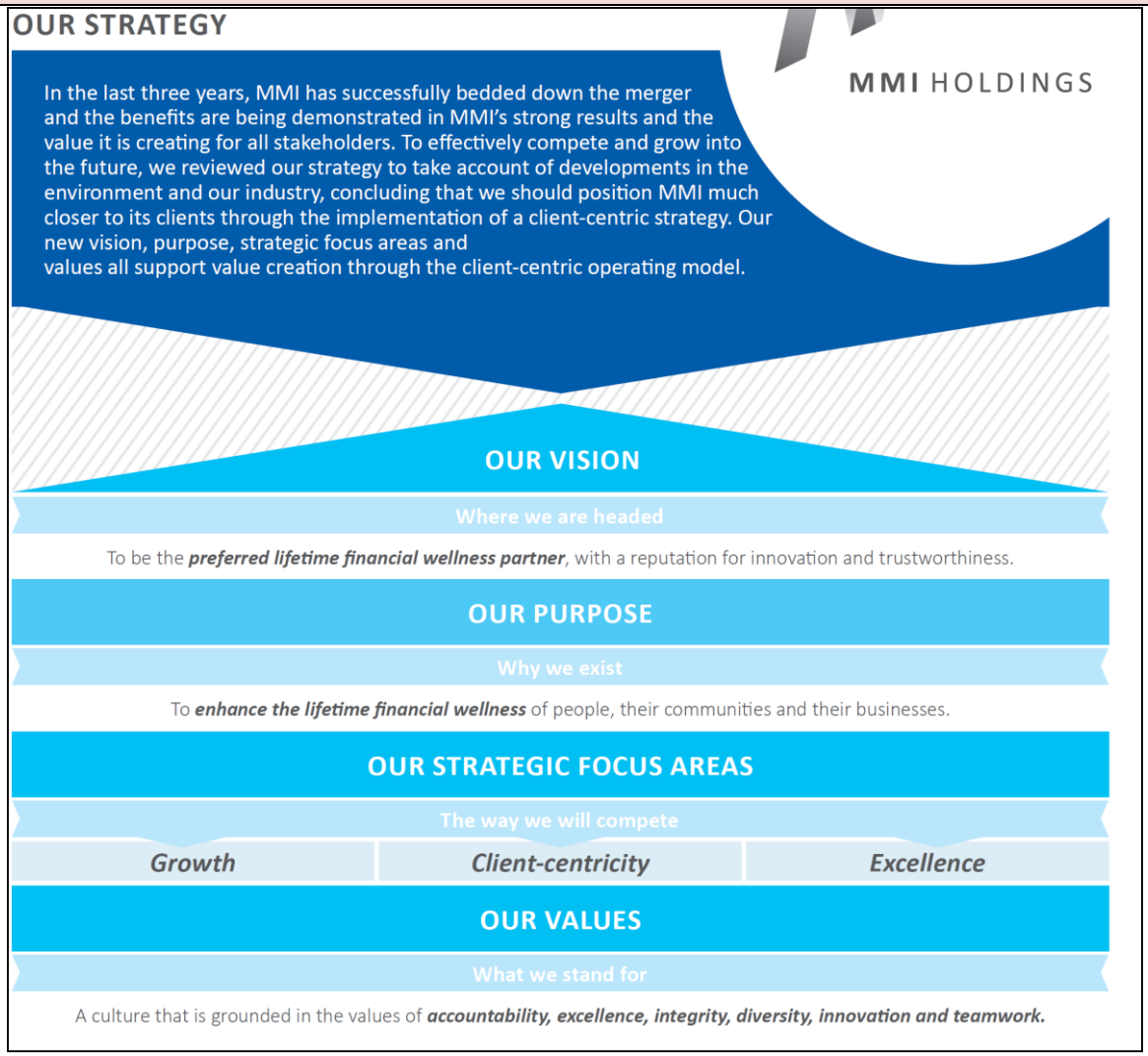
FirstRand's capital, funding, liquidity and volatility targets are set with reference to its desired credit rating and the franchises' growth, return and volatility targets are aligned to ensure that the Group meets its overall objectives.

The third area which had some excellent disclosure related to King-III's recommendation in paragraph 2.2 to 2.2 demonstrate how strategy aligns with the purpose of the company and the

[11] FirstRand Annual Integrated Report 2014

value drivers of its business and the legitimate interests and expectations of its stakeholders. An example of this disclosure is in extract 9.

Extract 9: Aligning strategy with the purpose and value drivers of a company[12]



[12] MMI Holdings Integrated Report 2015

Extract 9: Aligning strategy with the purpose and value drivers of a company (continued)

STRATEGIC FOCUS AREAS

MMI's growth initiatives support our Vision, Purpose and Strategic focus areas of

1. GROWTH
2. CLIENT-CENTRICITY
3. EXCELLENCE

1. GROWTH

In terms of our growth strategic focus area, MMI is pursuing a number of diversification initiatives.

Product diversification by enhancing the capacity, growth potential and profitability of our short-term insurance businesses, Guardrisk and Momentum Short-term Insurance (MSTI).

Geographical diversification by expanding our operations in Africa through appropriate acquisitions and organic growth in respect of additional product lines and more effective distribution, as well as investigating the growth potential of India and Southeast Asia.

Segment diversification by increasing our share of the middle-income market segment in South Africa.

Channel diversification through our focus on alternative distribution channels that meet the changing needs of our clients more accurately.

2. CLIENT-CENTRICITY

One of the main growth initiatives supporting MMI's client-centricity strategic focus area is our Financial Wellness solution. To understand the needs of MMI's clients and the market at large, Momentum has partnered with Unisa to develop the Momentum Unisa Household Financial Wellness Index, which provides a meaningful overview of financial wellness of South African households. In addition, we have developed our Financial Wellness tools, which are broadly available, and make it possible for our clients to better understand their own financial wellness, as well as the solutions they require to improve their financial wellness. It also enhances our understanding of the needs of our clients and enables us to present a wider range of products to them tailored to their particular requirements.

3. EXCELLENCE

The main thrust of our excellence strategic focus area is improving processes to be more efficient and ensuring a consistently excellent client experience. The cornerstone of this is our work in instilling a culture and mindset of excellence across all aspects of the business.



Per Figure 8, the lowest scoring items on the checklist related to identifying a Chief Risk Officer (CRO), identifying an IT strategy and describing internal audits role with regards to strategy implementation. An analysis of the actual integrated reports in the sample revealed that whilst most entities identified risks very few had a formal designation of CRO or had allocated a specific person to oversee the risk function. The risk section was often included under the audit committee's report thereby failing to address whether a CRO had been appointed.

Per analysis of the integrated reports in the sample it was found that where IT formed an integral part of the entity's business operations such as in the banking sector, the strategy over IT was adequately disclosed. Other sectors, such as the retail sector, failed to provide satisfactory disclosure over IT. With vastly changing technologies and an increased dependency on information technology, it is important for all entities to consider the effect of IT and future threats and opportunities relating to IT in their strategy. The fact that the current business structure is not heavily dependent on IT is not a sufficient reason to exclude IT strategy considerations from the disclosure in the integrated report (see Figure 8).

Lastly, as Figure 8 illustrates, although internal audit's role in relation to the risk environment was evident in most reports with disclosure around internal audit functions and roles in relation to the control environment and the detection and prevention of noncompliance with controls to address various business risks, internal audits role in relation to strategy was rarely addressed in the integrated report. A detailed analysis of the integrated reports also revealed that the disclosure around the internal audit function was also generic in most cases: listing points were found in various regulations rather than specific items relating to the entity.

4.3.1 Analysis of strategy disclosure per sector

The 5 sectors (as identified and weighted in Figure 4 under the discussion on environmental strategy in Section 4.1.1) were again used to measure whether any differences between the sectors in terms of economic disclosures were evident.

The Kruskal-Wallis test revealed that there were at least one pair of sector means that differed statistically significantly. SPSS Custom Tables with Bonferroni correction were then used to compare the means per sector in order to identify which pairs of means differed significantly.

This test has been tabulated in Appendix C. Only the pairs of means marked in green in the table differ significantly. Note that due to the Bonferroni correction no pairs of means differ.

A summary of the test considering social strategy disclosures as a single factor is shown in Tables 12 – 14 below:

Table 12: Mean differences per sector – Economic (Descriptive Statistics)

.

	N	Mean	Std. Deviation	Minimum	Maximum
Economic disclosure	55	2.5118	1.34195	.35	5.00
Sector listed under	55	3.22	1.243	1	5

Table 13: Mean differences per sector – Economic (Ranks)

	Sector listed under	N	Mean Rank
Economic disclosure	Banks	7	37.29
	Insurance	8	34.50
	Real Estate	14	31.96
	Financial Services	18	24.06
	Investment Instruments	8	15.31
	Total	55	

Table 14: Mean differences per sector – Economic (Test Statistics[a,b])

	Chi-Square	df	Asymp. Sig.
Economic disclosure	10.638	4	.031

a. Kruskal Wallis Test

b. Grouping Variable: Sector listed under

The Kruskal-Wallis test revealed that there is at least one pair of sectors for which the mean disclosure score differ significantly ($\chi 2(4)=10.638$, $p<.05$). From the Custom Tables with Bonferroni correction results below, it can be seen that banks and investment instrument companies differ significantly regarding the extent of disclosure. Specifically, when the focus is on economic disclosure, banks (MR=37.29, n=7) tend, on average, to disclose more than investment instrument companies do (MR=15.31, n=8) (Table 15).

