“The South African financial services industry’s integrated reporting compliance with the global reporting initiative framework”

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The South African financial services industry's integrated reporting compliance with the global reporting initiative framework

Abstract

In the past, business activities were motivated exclusively by the desire to maximize financial returns; however, over the past decade, increased awareness of non-financial business impacts has led companies from being profit-driven to incorporating environmental and social value into its performance measurements. The GRI published guidelines for sustainability reporting and is seen as the leading standard for voluntary corporate reporting of environmental and social performances.

Given the significance of the financial services industry in South Africa, this article reflects on the quality of integrated reporting of the South African financial services industry by analyzing compliance with the GRI sustainability reporting guidelines. The results indicate that although these companies used these guidelines in their sustainability reports, and that adherence has improved, some companies do not apply the sector specific supplements. The implication thereof is that it seems as if the sector has not truly embraced sustainability reporting, and may merely attempt to provide minimum compliance with general guidelines. By fully embracing the sector specific reporting guidelines, the South African financial services sector may reach the next level of sustainability reporting.

Keywords: Corporate social responsibility, GRI framework, global reporting initiative, integrated reporting, sustainability.
JEL Classification: M41, M42, M48.

Introduction

By looking at the *big picture* of how the world is shaping up around us, we can identify many issues that businesses should be concerned with. Global crises in the economic, political, social and ecological spheres are continual and universal, and are embedded in our modern systems of manufacturing, consumption and wealth creation (Shrivastava & Paquin, 2011, p. 35). According to Blowfield and Murray (2008, p. 193), companies have an obligation to account for responsibilities that go further than just the financial performance of a company. Perez (2006, p. 464) stated that the rules and practices of financial reporting play a vital role in the operation of the modern corporate environment by influencing the way in which information is selected and interpreted to make informed decisions. However, according to Beukes (2003, p. 30), traditional financial accounting approaches do not provide all the elements that create success and underwrite the progress of business. Blowfield and Murray (2008, p. 190) stated that these measures of performance have focused solely on financial issues and overlooked by-products of commercial activity for which others have to pay, such as pollution, emissions, etc. According to Nortjé et al., (2014, p. 32) the current understanding of the corporate sustainability concept is its aim to ensure long-term shareholder value by recognizing economic, environmental and social opportunities and risks. Following on this, Shrivastava and Paquin (2011, p. 46) and Dilling (2010, p. 19) stated that various stakeholders have demanded more *non-financial* information from businesses and these demands have led to more companies publishing environmental and social reports. This results in a call for better corporate governance, transparency and accountability.

According to Borkowski et al. (2010, p. 30), the concept of *sustainability reporting* denotes how firms handle nonfinancial factors such as environmental, social and governance issues that can have an impact on the organization's future performance, revenue and value. Dilling (2010, p. 19) stated that through sustainability or nonfinancial reporting (NFR), organizations show their commitment to sustainable development. According to Shrivastava and Paquin (2011, p. 48), there are various avenues that practitioners are pursuing to develop more robust measures of impact, including the social and environmental accounting discipline; increased corporate social responsibility (CSR); and developing reporting standards such as the global reporting initiative (GRI). Each of these approaches is moving business towards a stronger triple-bottom line approach of evaluating firm performance on social, economic and environmental measures.

Today, organizations have to think about *Integrated Reporting* (IR) – which integrates financial and sustainability information into one report to provide a single report telling stakeholders how 1) the company is impacted by the environment and community and 2) how the company impacts on the environment and community in which it operates (SAICA, 2012a). In January 2011, the integrated reporting committee (IRC) in South Africa issued a Discussion Paper on IR to offer voluntary guidance on a framework for an integrated report in response to the need for listed companies to present an integrated report for their financial years starting on or after 1 March 2010.

Although it is becoming more common for companies to disclose their CSR information, it remains a

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voluntary effort. According to Mitchell et al. (2005, p. 7), challenges identified with respect to present CSR suggest that stakeholders would not necessarily have knowledge of environmental and social impacts and shortfalls from business activities, because of limitations of current CSR practice, because it is a voluntary and non-prescriptive reporting framework. As a result, there is a risk that the obligatory reports may not serve the primary objective of sustainability reporting, which is to get companies to take the needs of future generations into consideration while pursuing their own.