Table15: Mean differences per sector – Economic (Sector listed)[13]

	Sector listed under				
	Banks	Insurance	Real Estate	Financial Services	Investment Instruments
Environmental disclosure	3.39$_{a}$	3.00$_{a,b}$	2.83$_{a,b}$	2.17$_{a,b}$	1.46$_{b}$

A review of the integrated reports reveals that banks had significantly more disclosure in their reports in general then investment instruments.

4.3.2 Analysis of strategy disclosure per market capitalisation - economic

As in the findings of environmental and social disclosure, a link between the market capitalisation and the extent of economic disclosure was evident. As demonstrated in Table 16 below the link was clearly apparent for economic strategy disclosures. The link in economic disclosures was stronger and more apparent than in social and environmental disclosures.

To determine whether there was a relationship between market capitalisation and the disclosure scores, a Spearman's correlation coefficient (due to non-normality of indicator scores) was calculated between the market capitalisation and the disclosure score for each indicator.

[13] Note: values in the same row and subtable not sharing the same subscript are significantly different at p< .05 in the two-sided test of equality for column means. Cells with no subscript are not included in the test. Tests assume equal variances.1

1. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Table16: Correlation analysis between market capitalisation and extent of disclosure			
	Market Cap at report date		
	Spearman's rho Correlation Coefficient	Sig. (2-tailed)	N
Econ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	.465**	.000	55
Econ_IIRF_3A Highlights the relationships between past and future performance,	.514**	.000	55
Econ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	.505**	.000	55
Econ_IIRF_3A Describes how past experiences have affected future development	.486**	.000	55
Econ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	.605**	.000	55
Econ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	.509**	.000	55
Econ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	.455**	.000	55
Econ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	.426**	.001	55
Econ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	.416**	.002	55
Econ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	.491**	.000	55
Econ_IIRF_4E Assesses the effect of capitals available on the identified strategy	.556**	.000	55
Econ_IIRF_4E Differentiates what gives the organisation a competitive advantage	.489**	.000	55
Econ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	.372**	.005	55
Econ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	.501**	.000	55
Econ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	.475**	.000	55
Econ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	.554**	.000	55
Econ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	.512**	.000	55
Econ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	.505**	.000	55
Econ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	.471**	.000	55
Econ_KingIII_8.2 Describes Internal Audits role in the strategic function	.515**	.000	55

**. Correlation is significant at the 0.01 level (2-tailed).

All indicator scores correlate positively with market capitalisation. These correlations are small (just over .3, orange), small to medium (blue) and large (red). This is an indication that when market capitalisation increases, so does the disclosure score.

Using the single economic score derived from all the economic indicator scores and correlating it with market capitalisation per company, the Spearman's rho indicated that there is a medium to large positive correlation between the average economic disclosure of companies and their market capitalisation (Table 17).

Table17: Correlation analysis between market capitalisation and extent of disclosure[14]

			Economic disclosure	Market Cap at report date
Spearman's rho	Economic disclosure	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.	
		N	55	
	Market Cap at report date	Correlation Coefficient	.529**	1.000
		Sig. (2-tailed)	.000	.
		N	55	55

4.3.3 Conclusion on economic disclosure

Although economic strategy disclosure was significantly better than environmental and social disclosure with a few companies even obtaining a maximum score of 5, on average it was still well below the desired standard. With integrated reporting being a journey through which current reports are constantly improving, one can hope that this scenario will advance in future periods.

It is important to note that the checklist was devised in part from the IIRF (2013) which was only issued in 2013. As most Companies in the sample had a 2014 period end it was also their first time adoption of the IIRF (2013). One can assume that through the learning curve future periods will improve on these disclosure practices. An interesting research opportunity will be to test future integrated reports of these entities to evaluate whether the extent of disclosure has improved on their integrated reporting journey.

[14] **. Correlation is significant at the 0.01 level (2-tailed).

(This latter result is a summarised version (due to data reduction) of the individual results in the previous section.)

4.4 Comparison between the extent of environmental, social and economic strategy disclosures

As was evident from Section 4.2.1, economic strategy disclosure was more frequent than social and environmental disclosures found in the integrated reports. To support this the non-parametric Friedman test was used to determine whether there is a significant difference among the mean levels of disclosure for environmental, social and economic (Section 3.3). An analysis of each individual item on the checklist has been included in Appendix D which reveals that for each item there was no statistical significance between environmental and social disclosure whilst a difference between the aforementioned and economic disclosure was present. This information is summarised in Tables 18 - 20 below:

Using the overall disclosure scores that were determined by calculating the mean score across the Environmental, Social and Economic indicators, the following results were generated by the Friedman test.

Table 18: Indicator Scales (Descriptive Statistics)

	Environmental disclosure	Social disclosure	Economic disclosure
N	55	55	55
Mean	1.1773	1.3289	2.5118
Std. Deviation	1.44430	1.42467	1.34195
Minimum	.00	.00	.35
Maximum	5.00	5.00	5.00

.

Table 19 Indicator Scales (Ranks)

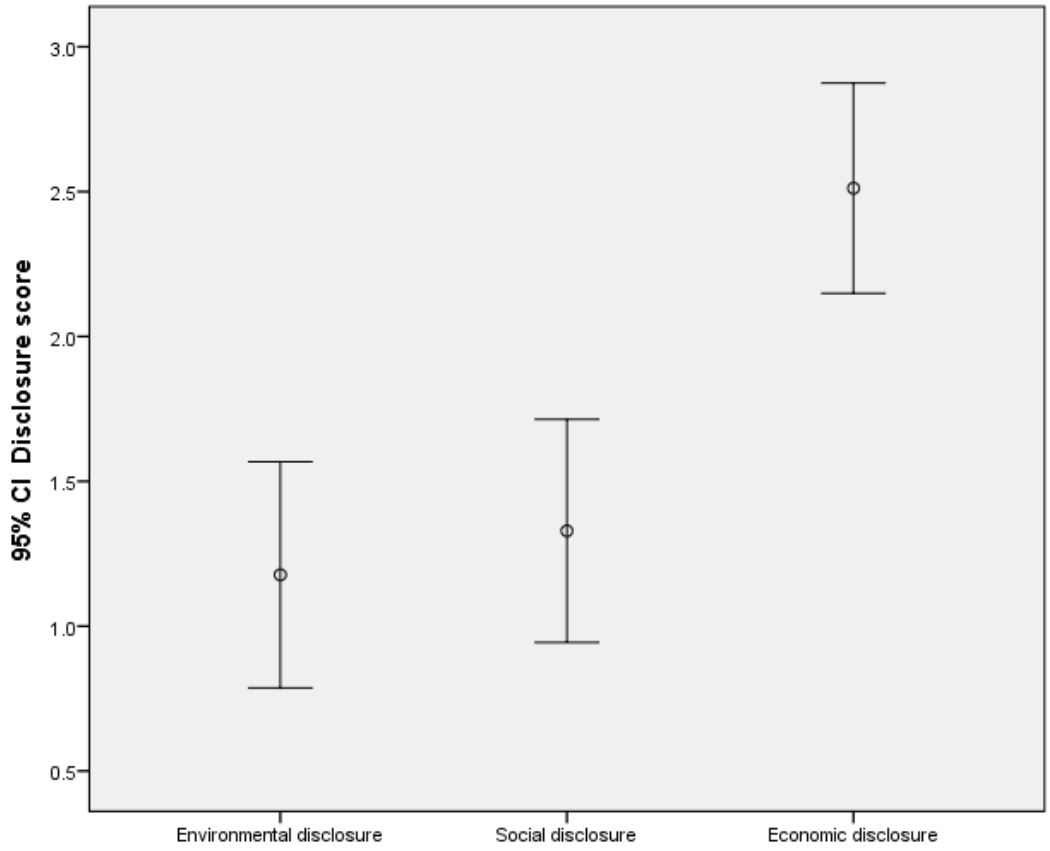
	Environmental disclosure	Social disclosure	Economic disclosure
Mean Rank	1.53	1.65	2.82

Table 20: Indicator Scales (Test Statistics[a])

N	Chi-Square	df	Asymp. Sig.
55	57.774	2	.000

a. Friedman Test

The Friedman test reveals that there is at least one pair of scores that differ statistically significantly at the .1% level of significance ($\chi^2(2)=57.774$, $p<.001$). From the graph below it can be seen that the mean Environmental and Social disclosure scores do not differ significantly (their 95% confidence intervals overlap) from one another while the mean Economic disclosure scores differ significantly from both the mean Environmental and Social disclosure scores .More specifically, the mean Economic disclosure scores (MR=2.85, n=55) is significantly higher than the mean disclosure scores for Environmental (MR=1.53, n=55) and Social (MR=1.65, n=55).



This evidence shows that although there is no significant difference between environmental and social disclosure, a significant difference does exist between these two elements and economic disclosure. What this indicates is that corporates are disclosing significantly more in terms of their economic and financial strategies than in their social and environmental strategies. Corporates thus appear to be placing more emphasis on financial elements over the other elements of triple bottom line reporting. This is to be expected as economic strategy is key to profitability, however it is being increasingly acknowledged that a strong environmental and social strategy are key for long term sustainability and profitability. Therefore one would expect all three elements to move into closer proximity of each other as corporates develop their strategic practices. The IIRC need to assess the potential reasons for the disregard of the reporting recommendations in the IIRC and determine what actions can be taken to drive the integrated thinking and reporting practices of corporates. Whilst the IIRF(2013) is principles based to promote specific integrated thinking and reporting within an entity perhaps more guidance is required to enable entities to develop this skill. The nature of the integrated reports in the sample tested in this study indicates that, despite the principles based nature of the IIRF(2013), a generic approach was still followed when addressing the areas listed in the IIRF(2013). Significantly more guidance and development of corporate integrated thinking practices is vital to the future success of disclosure practices relating to strategy in the integrated reports of companies listed in the financials sector of the JSE.

5 Conclusion and recommendations

The purpose of this thesis is to investigate strategy disclosure in the integrated reports of companies listed in the financials industry on the JSE to determine, firstly, the extent of strategy disclosure in relation to environmental, social and economic aspects and, secondly, to evaluate whether or not there is more emphasis on one of these individual elements.

5.1 Summary of findings

The first research question relates to the extent of strategy disclosure for environmental, social and economic activities. Each of these elements was measured separately and returned interesting results.

Environmental and social disclosure were well below expectation (Appendix A), measuring from no disclosure up to minimal disclosure for all items on the checklist. Given the recent focus on sustainability and good corporate citizenship, this finding was disappointing.

Where disclosure was given, however, it was interesting to note the concept of Porter's (2011) shared value being applied specifically to environmental disclosure and, in some instances, to social disclosure. Almost all cases of environmental disclosure identified had a direct economic benefit. For example, using LED lighting to reduce energy costs or banks granting loans to government for solar or wind energy projects. Whether this link between profitability and environmental sustainability is enough to meet the criteria of being a responsible corporate citizen is debatable and can give rise to some future research.

Social strategy disclosure in some instances could also be linked directly to corporate profitability in the form of meeting BBBEE requirements for tender recognition purposes or the training of staff but, in the majority of instances, was more in line with philanthropy then with shared value practices as described in Section 4.2. Due to the apparent direct link between social upliftment and profitability in the financial industry the shared value approach of this expenditure appears to be overlooked. The results of this research report indicate that corporates in the financials industry should develop their strategy relating to social development in line with the shared value approach.

Economic disclosure, despite being the focus of the integrated reports (in answer to the second research question) is far from what can be considered excellent per the scoring using (Appendix A). Whilst most companies had some disclosure for each of the items on the checklist, there was a vast difference in reports with some having excellent disclosure and others having little to no disclosure. In order to understand this further two additional statistical studies were undertaken to compare the extent of the disclosure per sector and per market capitalisation. Whilst the sample size per sector was low, there was an indication that the extent of disclosure could be explained by the sector within which the entity operates. This opens up an opportunity for future research to use larger samples in order to obtain better evidence on whether or not disclosure practices on strategy can be linked to an entity's operating activities. With the emphasis of reporting on non-financial data it could indicate the lack of disclosure in the financials' industry is largely because of a difficulty to quantify non-financial information (Atkins & Maroun, 2015). It could also be a result of the large volume of regulatory disclosure requirements in the financials' sector which detract from integrated thinking by causing preparers to revert to a box-ticking mentality (Atkins & Maroun, 2015).

Market capitalisation also correlated positively with the level of strategy disclosure indicating that entities with a higher market capitalisation also have more disclosure relating to strategy. This is possibly due to them having more funds available for reporting practices and thereby placing more emphasis on appropriate reporting. It could also indicate that entities who are committed to sound ESG practices are more successful.

The disclosure checklist was also developed using the latest guidelines issued in the 2013 IIRF. The integrated reports were adopting these guidelines for the first time and the level of disclosure can be expected to improve in future periods as entities become more familiar with the guidelines and implement their strategy for future periods using the guidance obtained in the IIRF. It would be interesting to produce a future study through which the extent of strategy disclosure based on the IIRF's guidelines is compared to this study to determine whether companies are in fact moving forward.

Therefore despite the vast research into ESG issues and the various guidelines available with regards to what would constitute good disclosure practice as discussed in detail in the literature review (Section 2), actual application of these principles in relation to disclosure of strategy, needs vast improvement and- should be noted as a key development area for corporate progress.

5.2 Areas for future research

There are a number of recommendations for future research. The first is to asses environmental and social expenditure in terms of Porters (2011) shared value vision to determine the extent of this form of practice as well as to determine whether it does meet the requirements of good corporate citizenship as widely discussed and evaluated in academic literature. A second recommendation for future research is to evaluate whether the sector within which an entity operates could be a determining factor for the level of strategy disclosure in relation to environmental, social and economic elements. Thirdly, the data collection instrument used in this research report could be adjusted to include more specific elements to social and environmental reporting using the findings of this report and other similar research findings. Another opportunity for research would be to investigate the financial benefit which could arise from utilising the shared value approach relating to social development. Finally, a future study would be useful in determining whether the strategy disclosure identified in the IIRF (2013) is improved upon in future periods indicating that corporates are moving forward in their integrated reporting.

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Appendix A

DATA COLLECTION INSTRUMENT: STRATEGY DISCLOSURE ANALYSIS IN THE INTEGRATED REPORT

PURPOSE OF THE DATA COLLECTION INSTRUMENT:

The data collection instrument will be used to gather data on a sample of JSE listed Companies In the financials industry for the purpose of answering two research questions.

Research Question 1: To what extent are companies including social, environmental and economic issues in strategy disclosures found in the integrated report?

Research Question 2: Are there differences in the emphasis between social, environmental and economic issues being included in the strategy disclosures in integrated reports?

Method used to create the Data Collection Tool:

A comprehensive study of the King-III Code and the IIRF was performed to items key recommendations around strategy disclosure to create a list of these recommendations. To supplement this list supporting academic literature on strategy disclosure was studied

The literature review of strategy identified that by definition strategy needs to be a unique, differentiating factor which distinguishes a company from its rivals. Therefore the checklist created was intentionally left generic as to prevent including items which might favour one companies' business to another.

In order to however ensure that that the integrated reports themselves are not generic a scoring system as described below as well as a column for a description of the nature of the disclosure was developed looking at both how specific as well as how in depth the disclosure was.

Ultimately the more extensive the disclosure the higher the score which can be used as a means of analysing how detailed companies are in their strategy disclosure in the Integrated Report. The description column will add to this giving insights into the nature of strategic discussions disclosed by these companies.

Appendix A

Scorecard And Matrix for analysing strategic Disclosure of Companies listed on the JSE [15]

Scoring used

0 No Disclosure
1 Limited disclosure around strategy given in this area (below average)
2 Adequate disclosure around strategy given in this area (average)
3 Well defined disclosure around strategy given in this area (above average)
4 Extensive disclosure around strategy given in this area (excellent)

Per King-III Principle 2.2 Strategy must take into account people, the planet and profit, or as previously referred to, Environment, social and economic factors.
As research Question 2 strives to identify possible trends in environmental, social and economic disclosure of companies listed on the JSE, the strategy assessment has been performed separately under each category specifically looking for strategy disclosure as required by IIRF and King-III specific to these different areas.

[15] This method of scoring is consistent with similar studies performed by Marx et al. (2014), Padia (2012) and Solomon et al. (2012) and is further supported by Berelson, B. 1952. Content Analysis in Communication Research. *Glencoe, Illinois: Free Press*., Krippendorff, K. 1980. Content Analysis: An Introduction to its Methodology. *Newbury Park. CA: Sage*. and Mouton, J. 2005. How to succeed in your master's and doctoral studies. A South African guide and resource book. . *Pretoria: Van Schaik.*, who all agree that content analysis can be used for analysing documents and reports according to content categories based on rules of coding.