The financial sector was from the start a great hope of the GRI founders as a potential influential user of data on sustainability performance, and the GRI's greatest contribution for the financial sector has been to elevate expectations of their clients for disclosure of information (Brown et al., 2009, p. 575). The financial services sector plays an important role for society in general; they provide essential functions such as providing protection from risks, enabling saving and investment, and supporting the creation of new jobs and enterprises (WEF, 2013, p. 3). According to the DFID (2004, p. 4), the financial sector also plays a significant role in increasing the ability of individuals and households to access basic services such as health and education, consequently having a direct impact on poverty reduction.

The financial services sector is not only important to the economy, but also has a significant impact on social development and the environment. According to Ines Garcia-Pintos Balbas, a member of the Working Group that developed GRI's Financial Services Sector Supplement (GRI, 2011b), investment and risk assessment, and taking social and environmental issues into account, are major considerations for the financial sector and the financial sector needs to do a great deal more in incorporating transparency, risk assessment and social and environmental considerations into their decisions.

1. Research objectives

Considering the above, the key objective of this study is therefore to determine the extent to which financial services companies' sustainability reports, as submitted to the Johannesburg Securities Exchange Ltd (JSE), adhere to the GRI Guidelines and the Sector Supplements for Financial Services. In order to achieve the primary objective, the following secondary objectives have to be considered. The key indicators that are reported on have to be identified; the level of integration of the companies' sustainability performance with the financial performance included in the reports has to be evaluated; and the adherence level given to the reports by the GRI has to be identified and evaluated.

Therefore, by evaluating and comparing the sustainability reports of the JSE-listed financial services companies, with the G3.1 Guidelines and the Sector Supplements for Financial Services, it should be possible to determine the extent of adherence of these companies' sustainability reports to the G3.1 Guidelines and the Sector Supplements for Financial Services.

2. Research methodology

In this study, the research can be seen as applied research with descriptive and analytical study components. The research can also be seen as empirical research and falls in the scope of qualitative research. Within the context of this study, the research was conducted by doing an in-depth analysis of the GRI Guidelines, as well as the Sector Supplements for the Financial Services. The sustainability reports of the companies in the financial sector listed on the JSE Top 40 Board will be analyzed and compared as this has been identified as the sample to be used in the report analysis. The applicable reports were obtained from their relevant websites. 2012 reports will be used as well as 2013 reports to enable a comparison of the reporting on a per company basis and to judge any possible improvements.

In order to meet the objectives, the article includes an overview of sustainability reporting, corporate social responsibility and integrated reporting. As the GRI's sustainability reporting framework and the Financial Services Sector Supplement are the main literature applicable to this study, it will also be discussed. This is followed by the research results and the conclusions and recommendations.

3. Literature review

3.1. Sustainability reporting. Sustainability is the ability to sustain a high quality of life for present and future generations and calls for companies to rethink how and what they produce (Blowfield & Murray, 2008, p. 27). According to Shrivastava and Paquin (2011, p. 48), we need to find new ways of practicing business and conceive of business activity to support the long-term health and success of our economic, environmental and community systems. As one way to do this, they propose the idea of a sustainable enterprise; this is an enterprise capable of accounting for the surface-level negations of reducing environmental impact, creating social benefit, and competitively creating economic value (Turk et al., 2013, p. 75; Shrivastava & Paquin, 2011, p. 44).

The GRI published the 'Sustainability Reporting Guidelines' in 2002, which include detailed instructions and standards on how to set up assured sustainability reports and, by using the guidelines, organi-

zations show a strong commitment towards constant progress of their sustainability reporting practices (Hindley & Buys, 2012, p. 1251; Dilling, 2010, p. 21). According to Perez (2006, p. 474), the Guidelines differentiate between economic, environmental and social activities of an organization and a sustainability report issued in line with the GRI Guidelines should contain information on each of these aspects of corporate behavior and should be issued together with the conventional financial statement. There is no law obligating organizations to present stand-alone sustainability reports, but the trend to provide these disclosures is certainly growing (Borkowski et al., 2010, p. 32).

3.2. Corporate social responsibility. CSR activities are the actions a business instigates to advance social good beyond its own interests and going beyond compliance. According to Turk et al. (2013, p. 75) as well as Jones III and Jonas (2011, p. 65), it consists of the practices that companies use to react to stakeholder expectations and includes minimizing harm that the company's operations may have on society and the environment. Demiraq (2005, p. 11) defines CSR as corporate responsibilities to society for ethical, environmental and social issues. Chiquita's (2012) definition is that CSR commits companies to operate in a socially responsible manner everywhere they do business, balancing the needs and concerns of their stakeholders.

According to Mitchell et al. (2005, p. 67), CSR emerged into academic prominence in the 1970s and is levelled at the heart of the purpose of business and what companies are responsible for. It is about whether companies must take account of social and environmental concerns beyond those that evidently have an impact on a company's operating abilities (Turk et al., 2013, p. 75; Marsden, 2006, p. 24). Nikolaou et al. (2013, p. 176) stated that the practices of CSR are considered indispensable in order for the business community to present efficient solutions for a more sustainable future.

Jones III and Jonas (2011, p. 66) stated that reporting on sustainable development evolved into CSR reporting, with organizations now disclosing information about their triple-bottom line reporting, which measures a firm's performance by integrating economic, environmental and social measures. According to Jones III and Jonas (2011, p. 71), the growing number of companies issuing CSR reports in accordance with the GRI guidelines suggests that CSR reporting is fast becoming a regular part of business reporting, rather than a rare exception.

3.3. Integrated reporting. The King Report on Governance for South Africa (King III) has been driving the focus on integrated reporting. The core principles in King III are that performance, risk strategy and sustainability are inseparable. The GRI announced the formation of the International Integrated Reporting Committee (IIRC) in August 2010. Their responsibility is to create a framework for sustainability accounting that is globally accepted, which brings together financial, social, environmental and governance information in an understandable and comparable format (KPMG, 2011a). IR is just such a framework. The chairman of the IRC, Professor Mervyn King, states that IR is designed to provide a better and more holistic view of a company by describing how a company's strategy, stakeholder relationships, performance, opportunities and risks, essential resources and its future outlook are interconnected (SAICA, 2012b).

In terms of what major global accounting firms say about IR, it is described by Deloitte (2011b) as enabling a process that enhances and preserves long-term sustainability, without sacrificing short-term performance. According to Nortjé et al. (2014, p. 32) and PWC (2012), an IR explains how a company creates and sustains value now and in the future. According to KPMG (2011a), an effective IR process is one that fulfills the rising number of reporting requirements of an organization and provides information to relevant stakeholders. Even with numerous definitions as indicated above, Hindley and Buys (2012, p. 1252) argues that one can still be unsure about what should be reported on for an integrated report to be seen as adequate. To assist companies with their integrated reporting initiatives, the sustainability reporting framework, as developed by the GRI, can be used.

4. The GRI sustainability reporting guidelines

The GRI sustainability reporting guidelines offer reporting principles, standard disclosures and an implementation manual to enable organizations to measure and report their contribution to sustainable development. By using the following guidelines, companies can create relevant, reliable and standardized information that can enable them to make more informed decisions and assess opportunities and risks within the company.

4.1. Content of the guidelines. The GRI's sustainability reporting guidelines contain the principles for defining report content and report quality, and provide guidance on standard disclosures that should be included in the report. The standard disclosures are the basic disclosures required by the GRI. These standard disclosures provide a picture of the organization and its reporting process; it also includes the *management approach* that provides an overview of the company's approach to sustainability issues, and the *performance indicators* that allow companies to provide comparable information on their economic, environmental and social performance and impacts (GRI, 2013b).

The performance indicators are divided into *Core* indicators and *Additional* indicators. The *Core* option contains the essential elements of a sustainability re-

port and provides the background against which an organization communicates the impacts of its economic, environmental and social and governance performance. The *Additional* option builds on the *Core* option by requiring additional Standard Disclosures and is concerned with topics that are material to some organizations, but usually not for a majority (GRI, 2013b). The Guidelines also offer tailored guidance relevant to certain sectors to address sector-specific aspects and issues with *Sector Supplements* (Nortjé et al., 2014, p. 32).

Consequently, because that the core and sector-specific indicators as per the Financial Services *Sector Supplement*, were identified as being material and expected to be applicable to all the companies in the research sample, they have been taken into account in considering the compliance to the GRI Guidelines.

4.2. Application levels of the framework. Application levels indicate the degree to which the reporting company has applied the Guidelines in its *sustainability report* by communicating which set of disclosures have been addressed. They do not give an opinion on the organization's sustainability performance, but rather aim to reflect the extent of transparency in reporting against the GRI Guidelines by confirming the amount of Reporting Guidelines content that has been addressed. There are three different Application Levels: A, B and C. A indicates the highest level of compliance and adherence to the Framework, B is the midway level and C is the lowest level of adherence (GRI, 2011c).