Appendix A

Company Name:
Sector Listed under on JSE:

Source		Environmental strategy disclosure	SCORE
IIRF			
IIRF 3A	1	Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	
IIRF 3A	2	Highlights the relationships between past and future performance,	
IIRF 3A	3	Describes how the organization is balancing its short, medium and long term interests	
IIRF 3A	4	Describes how past experiences have affected future development	
IIRF 3A	5	Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	
IIRF 4E	6	Answers the question: Where does the organization want to go and how does it intend to get there?	
IIRF 4E	7	Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	
IIRF 4E	8	Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	
IIRF 4E	9	Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	
IIRF 4E	10	Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	
IIRF 4E	11	Assesses the effect of capitals available on the identified strategy	
IIRF 4E	12	Differentiates what gives the organisation a competitive advantage	
KingIII			
2.2	13	Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	
2.2	14	Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	
4.4	15	Identifies risk management processes and systems are in place regarding the companies risk strategy.	
4.4	16	Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	
5.2	17	Describes how the IT strategy has been integrated within the companies' strategic and business processes.	
7.2	18	Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	
8.2	19	Identifies a strategy to manage relationships of each stakeholder group.	
8.2	20	Describes Internal Audits role in the strategic function	

Appendix A

Source		**Social strategy disclosure**		SCORE
IIRF				
IIRF 3A		1	Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	
IIRF 3A		2	Highlights the relationships between past and future performance,	
IIRF 3A		3	Describes how the organization is balancing its short, medium and long term interests	
IIRF 3A		4	Describes how past experiences have affected future development	
IIRF 3A		5	Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	
IIRF 4E		6	Answers the question: Where does the organization want to go and how does it intend to get there?	
IIRF 4E		7	Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	
IIRF 4E		8	Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	
IIRF 4E		9	Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	
IIRF 4E		10	Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	
IIRF 4E		11	Assesses the effect of capitals available on the identified strategy	
IIRF 4E		12	Differentiates what gives the organisation a competitive advantage	
KingIII				
2.2		13	Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	
2.2		14	Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	
4.4		15	Identifies risk management processes and systems are in place regarding the companies risk strategy.	
4.4		16	Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	
5.2		17	Describes how the IT strategy has been integrated within the companies' strategic and business processes.	
7.2		18	Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	
8.2		19	Identifies a strategy to manage relationships of each stakeholder group.	
8.2		20	Describes Internal Audits role in the strategic function	
Padia & Yasseen (2011)		21	Describes its strategy over HIV/AIDS	
Padia & Yasseen (2011)		22	Describes its strategy around BEE	

Appendix A

Source		Economic and financial strategy disclosure	SCORE
IIRF			
IIRF 3A	1	Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	
IIRF 3A	2	Highlights the relationships between past and future performance,	
IIRF 3A	3	Describes how the organization is balancing its short, medium and long term interests	
IIRF 3A	4	Describes how past experiences have affected future development	
IIRF 3A	5	Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	
IIRF 4E	6	Answers the question: Where does the organization want to go and how does it intend to get there?	
IIRF 4E	7	Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	
IIRF 4E	8	Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	
IIRF 4E	9	Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	
IIRF 4E	10	Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	
IIRF 4E	11	Assesses the effect of capitals available on the identified strategy	
IIRF 4E	12	Differentiates what gives the organisation a competitive advantage	
KingIII			
2.2	13	Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	
2.2	14	Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	
4.4	15	Identifies risk management processes and systems are in place regarding the companies risk strategy.	
4.4	16	Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	
5.2	17	Describes how the IT strategy has been integrated within the companies' strategic and business processes.	
7.2	18	Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	
8.2	19	Identifies a strategy to manage relationships of each stakeholder group.	
8.2	20	Describes Internal Audits role in the strategic function	

Appendix B

Sample size Selection

Total companies in financials sector	86
No integrated report produced	-3
Suspended from JSE	-5
No financial year end since listing date therefore no requirement for integrated report yet	-8
Dual listed (Secondary listing on JSE)	-15
Sample size	55

Appendix B

Companies included in the sample are detailed in the below table:

LongName	ListingDate	ICBSuperSectorLongName	ICBIndustryLongName	ClosingPrice (ZAC)
Barclays Africa Grp Ltd	1986/12/03	Banks	Financials	15700
Capitec Bank Hldgs Ltd	2002/02/18	Banks	Financials	25200
Finbond Group Ltd	2007/06/15	Banks	Financials	293
Firstrand Ltd	1989/03/13	Banks	Financials	4144
Nedbank Group Ltd	1969/08/20	Banks	Financials	21588
RMB Holdings Ltd	1992/11/25	Banks	Financials	5506
Standard Bank Group Ltd	1970/02/09	Banks	Financials	12894
Conduit Capital Ltd	1999/03/03	Insurance	Financials	160
Santam Limited	1966/12/14	Insurance	Financials	20600
Zurich Insurance Co SA	1968/10/30	Insurance	Financials	26000
Clientele Ltd	2008/05/19	Insurance	Financials	1600
Discovery Ltd	1999/10/21	Insurance	Financials	9050
Liberty Holdings Ltd	1968/12/11	Insurance	Financials	11990
MMI Holdings Limited	1986/02/19	Insurance	Financials	2616
Sanlam Limited	1998/11/30	Insurance	Financials	6330
Attacq Limited	2013/10/14	Real Estate	Financials	2068
Ingenuity Property Inv	2001/07/02	Real Estate	Financials	75
Putprop Ltd	1988/07/04	Real Estate	Financials	750
Tradehold Ltd	2000/11/06	Real Estate	Financials	2050
Acucap Properties Ltd	2002/03/27	Real Estate	Financials	4540
Accelerate Prop Fund Ltd	2013/12/12	Real Estate	Financials	585
Hyprop Inv Ltd	1988/02/24	Real Estate	Financials	8800
Octodec Invest Ltd	1990/09/20	Real Estate	Financials	2100
Resilient Prop Inc Fund	2002/12/06	Real Estate	Financials	7541
Growthpoint Prop Ltd	1987/11/27	Real Estate	Financials	2406
Investec Property Fund Ltd	2011/04/14	Real Estate	Financials	1525
Redefine Properties Ltd	2000/02/23	Real Estate	Financials	950

Appendix B

LongName	ListingDate	ICBSuperSectorLongName	ICBIndustryLongName	ClosingPrice (ZAC)
Texton Property Fund Ltd	2011/08/11	Real Estate	Financials	975
Tower Property Fund Ltd	2013/07/19	Real Estate	Financials	880
Coronation Fund Mngrs Ld	2003/06/13	Financial Services	Financials	9425
Efficient Group Ltd	2009/04/20	Financial Services	Financials	331
Prescient Limited	2012/08/20	Financial Services	Financials	94
Peregrine Holdings Limited	1998/06/10	Financial Services	Financials	2250
Ecsponent Limited	2003/02/03	Financial Services	Financials	13
Global Asset Mngment Ltd	2012/12/14	Financial Services	Financials	200
Grand Parade Inv Ltd	2008/06/06	Financial Services	Financials	736
Transaction Capital Ltd	2012/06/07	Financial Services	Financials	711
Trustco Group Hldgs Ltd	2009/02/19	Financial Services	Financials	193
Zeder Inv Ltd	2006/12/01	Financial Services	Financials	580
Cadiz Hldgs Ltd	1999/04/14	Financial Services	Financials	81
Investec Ltd	1986/10/15	Financial Services	Financials	9350
JSE Ltd	2006/06/05	Financial Services	Financials	10030
Purple Group Ltd	1998/11/18	Financial Services	Financials	40
PSG Group Ltd	1987/11/03	Financial Services	Financials	9800
Sasfin Holdings Ltd	1987/11/11	Financial Services	Financials	5200
Stratcorp Ltd	2001/12/06	Financial Services	Financials	1
Vunani Ltd	2007/11/28	Financial Services	Financials	169
Andulela Inv Hldgs Ltd	2008/10/13	Investment Instruments	Financials	150
Brimstone Inv Corp Ltd	1998/07/08	Investment Instruments	Financials	1609
Hosken Cons Inv Ltd	1973/11/02	Investment Instruments	Financials	15265
Niveus Investments Ltd	2012/09/10	Investment Instruments	Financials	3000
Pallinghurst Res Ltd	2008/08/20	Investment Instruments	Financials	465
Rand Merchant Ins Hldgs Ltd	2011/03/07	Investment Instruments	Financials	3481
Sabvest Ltd	1987/07/02	Investment Instruments	Financials	4500
Trematon Capital Inv Ltd	1997/11/20	Investment Instruments	Financials	366

Appendix C

Mean differences per sector - Environmental

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Environ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	55	1.64	1.693	0	5
Environ_IIRF_3A Highlights the relationships between past and future performance,	55	1.42	1.674	0	5
Environ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	55	1.38	1.672	0	5
Environ_IIRF_3A Describes how past experiences have affected future development	55	1.36	1.725	0	5
Environ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	55	1.29	1.606	0	5
Environ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	55	1.49	1.731	0	5
Environ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	55	1.33	1.634	0	5
Environ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	55	1.44	1.675	0	5
Environ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	55	1.35	1.734	0	5
Environ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	55	1.33	1.667	0	5
Environ_IIRF_4E Assesses the effect of capitals available on the identified strategy	55	1.33	1.689	0	5
Environ_IIRF_4E Differentiates what gives the organisation a competitive advantage	55	1.11	1.560	0	5
Environ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	55	1.38	1.737	0	5
-Environ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	55	1.11	1.548	0	5
Environ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	55	1.04	1.453	0	5
Environ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	55	.73	1.326	0	5
Environ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	55	.47	1.086	0	5
Environ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	55	.87	1.389	0	5
Environ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	55	1.02	1.484	0	5
Environ_KingIII_8.2 Describes Internal Audits role in the strategic function	55	.47	1.086	0	5
Sector listed under	55	3.22	1.243	1	5