According to GRI (2011c), reporting companies are required to assess their own application level. GRI offers a service for organizations to have their self-declared application level checked and confirmed or they can choose to have their application level checked by a third party not affiliated with GRI. GRI uses the term 'external assurance' to refer to activities designed to result in published conclusions on the quality of the report and the information contained within it. When a reporting organization has submitted its sustainability report for external assurance, a "+" sign can be added to an application level.

Table 1. Application level table

<table>
<tr><th></th><th>C</th><th>C+</th><th>B</th><th>B+</th><th>A</th><th>A+</th></tr>
<tr><td>Profile disclosures</td><td>Report on indicators: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15</td><td rowspan="3">Externally assured</td><td>In addition to 'C', also report on indicators: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17</td><td rowspan="3">Externally assured</td><td>Same as for 'B'</td><td rowspan="3">Externally assured</td></tr>
<tr><td>Disclosures on management approach</td><td>Not required</td><td>Management approach i.r.o. each indicator category</td><td>Management approach i.r.o. each indicator category</td></tr>
<tr><td>Performance indicators & sector supplement performance indicators</td><td>Report on at least 10 performance indicators (at least one from each of: social, economic and environment).</td><td>Report on at least 20 performance indicators (at least one from each of: social, economic and environment).</td><td>Report on each core and sector supplement indicator or explain the reason for its omission.</td></tr>
</table>

Source: GRI, 2011d. For each company included in the research sample, the above table has been used in order to measure adherence to the GRI sustainability framework.

4.3. G4 guidelines. G4, the fourth generation of the Guidelines, was launched in May 2013 and is the most up-to-date version of the GRI Guidelines. With G4, GRI anticipates continued strong growth in sustainability reporting and increased integration of financial and sustainability reporting (GRI, 2013f). Reports issued after 31 December 2015 must follow G4; until then, companies can continue to report using the G3/G3.1 guidelines.

G4 makes more explicit links between materiality and the management and performance information organizations should disclose in their report. The G4 guidelines can initiate shorter reports as organizations reveal information on a more focused list of material aspects. G4 takes a new approach to demonstrating the maturity of organizations' reports by offering two options to an organization to prepare its sustainability report; these options designate the content to be included for the report to be prepared "in accordance" with the guidelines: the **core** option and the **comprehensive** option. To prepare a report "in accordance" with the G4 guidelines, organizations must focus on material issues ("aspects") and include disclosure on management approach for all material aspects. To meet the core level, organizations need to report on at least one indicator per material aspect, and additional disclosures on strategy, governance, ethics and integrity are necessary to meet the comprehensive level. The focus of both options is on the process of identifying material aspects and reflects the compliance of the organization's sustainability report with the guidelines. G4 also contains new and revised disclosures and provides guidance on how to select material topics and explain the boundaries of where these occur.

5. Research results

5.1. Descriptive statistics. The selected sample consisted of 10 companies in the financial services

industry (per the JSE Top 40 listing as at 10 June 2014). The integrated reports of 2012 and 2013 were analyzed and compared. Compliance with the core and sector-specific indicators was tested through an analysis of the respective reports. Based on the framework, a total of up to 71 performance indicators may be reported on, of which 55 are core and 16 are sector-specific indicators.

Table 2. JSE listing financial services companies' reporting indicators

Company	2012			2013		
	Core	Sector-specific	Total	Core	Sector-specific	Core
	(= 55)	(= 16)	(= 71)	(= 55)	(= 16)	(= 71)
Barclays Africa Group	41	8	49	N/A	N/A	N/A
Discovery	16	0	16	35	0	35
First and	22	9	31	25	9	34
Investec	50	0	50	50	13	63
Nedbank Group	55	16	71	55	16	71
Old Mutual Plc	29	7	36	33	9	42
Remgro	24	0	24	25	0	25
RMB Holdings	22	9	31	25	9	34
Sanlam	45	14	59	N/A	N/A	N/A
Standard Bank Group	47	16	63	N/A	N/A	N/A

Full or partial reporting on material aspects, as well as indicators stated as not material/applicable, as the company does not have significant impacts in this regard, was taken into account. As significant elements of disclosure were made by FirstRand, RMB chose to cross-refer stakeholders to the FirstRand report, instead of replicating the information, as all businesses in the RMB brand stable form part of the wider FirstRand Group, therefore the indicators of FirstRand were used for RMB.

The above results indicate that Nedbank reported on all core indicators in 2012 and 2013. With regard to sector-specific indicators, two companies, namely Nedbank Group and Standard Bank Group, reported on all 16 indicators in 2012. Barclays Africa Group, Sanlam and Standard Bank could not be taken into account in 2013 as they used the G4 guidelines for their 2013 integrated reports. With G4 reporting, companies should only report on material issues, rather than reporting on everything and organizations should also explain the process they go through to define their material issues (called "material aspects").

It should also be noted that three companies, namely Discovery, Investec and Remgro, did not provide any information on the sector-specific indicators in 2012, with Investec reporting on some of these indicators in 2013. There was also some improvement with most of the companies reporting on more core and sector-specific indicators in 2013.

5.2. Key performance indicators reported on. After analyzing the data to determine what the key indicators are that were reported on, it became apparent that some performance indicators were reported on by all the companies selected in the sample. The following indicators have therefore been identified as the key indicators as all the companies considered it of high enough materiality and significance to report on.

Table 3. Key performance indicators reported on

Code	Description	2012	2013
EC1	Direct economic value generated and distributed	Yes	Yes
EC8	Development and impact of investments and services provided for public benefit including pro bono engagements	Yes	Yes
EN3	Direct energy consumption by primary energy source	Yes	Yes
EN4	Indirect energy consumption by primary source	Yes	Yes
EN16	Total direct and indirect greenhouse gas emissions	Yes	Yes
EN28	Monetary fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Yes	
LA1	Total workforce	Yes	Yes
LA13	Composition of governance bodies and employees	Yes	Yes
SO2	Number of business units analyzed for risk related to corruption	Yes	Yes
SO8	Monetary fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Yes	

As per Table 3, these indicators are seen as material and relevant by all the financial services companies selected in the sample. As indicated, of the key performance indicators reported on, two were *economic* indicators (EC1 and EC8), four were *environmental* indicators (EN3, EN4, EN16 and EN28), two were *labor and decent work* indicators (LA1 and LA13), and two were *social* indicators (SO2 and SO8).

5.3. Level of integration. As previously stated, the IIRC stated that an integrated report should bring together financial, social, environmental and governance information in a consistent, concise and com-

parable format (KPMG, 2011a) to help with the development of more comprehensive information about businesses in order to meet the requests of a more sustainable, global economy. According to Deloitte (2011a), the IR tells the overall story of a company in a way that enables stakeholders to measure the ability of the company to create and sustain value over the short, medium and long-term. The *integrated report* should therefore be an all-inclusive integrated annual report that shows the company's attempts to improve long-term sustainability and should include quantitative and qualitative information to communicate the company's sustainability progress and make sustainability more measurable.

The concept *integrated* does not imply that all the material information should be combined into one report; it can also be issued in separate reports, as long as the company reports on their financial and nonfinancial information in a way that discloses their impact on each other. If a company chooses to report its financial and nonfinancial results separately, references should be made to the other parts of the report, or to the detailed separate report, to indicate to the stakeholders or report users how the company's nonfinancial performance contributes to its financial performance. In analyzing the companies' annual reports, the level of integration of the reports was considered and the following categories of integration were identified:

- Fully integrated: This refers to when a company combines all the key financial and nonfinancial information into a single document to express its value-creation process.
- Integrated and separate: This refers to one integrated report serving the same purpose as mentioned above, but includes references to separate reports that contain more detail on the specific indicators. These reports then serve as a supplement to the company's annual report.
- Separate: This indicates that a company created separate reports for their financial and nonfinancial results.
- Separate on the Web: This indicates that nonfinancial information is disclosed, but only available on the company's website and not part of their annual report.

After examining the relevant companies' reports, the following classification was made as shown in Table 4 below:

Table 4. Level of integration per company

Company	2012				2013			
	Fully integrated	Integrated & Separate	Separate	Separate on Web	Fully integrated	Integrated & Separate	Separate	Separate on Web
Barclays Africa Group		Y				Y		
Discovery		Y				Y		
Firstrand	Y				Y			
Investec		Y				Y		
Nedbank Group		Y				Y		
Old Mutual Plc			Y				Y	
Remgro	Y				Y			
RMB Holdings	Y				Y			
Sanlam				Y				Y
Standard Bank Group		Y				Y		
Total	3	5	1	1	3	5	1	1

Reports that are *fully integrated* and *integrated and separate* are regarded as high-quality reports and seen as acceptable. When using only *separate* and *separate on Web* reports, specific reference should be made to the other reports that include nonfinancial information to make report users aware of all the applicable reports. When considering the findings in the financial services sector, eight of the companies published acceptable integrated reports in 2012 and 2013, while two companies, Old Mutual Plc and Sanlam, submitted *separate* or *separate on Web* reports. There was no change in the level of integration from 2012 to 2013. It should also be noted that although RMB is indicated as submitting *fully integrated* reports for both years, the integrated reports only include a very limited overview as FirstRand published a detailed sustainability review in its integrated reports.