Appendix C

Ranks

	Sector listed under	N	Mean Rank
Environ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	Banks	7	34.43
	Insurance	8	25.88
	Real Estate	14	38.36
	Financial Services	18	19.75
	Investment Instruments	8	24.94
	Total	55	
Environ_IIRF_3A Highlights the relationships between past and future performance,	Banks	7	34.43
	Insurance	8	27.31
	Real Estate	14	37.43
	Financial Services	18	19.64
	Investment Instruments	8	25.38
	Total	55	
Environ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	Banks	7	28.79
	Insurance	8	27.75
	Real Estate	14	39.14
	Financial Services	18	19.78
	Investment Instruments	8	26.56
	Total	55	
Environ_IIRF_3A Describes how past experiences have affected future development	Banks	7	29.50
	Insurance	8	26.06
	Real Estate	14	38.75
	Financial Services	18	20.31
	Investment Instruments	8	27.13
	Total	55	
Environ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	Banks	7	31.86
	Insurance	8	25.06
	Real Estate	14	39.36
	Financial Services	18	19.89
	Investment Instruments	8	25.94
	Total	55	
Environ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	Banks	7	33.07
	Insurance	8	23.56
	Real Estate	14	40.00
	Financial Services	18	19.69
	Investment Instruments	8	25.69
	Total	55	
Environ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	Banks	7	31.93
	Insurance	8	24.19
	Real Estate	14	38.00
	Financial Services	18	20.75
	Investment Instruments	8	27.19
	Total	55	
Environ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	Banks	7	36.21
	Insurance	8	22.31
	Real Estate	14	38.11
	Financial Services	18	20.08
	Investment Instruments	8	26.63
	Total	55	
Environ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	Banks	7	33.71
	Insurance	8	24.63
	Real Estate	14	39.25
	Financial Services	18	18.86
	Investment Instruments	8	27.25
	Total	55	

Appendix C

Ranks	Ranks	Ranks	Ranks
Environ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	Banks	7	35.43
	Insurance	8	24.50
	Real Estate	14	38.21
	Financial Services	18	18.83
	Investment Instruments	8	27.75
	Total	55	
Environ_IIRF_4E Assesses the effect of capitals available on the identified strategy	Banks	7	34.71
	Insurance	8	25.31
	Real Estate	14	38.21
	Financial Services	18	18.89
	Investment Instruments	8	27.44
	Total	55	
Environ_IIRF_4E Differentiates what gives the organisation a competitive advantage	Banks	7	31.86
	Insurance	8	26.13
	Real Estate	14	38.14
	Financial Services	18	20.58
	Investment Instruments	8	25.44
	Total	55	
Environ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	Banks	7	34.93
	Insurance	8	24.69
	Real Estate	14	38.64
	Financial Services	18	19.64
	Investment Instruments	8	25.44
	Total	55	
Environ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	Banks	7	34.14
	Insurance	8	24.63
	Real Estate	14	37.68
	Financial Services	18	20.19
	Investment Instruments	8	26.63
	Total	55	
Environ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	Banks	7	36.43
	Insurance	8	23.94
	Real Estate	14	37.61
	Financial Services	18	19.58
	Investment Instruments	8	26.81
	Total	55	
Environ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	Banks	7	38.50
	Insurance	8	28.38
	Real Estate	14	32.04
	Financial Services	18	21.44
	Investment Instruments	8	26.13
	Total	55	
Environ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	Banks	7	37.29
	Insurance	8	24.13
	Real Estate	14	30.32
	Financial Services	18	24.25
	Investment Instruments	8	28.13
	Total	55	
Environ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	Banks	7	38.21
	Insurance	8	23.00
	Real Estate	14	33.36
	Financial Services	18	21.50
	Investment Instruments	8	29.31
	Total	55	

Appendix C

Ranks	Ranks	Ranks	Ranks
Environ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	Banks	7	36.64
	Insurance	8	26.38
	Real Estate	14	35.21
	Financial Services	18	20.47
	Investment Instruments	8	26.38
	Total	55	
Environ_KingIII_8.2 Describes Internal Audits role in the strategic function	Banks	7	35.29
	Insurance	8	25.50
	Real Estate	14	29.61
	Financial Services	18	23.69
	Investment Instruments	8	31.00
	Total	55	

Appendix C

Test Statistics[a,b]

	Chi-Square	df	Asymp. Sig.
Environ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	13.062	4	.011
Environ_IIRF_3A Highlights the relationships between past and future performance,	12.519	4	.014
Environ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	13.240	4	.010
Environ_IIRF_3A Describes how past experiences have affected future development	12.582	4	.014
Environ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	14.510	4	.006
Environ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	16.006	4	.003
Environ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	11.648	4	.020
Environ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	14.720	4	.005
Environ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	16.828	4	.002
Environ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	16.206	4	.003
Environ_IIRF_4E Assesses the effect of capitals available on the identified strategy	15.589	4	.004
Environ_IIRF_4E Differentiates what gives the organisation a competitive advantage	12.475	4	.014
Environ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	15.253	4	.004
Environ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	13.023	4	.011
Environ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	15.366	4	.004
Environ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	10.509	4	.033
Environ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	7.052	4	.133
Environ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	11.113	4	.025
Environ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	11.550	4	.021
Environ_KingIII_8.2 Describes Internal Audits role in the strategic function	6.453	4	.168

a. Kruskal Wallis Test
b. Grouping Variable: Sector listed under

Appendix C

	Sector listed under				
	Banks	Insurance	Real Estate	Financial Services	Investment Instruments
Environ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	2.29$_{a,b}$	1.38$_{a,b}$	2.79$_{a}$	.72$_{b}$	1.38$_{a,b}$
Environ_IIRF_3A Highlights the relationships between past and future performance,	2.14$_{a,b}$	1.13$_{a,b}$	2.36$_{a}$	.61$_{b}$	1.25$_{a,b}$
Environ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	1.43$_{a,b}$	1.13$_{a,b}$	2.57$_{a}$	.56$_{b}$	1.38$_{a,b}$
Environ_IIRF_3A Describes how past experiences have affected future development	1.43$_{a,b}$	1.25$_{a,b}$	2.50$_{a}$	.50$_{b}$	1.38$_{a,b}$
Environ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	1.57$_{a,b}$	1.00$_{a,b}$	2.43$_{a}$	.50$_{b}$	1.13$_{a,b}$
Environ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	2.00$_{a,b}$	1.00$_{a,b}$	2.79$_{a}$	.56$_{b}$	1.38$_{a,b}$
Environ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	1.86$_{a,b}$	.88$_{a,b}$	2.29$_{a}$	.56$_{b}$	1.38$_{a,b}$
Environ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	2.43$_{a,b}$	.75$_{a,b}$	2.50$_{a}$	.56$_{b}$	1.38$_{a,b}$
Environ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	1.86$_{a,b}$	.88$_{a,b}$	2.57$_{a}$	.39$_{b}$	1.38$_{a,b}$
Environ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	2.14$_{a,b}$	.88$_{a,b}$	2.36$_{a}$	.39$_{b}$	1.38$_{a,b}$
Environ_IIRF_4E Assesses the effect of capitals available on the identified strategy	2.00$_{a,b}$	1.00$_{a,b}$	2.36$_{a}$	.39$_{b}$	1.38$_{a,b}$
Environ_IIRF_4E Differentiates what gives the organisation a competitive advantage	1.57$_{a,b}$	.88$_{a,b}$	2.07$_{a}$	.44$_{b}$	.75$_{a,b}$
Environ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	2.14$_{a,b}$	1.00$_{a,b}$	2.50$_{a}$	.50$_{b}$	1.13$_{a,b}$
Environ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	1.71$_{a}$	.75$_{a}$	1.93$_{a}$	.44$_{a}$	1.00$_{a}$
Environ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	1.86$_{a,b}$	.50$_{a,b}$	1.86$_{a}$	.39$_{b}$	.87$_{a,b}$
Environ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	1.57$_{a}$	.50$_{a}$	1.14$_{a}$	.28$_{a}$	.50$_{a}$
Environ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	1.29$_{a}$	.13$_{a}$	.43$_{a}$	.33$_{a}$	.50$_{a}$
Environ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	1.86$_{a}$	.25$_{a}$	1.29$_{a}$	.39$_{a}$	1.00$_{a}$
Environ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	1.86$_{a}$	.75$_{a}$	1.71$_{a}$	.39$_{a}$	.75$_{a}$
Environ_KingIII_8.2 Describes Internal Audits role in the strategic function	1.57$_{a}$	.25$_{a,b}$	.50$_{a,b}$	.17$_{b}$	.38$_{a,b}$

Note: Values in the same row and subtable not sharing the same subscript are significantly different at p< .05 in the two-sided test of equality for column means. Cells with no subscript are not included in the test. Tests assume equal variances.[1]

1. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Appendix C

Mean differences per sector – Social

Due to violations of the normality assumption of the parametric ANOVA, the non-parametric Kruskal-Wallis test will be used to determine whether the sector has a significant effect on the disclosure scores.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Social_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	55	1.84	1.686	0	5
Social_IIRF_3A Highlights the relationships between past and future performance,	55	1.47	1.665	0	5
Social_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	55	1.49	1.709	0	5
Social_IIRF_3A Describes how past experiences have affected future development	55	1.44	1.686	0	5
Social_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	55	1.75	1.787	0	5
Social_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	55	1.62	1.810	0	5
Social_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	55	1.60	1.738	0	5
Social_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	55	1.58	1.739	0	5
Social_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	55	1.51	1.794	0	5
Social_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	55	1.47	1.676	0	5
Social_IIRF_4E Assesses the effect of capitals available on the identified strategy	55	1.42	1.607	0	5
Social_IIRF_4E Differentiates what gives the organisation a competitive advantage	55	1.11	1.595	0	5
Social_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	55	1.58	1.761	0	5
Social_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	55	1.04	1.453	0	5
Social_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	55	.98	1.509	0	5
Social_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	55	.65	1.336	0	5
Social_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	55	.51	1.260	0	5
Social_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	55	.76	1.427	0	5
Social_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	55	1.33	1.711	0	5
Social_KingIII_8.2 Describes Internal Audits role in the strategic function	55	.60	1.285	0	5
Social_Padia & Yasseen (2011) Describes its strategy over HIV/AIDS	55	.98	1.434	0	5
Social_Padia & Yasseen (2011) Describes its strategy around BEE	55	2.51	1.654	0	5
Sector listed under	55	3.22	1.243	1	5

Appendix C

Ranks

	Sector listed under	N	Mean Rank
Social_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	Banks	7	37.00
	Insurance	8	35.00
	Real Estate	14	27.71
	Financial Services	18	21.89
	Investment Instruments	8	27.38
	Total	55	
Social_IIRF_3A Highlights the relationships between past and future performance,	Banks	7	35.71
	Insurance	8	32.56
	Real Estate	14	31.96
	Financial Services	18	21.42
	Investment Instruments	8	24.56
	Total	55	
Social_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	Banks	7	33.86
	Insurance	8	30.69
	Real Estate	14	33.18
	Financial Services	18	21.89
	Investment Instruments	8	24.88
	Total	55	
Social_IIRF_3A Describes how past experiences have affected future development	Banks	7	31.86
	Insurance	8	33.69
	Real Estate	14	33.18
	Financial Services	18	21.58
	Investment Instruments	8	24.31
	Total	55	
Social_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	Banks	7	34.93
	Insurance	8	34.56
	Real Estate	14	32.11
	Financial Services	18	20.94
	Investment Instruments	8	24.06
	Total	55	
Social_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	Banks	7	35.43
	Insurance	8	32.13
	Real Estate	14	32.82
	Financial Services	18	21.31
	Investment Instruments	8	24.00
	Total	55	
Social_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	Banks	7	35.93
	Insurance	8	33.25
	Real Estate	14	32.07
	Financial Services	18	21.22
	Investment Instruments	8	23.94
	Total	55	
Social_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	Banks	7	35.71
	Insurance	8	34.13
	Real Estate	14	32.25
	Financial Services	18	21.25
	Investment Instruments	8	22.88
	Total	55	

Appendix C

Ranks	Ranks	Ranks	Ranks
Social_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	Banks	7	36.14
	Insurance	8	33.88
	Real Estate	14	31.14
	Financial Services	18	21.31
	Investment Instruments	8	24.56
	Total	55	
Social_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	Banks	7	35.14
	Insurance	8	31.63
	Real Estate	14	32.82
	Financial Services	18	21.42
	Investment Instruments	8	24.50
	Total	55	
Social_IIRF_4E Assesses the effect of capitals available on the identified strategy	Banks	7	33.07
	Insurance	8	33.31
	Real Estate	14	33.00
	Financial Services	18	21.31
	Investment Instruments	8	24.56
	Total	55	
Social_IIRF_4E Differentiates what gives the organisation a competitive advantage	Banks	7	39.14
	Insurance	8	28.75
	Real Estate	14	29.04
	Financial Services	18	23.69
	Investment Instruments	8	25.38
	Total	55	
Social_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	Banks	7	37.14
	Insurance	8	34.88
	Real Estate	14	31.25
	Financial Services	18	21.00
	Investment Instruments	8	23.19
	Total	55	
Social_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	Banks	7	36.57
	Insurance	8	29.69
	Real Estate	14	30.71
	Financial Services	18	23.36
	Investment Instruments	8	24.50
	Total	55	
Social_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	Banks	7	37.00
	Insurance	8	32.63
	Real Estate	14	29.39
	Financial Services	18	22.25
	Investment Instruments	8	26.00
	Total	55	
Social_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	Banks	7	37.29
	Insurance	8	30.44
	Real Estate	14	29.68
	Financial Services	18	23.64
	Investment Instruments	8	24.31
	Total	55	
Social_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	Banks	7	45.07
	Insurance	8	28.75
	Real Estate	14	25.14
	Financial Services	18	26.14
	Investment Instruments	8	21.50
	Total	55	

Appendix C

Ranks	Ranks	Ranks	Ranks
Social_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	Banks	7	39.79
	Insurance	8	29.44
	Real Estate	14	28.93
	Financial Services	18	24.17
	Investment Instruments	8	23.25
	Total	55	
Social_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	Banks	7	38.79
	Insurance	8	34.31
	Real Estate	14	33.00
	Financial Services	18	19.72
	Investment Instruments	8	22.13
	Total	55	
Social_KingIII_8.2 Describes Internal Audits role in the strategic function	Banks	7	38.64
	Insurance	8	36.69
	Real Estate	14	22.57
	Financial Services	18	24.89
	Investment Instruments	8	26.50
	Total	55	
Social_Padia & Yasseen (2011) Describes its strategy over HIV/AIDS	Banks	7	41.50
	Insurance	8	23.50
	Real Estate	14	25.93
	Financial Services	18	24.56
	Investment Instruments	8	32.06
	Total	55	
Social_Padia & Yasseen (2011) Describes its strategy around BEE	Banks	7	30.86
	Insurance	8	36.31
	Real Estate	14	24.29
	Financial Services	18	28.64
	Investment Instruments	8	22.25
	Total	55	

Appendix C

Test Statistics[a,b]

	Chi-Square	df	Asymp. Sig.
Social_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	6.774	4	.148
Social_IIRF_3A Highlights the relationships between past and future performance,	7.206	4	.125
Social_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	6.268	4	.180
Social_IIRF_3A Describes how past experiences have affected future development	6.973	4	.137
Social_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	8.283	4	.082
Social_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	7.736	4	.102
Social_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	7.942	4	.094
Social_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	8.488	4	.075
Social_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	7.735	4	.102
Social_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	7.161	4	.128
Social_IIRF_4E Assesses the effect of capitals available on the identified strategy	7.060	4	.133
Social_IIRF_4E Differentiates what gives the organisation a competitive advantage	6.010	4	.198
Social_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	9.339	4	.053
Social_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	5.292	4	.259
Social_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	6.957	4	.138
Social_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	7.247	4	.123
Social_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	18.118	4	.001
Social_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	8.437	4	.077
Social_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	13.756	4	.008
Social_KingIII_8.2 Describes Internal Audits role in the strategic function	12.738	4	.013
Social_Padia & Yasseen (2011) Describes its strategy over HIV/AIDS	8.999	4	.061
Social_Padia & Yasseen (2011) Describes its strategy around BEE	4.380	4	.357

a. Kruskal Wallis Test
b. Grouping Variable: Sector listed under

The Kruskal-Wallis test revealed that there are at least one pair of sector means that differ statistically significantly. Using SPSS Custom Tables with Bonferroni correction to compare the means per sector, it can be seen which pairs of means differ significantly.

Only the pairs of means marked in green in the table below differ significantly. In some cases, even if the Kruskal-Wallis test indicated at least one significant difference, there are no pairs of means that differ – this is due to the Bonferroni correction.

Appendix C

	Sector listed under				
	Banks	Insurance	Real Estate	Financial Services	Investment Instruments
Social_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	2.71$_{a}$	2.63$_{a}$	1.79$_{a}$	1.22$_{a}$	1.75$_{a}$
Social_IIRF_3A Highlights the relationships between past and future performance,	2.29$_{a}$	1.75$_{a}$	1.79$_{a}$	.89$_{a}$	1.25$_{a}$
Social_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	2.14$_{a}$	1.62$_{a}$	2.00$_{a}$	.89$_{a}$	1.25$_{a}$
Social_IIRF_3A Describes how past experiences have affected future development	2.00$_{a}$	1.75$_{a}$	1.93$_{a}$	.83$_{a}$	1.13$_{a}$
Social_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	2.43$_{a}$	2.38$_{a}$	2.21$_{a}$	1.00$_{a}$	1.38$_{a}$
Social_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	2.29$_{a}$	2.00$_{a}$	2.14$_{a}$	.94$_{a}$	1.25$_{a}$
Social_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	2.43$_{a}$	2.00$_{a}$	2.00$_{a}$	.94$_{a}$	1.25$_{a}$
Social_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	2.43$_{a}$	1.88$_{a}$	2.00$_{a}$	1.00$_{a}$	1.13$_{a}$
Social_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	2.29$_{a}$	2.13$_{a}$	1.71$_{a}$	.89$_{a}$	1.25$_{a}$
Social_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	2.14$_{a}$	1.75$_{a}$	1.93$_{a}$	.83$_{a}$	1.25$_{a}$
Social_IIRF_4E Assesses the effect of capitals available on the identified strategy	1.86$_{a}$	1.75$_{a}$	1.86$_{a}$	.83$_{a}$	1.25$_{a}$
Social_IIRF_4E Differentiates what gives the organisation a competitive advantage	2.14$_{a}$	1.13$_{a}$	1.14$_{a}$	.78$_{a}$	.87$_{a}$
Social_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	2.57$_{a}$	2.38$_{a}$	1.86$_{a}$	.83$_{a}$	1.13$_{a}$
Social_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	1.86$_{a}$	1.25$_{a}$	1.21$_{a}$	.67$_{a}$	.63$_{a}$
Social_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	1.86$_{a}$	1.25$_{a}$	1.14$_{a}$	.56$_{a}$	.63$_{a}$
Social_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	1.71$_{a}$	.87$_{a}$	.57$_{a}$	.33$_{a}$	.38$_{a}$
Social_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	1.86$_{a}$	.75$_{a,b}$	.14$_{b}$	.39$_{a,b}$	.00$_{b,c}$
Social_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	2.00$_{a}$	.87$_{a}$	.71$_{a}$	.44$_{a}$	.38$_{a}$
Social_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	2.43$_{a}$	1.88$_{a}$	1.86$_{a}$	.50$_{a}$	.75$_{a}$
Social_KingIII_8.2 Describes Internal Audits role in the strategic function	2.14$_{a}$	1.13$_{a,b}$	.14$_{b}$	.28$_{b,c}$	.25$_{b,d}$
Social_Padia & Yasseen (2011) Describes its strategy over HIV/AIDS	2.29$_{a}$	.63$_{a}$	.93$_{a}$	.56$_{a}$	1.25$_{a}$
Social_Padia & Yasseen (2011) Describes its strategy around BEE	2.86$_{a}$	3.38$_{a}$	2.07$_{a}$	2.61$_{a}$	1.88$_{a}$

Note: Values in the same row and subtable not sharing the same subscript are significantly different at p< .05 in the two-sided test of equality for column means. Cells with no subscript are not included in the test. Tests assume equal variances.[1]

1. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Appendix C

Mean differences per sector – Economic

Due to violations of the normality assumption of the parametric ANOVA, the non-parametric Kruskal-Wallis test will be used to determine whether the sector has a significant effect on the disclosure scores.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Econ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	55	3.02	1.472	0	5
Econ_IIRF_3A Highlights the relationships between past and future performance,	55	2.60	1.486	0	5
Econ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	55	2.67	1.441	1	5
Econ_IIRF_3A Describes how past experiences have affected future development	55	2.47	1.425	0	5
Econ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	55	2.69	1.413	1	5
Econ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	55	2.67	1.428	1	5
Econ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	55	2.75	1.391	1	5
Econ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	55	2.65	1.518	0	5
Econ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	55	2.64	1.495	0	5
Econ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	55	2.71	1.436	0	5
Econ_IIRF_4E Assesses the effect of capitals available on the identified strategy	55	2.62	1.472	0	5
Econ_IIRF_4E Differentiates what gives the organisation a competitive advantage	55	2.38	1.472	0	5
Econ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	55	3.02	1.484	0	5
Econ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	55	2.55	1.573	0	5
Econ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	55	2.67	1.552	0	5
Econ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	55	1.96	1.934	0	5
Econ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	55	1.95	1.496	0	5
Econ_KingIII_7.2 Describes controls to mitigate the risks and id-entify opportunities to promote the realization of strategic goals.	55	2.27	1.581	0	5
Econ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	55	2.15	1.649	0	5
Econ_KingIII_8.2 Describes Internal Audits role in the strategic function	55	1.80	1.445	0	5
Sector listed under	55	3.22	1.243	1	5

Appendix C

Ranks

	Sector listed under	N	Mean Rank
Econ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	Banks	7	33.79
	Insurance	8	30.38
	Real Estate	14	33.93
	Financial Services	18	26.25
	Investment Instruments	8	14.13
	Total	55	
Econ_IIRF_3A Highlights the relationships between past and future performance,	Banks	7	32.71
	Insurance	8	34.31
	Real Estate	14	31.68
	Financial Services	18	25.89
	Investment Instruments	8	15.88
	Total	55	
Econ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	Banks	7	32.21
	Insurance	8	32.50
	Real Estate	14	33.29
	Financial Services	18	25.28
	Investment Instruments	8	16.69
	Total	55	
Econ_IIRF_3A Describes how past experiences have affected future development	Banks	7	31.93
	Insurance	8	37.06
	Real Estate	14	30.57
	Financial Services	18	24.53
	Investment Instruments	8	18.81
	Total	55	
Econ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	Banks	7	38.86
	Insurance	8	34.38
	Real Estate	14	33.14
	Financial Services	18	22.14
	Investment Instruments	8	16.31
	Total	55	
Econ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	Banks	7	34.64
	Insurance	8	34.75
	Real Estate	14	32.21
	Financial Services	18	25.69
	Investment Instruments	8	13.25
	Total	55	
Econ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	Banks	7	30.64
	Insurance	8	35.69
	Real Estate	14	31.29
	Financial Services	18	25.06
	Investment Instruments	8	18.88
	Total	55	
Econ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	Banks	7	35.57
	Insurance	8	35.19
	Real Estate	14	29.82
	Financial Services	18	24.81
	Investment Instruments	8	18.19
	Total	55	
Econ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	Banks	7	33.79
	Insurance	8	36.44
	Real Estate	14	28.36
	Financial Services	18	25.78
	Investment Instruments	8	18.88
	Total	55	

Appendix C

Ranks			
	Sector listed under	N	Mean Rank
Econ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	*Banks*	*7*	*35.57*
	Insurance	*8*	*30.75*
	Real Estate	*14*	*32.82*
	Financial Services	*18*	*24.78*
	Investment Instruments	*8*	*17.44*
	Total	*55*	
Econ_IIRF_4E Assesses the effect of capitals available on the identified strategy	Banks	7	38.21
	Insurance	8	32.44
	Real Estate	14	33.46
	Financial Services	18	21.86
	Investment Instruments	8	18.88
	Total	55	
Econ_IIRF_4E Differentiates what gives the organisation a competitive advantage	Banks	7	34.79
	Insurance	8	33.81
	Real Estate	14	32.68
	Financial Services	18	24.39
	Investment Instruments	8	16.19
	Total	55	
Econ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	Banks	7	33.93
	Insurance	8	31.69
	Real Estate	14	33.36
	Financial Services	18	25.53
	Investment Instruments	8	15.31
	Total	55	
Econ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	Banks	7	35.57
	Insurance	8	29.69
	Real Estate	14	34.36
	Financial Services	18	24.17
	Investment Instruments	8	17.19
	Total	55	
Econ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	Banks	7	41.43
	Insurance	8	27.50
	Real Estate	14	32.71
	Financial Services	18	24.28
	Investment Instruments	8	16.88
	Total	55	
Econ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	Banks	7	46.50
	Insurance	8	40.19
	Real Estate	14	27.07
	Financial Services	18	18.64
	Investment Instruments	8	22.31
	Total	55	
Econ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	Banks	7	45.64
	Insurance	8	36.88
	Real Estate	14	23.79
	Financial Services	18	25.69
	Investment Instruments	8	16.25
	Total	55	
Econ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	Banks	7	37.93
	Insurance	8	30.69
	Real Estate	14	33.21
	Financial Services	18	25.31
	Investment Instruments	8	13.56
	Total	55	

Appendix C

Ranks	Sector listed under	N	Mean Rank
Econ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	Banks	7	35.29
	Insurance	8	34.69
	Real Estate	14	31.29
	Financial Services	18	25.64
	Investment Instruments	8	14.50
	Total	55	
Econ_KingIII_8.2 Describes Internal Audits role in the strategic function	Banks	7	44.36
	Insurance	8	34.88
	Real Estate	14	26.64
	Financial Services	18	23.19
	Investment Instruments	8	20.00
	Total	55	

Appendix C

Test Statistics[a,b]

	Chi-Square	df	Asymp. Sig.
Econ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	9.590	4	.048
Econ_IIRF_3A Highlights the relationships between past and future performance,	7.815	4	.099
Econ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	7.511	4	.111
Econ_IIRF_3A Describes how past experiences have affected future development	7.224	4	.124
Econ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	13.231	4	.010
Econ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	11.285	4	.024
Econ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	6.149	4	.188
Econ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	7.410	4	.116
Econ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	6.342	4	.175
Econ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	7.660	4	.105
Econ_IIRF_4E Assesses the effect of capitals available on the identified strategy	10.771	4	.029
Econ_IIRF_4E Differentiates what gives the organisation a competitive advantage	9.160	4	.057
Econ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	8.753	4	.068
Econ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	8.859	4	.065
Econ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	11.340	4	.023
Econ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	22.724	4	.000
Econ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	17.780	4	.001
Econ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	11.783	4	.019
Econ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	9.837	4	.043
Econ_KingIII_8.2 Describes Internal Audits role in the strategic function	13.613	4	.009

a. Kruskal Wallis Test
b. Grouping Variable: Sector listed under

The Kruskal-Wallis test revealed that there are at least one pair of sector mean that differ statistically significantly. Using SPSS Custom Tables with Bonferroni correction to compare the means per sector, it can be seen which pairs of means differ significantly.

Only the pairs of means marked in green in the table below differ significantly. In some cases, even if the Kruskal-Wallis test indicated at least one significant difference, there are no pairs of means that differ – this is due to the Bonferroni correction.

Appendix C

	Sector listed under				
	Banks	Insurance	Real Estate	Financial Services	Investment Instruments
Econ_IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	3.57$_{a,b}$	3.25$_{a,b}$	3.57$_{a}$	2.83$_{a,b}$	1.75$_{b}$
Econ_IIRF_3A Highlights the relationships between past and future performance,	3.14$_{a}$	3.13$_{a}$	2.93$_{a}$	2.39$_{a}$	1.50$_{a}$
Econ_IIRF_3A Describes how the organization is balancing its short, medium and long term interests	3.14$_{a}$	3.00$_{a}$	3.14$_{a}$	2.44$_{a}$	1.63$_{a}$
Econ_IIRF_3A Describes how past experiences have affected future development	3.00$_{a}$	3.13$_{a}$	2.71$_{a}$	2.17$_{a}$	1.63$_{a}$
Econ_IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	3.71$_{a}$	3.25$_{a,b}$	3.14$_{a,b}$	2.17$_{a,b}$	1.63$_{b}$
Econ_IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	3.29$_{a}$	3.25$_{a}$	3.07$_{a}$	2.44$_{a}$	1.38$_{a}$
Econ_IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	3.00$_{a}$	3.38$_{a}$	3.07$_{a}$	2.50$_{a}$	1.88$_{a}$
Econ_IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	3.43$_{a}$	3.25$_{a}$	2.86$_{a}$	2.33$_{a}$	1.75$_{a}$
Econ_IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	3.14$_{a}$	3.38$_{a}$	2.71$_{a}$	2.44$_{a}$	1.75$_{a}$
Econ_IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	3.43$_{a}$	2.88$_{a}$	3.14$_{a}$	2.44$_{a}$	1.75$_{a}$
Econ_IIRF_4E Assesses the effect of capitals available on the identified strategy	3.57$_{a}$	3.00$_{a}$	3.14$_{a}$	2.06$_{a}$	1.75$_{a}$
Econ_IIRF_4E Differentiates what gives the organisation a competitive advantage	3.00$_{a}$	2.87$_{a}$	2.79$_{a}$	2.06$_{a}$	1.38$_{a}$
Econ_KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders.	3.57$_{a}$	3.38$_{a}$	3.50$_{a}$	2.78$_{a}$	1.88$_{a}$
Econ_KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management.	3.29$_{a}$	2.63$_{a}$	3.21$_{a}$	2.17$_{a}$	1.50$_{a}$
Econ_KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy.	4.00$_{a}$	2.62$_{a,b}$	3.14$_{a,b}$	2.28$_{a,b}$	1.63$_{b}$
Econ_KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters.	4.29$_{a}$	3.50$_{a,b}$	1.93$_{b,c}$	.83$_{c}$	1.00$_{c,d}$
Econ_KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes.	3.71$_{a}$	2.63$_{a,b}$	1.50$_{b}$	1.78$_{b,c}$	.88$_{b,d}$
Econ_KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals.	3.29$_{a}$	2.50$_{a,b}$	2.79$_{a}$	2.00$_{a,b}$	.87$_{b}$
Econ_KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group.	2.86$_{a}$	2.75$_{a}$	2.50$_{a}$	1.94$_{a}$	.75$_{a}$
Econ_KingIII_8.2 Describes Internal Audits role in the strategic function	3.29$_{a}$	2.25$_{a,b}$	1.79$_{a,b}$	1.39$_{b}$	1.00$_{b,c}$

Note: Values in the same row and subtable not sharing the same subscript are significantly different at p< .05 in the two-sided test of equality for column means. Cells with no subscript are not included in the test. Tests assume equal variances.[1]

1. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Appendix D

Individual indicators

Descriptive Statistics

Mean

	Environment	Social	Economic
IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	1.64	1.84	3.02
IIRF_3A Highlights the relationships between past and future performance	1.42	1.47	2.60
IIRF_3A Describes how the organization is balancing its short, medium and long term interests	1.38	1.49	2.67
IIRF_3A Describes how past experiences have affected future development	1.36	1.44	2.47
IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	1.29	1.75	2.69
IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	1.49	1.62	2.67
IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	1.33	1.60	2.75
IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	1.44	1.58	2.65
IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	1.35	1.51	2.64
IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	1.33	1.47	2.71
IIRF_4E Assesses the effect of capitals available on the identified strategy	1.33	1.42	2.62
IIRF_4E Differentiates what gives the organisation a competitive advantage	1.11	1.11	2.38
KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders	1.38	1.58	3.02

Appendix D

Descriptive Statistics Mean	Environment	Social	Economic
KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management	1.11	1.04	2.55
KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy	1.04	.98	2.67
KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters	.73	.65	1.96
KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes	.47	.51	1.95
KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals	.87	.76	2.27
KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group	1.02	1.33	2.15
KingIII_8.2 Describes Internal Audits role in the strategic function	.47	.60	1.80

Appendix D

Mean Ranks

	Environment	Social	Economic
IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	1.60	1.79	2.61
IIRF_3A Highlights the relationships between past and future performance	1.70	1.70	2.60
IIRF_3A Describes how the organization is balancing its short, medium and long term interests	1.69	1.66	2.65
IIRF_3A Describes how past experiences have affected future development	1.75	1.64	2.61
IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	1.59	1.80	2.61
IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	1.72	1.69	2.59
IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	1.63	1.72	2.65
IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	1.72	1.73	2.55
IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	1.70	1.73	2.57
IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	1.64	1.68	2.68
IIRF_4E Assesses the effect of capitals available on the identified strategy	1.66	1.70	2.64
IIRF_4E Differentiates what gives the organisation a competitive advantage	1.73	1.65	2.62
KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders	1.67	1.65	2.67
KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management	1.75	1.55	2.71
KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy	1.66	1.59	2.75
KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters	1.77	1.68	2.55

Appendix D

Mean Ranks	Environment	Social	Economic
KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes	1.65	1.57	2.77
KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals	1.72	1.61	2.67
KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group	1.66	1.89	2.45
KingIII_8.2 Describes Internal Audits role in the strategic function	1.60	1.68	2.72

Test Statistics[a] – Friedman Test

	N	Chi-Square	df	Asymp. Sig.
IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity	55	41.641	2	.000
IIRF_3A Highlights the relationships between past and future performance	55	40.333	2	.000
IIRF_3A Describes how the organization is balancing its short, medium and long term interests	55	46.704	2	.000
IIRF_3A Describes how past experiences have affected future development	55	42.086	2	.000
IIRF_3A Clearly articulates availability, quality and affordability of significant capitals on which future value can be created	55	41.165	2	.000
IIRF_4E Answers the question: Where does the organization want to go and how does it intend to get there?	55	36.872	2	.000
IIRF_4E Identifies the organisations short, medium and long term objectives and determines how it would meet these objectives	55	46.035	2	.000
IIRF_4E Identifies the resource allocation plans it has in place to implement its strategy and how it will measure whether these plans are working?	55	33.425	2	.000
IIRF_4E Describe the link between these plans and its business model and any changes which might be necessary to the business model due to these identified strategies	55	36.552	2	.000

Appendix D

Test Statistics[a] – Friedman Test	N	Chi-Square	df	Asymp. Sig.
IIRF_4E Looks the external environment and any other risks and opportunities identified to determine if they would influence the identified strategy	55	51.212	2	.000
IIRF_4E Assesses the effect of capitals available on the identified strategy	55	46.277	2	.000
IIRF_4E Differentiates what gives the organisation a competitive advantage	55	43.550	2	.000
KingIII_2.2 Demonstrated how strategy aligns with the purpose of the company, and value drivers of its business and the legitimate interests and expectations of its stakeholders	55	48.329	2	.000
KingIII_2.2 Demonstrates that risks relating to strategy and business plans have been thoroughly examined by management	55	57.827	2	.000
KingIII_4.4 Identifies risk management processes and systems are in place regarding the companies risk strategy	55	61.695	2	.000
KingIII_4.4 Identifies a chief risk officer (CRO) who has sufficient experience and access to regularly act on these strategic matters	55	50.463	2	.000
KingIII_5.2 Describes how the IT strategy has been integrated within the companies' strategic and business processes	55	74.000	2	.000
KingIII_7.2 Describes controls to mitigate the risks and identify opportunities to promote the realization of strategic goals	55	55.611	2	.000
KingIII_8.2 Identifies a strategy to manage relationships of each stakeholder group	55	28.158	2	.000
KingIII_8.2 Describes Internal Audits role in the strategic function	55	68.628	2	.000

The Friedman test revealed that at least one pair of mean comparisons among Environmental, Social and Economic is significantly different for all the indicators. From the relevant graphs below it can be seen which comparisons differ significantly. When the confidence intervals overlap, then there is no significant difference. E.g., in the case of "IIRF_3A Identifies significant risks, opportunities and dependencies flowing from the market position and business model of the entity", the Environment and Social scores do not differ significantly from one another but the Economic score differ significantly from both the Environment and the Social scores.