5.4. GRI adherence levels of the reports. The final analysis done in this study was to examine the application levels of the relevant reports. A rating was given based on the evaluation of the sustainability disclosure requirements as given by the GRI and then compared against the companies' self-declared ratings as shown in Table 5 below:

Table 5. Evaluation of declared ratings

Company	Year	Rating based on analysis of disclosures	Self-declared rating	Difference in rating
Barclays Africa Group	2012	B+	B+	No
	2013	N/A	N/A	N/A
Discovery	2012	C+	B+	Yes
	2013	B+	B+	No
Firstrand	2012	B	Not declared	N/A
	2013	B	Not declared	N/A
Investec	2012	B	B	No
	2013	B	B	No
Nedbank Group	2012	A+	A+	No
	2013	A+	A+	No
Old Mutual Plc	2012	B	C	Yes
	2013	B	C	Yes
Remgro	2012	B	Not declared	N/A
	2013	B	Not declared	N/A
RMB Holdings	2012	C	Not declared	N/A
	2013	C	Not declared	N/A
Sanlam	2012	B+	B+	No
	2013	N/A	N/A	N/A
Standard Bank Group	2012	B+	B+	No
	2013	N/A	N/A	N/A

Barclays Africa Group, Sanlam and Standard Bank could not be taken into account in 2013 as they used the G4 guidelines for their 2013 integrated reports and with the G4 guidelines "in accordance" levels replace A, B & C adherence levels, so it was not possible to compare their ratings. As per Table 5, it was found that there were three instances where there were differences in the ratings based on the analysis of disclosures and self-declared ratings. In only one instance the company was over-optimistic by rating itself higher than what was based on the analysis of its integrated reporting. Some of the disclosures were only stated as not material/relevant to the company; however, for the purpose of this article, they were seen as disclosed as the companies gave a reason for not disclosing the indicator. It should also be noted that FirstRand, Remgro and RMB Holdings did not declare their ratings on adherence and in these instances it was not possible to compare ratings based on the analysis of disclosures and self-declared ratings. All the companies except for RMBH indicated that their non-financial reporting policies are aligned with the GRI; RMBH was also the only company that stated that they do not believe integrated reporting had a significant influence on how they run the business, but ensured the alignment of the group's objectives with the long-term interests of its stakeholders.

Concluding discussion

1. Summary and implications. Sustainability reporting has become a useful tool to communicate to stakeholders who challenge business on issues regarding the fair distribution of wealth, climate change and other environmental and social matters. By reporting to stakeholders annually, companies can demonstrate that policies, procedures and management systems are in place to assist in managing various company, industry, environmental and societal challenges. An integrated report should define the company's most material issues and provide a simple and comparable discussion about the company's aptitude to deal with these issues. An integrated report should give stakeholders a meaningful interpretation of the company's financial performance within the context of how well environmental, social and economic matters are handled. The process of integrated reporting is, however, not yet clearly understood and some companies may feel that it can still be complex and also vague in some areas; however, integrated reporting is still in its early years and will evolve over time.

In the South African economy, the financial services sector plays an important role in the local and international economies. The purpose of this article was therefore to analyze the integrated reports of this sector for the periods of 2012 and 2013 to determine their application of the GRI guidelines. It was found that the results clearly suggest that the South African financial services sector is successfully implementing the GRI guidelines as a means of demonstrating maximum transparency and accountability. It was found that all of the companies reported on core indicators, but some companies did not provide any information on the sector-specific

indicators. The implication hereof is that it may seem as if the companies are truly embracing the GRI sustainability report guidelines in their reporting – they are merely following a route of minimum compliance by not integrating (or perhaps even grasping) the sector specific reporting guidelines. There was, however, some improvement with most of the companies reporting on more core and sector-specific indicators in 2013 than in 2012. Some indicators were seen as material by all the financial services companies selected in the sample; two were economic indicators, four were environmental indicators, two were labor and decent work indicators, and two were social indicators. When considering the findings of the level of integration, eight of the companies published acceptable integrated reports in 2012 and 2013, while two companies submitted *separate* or *separate on Web* reports. There was no change in the level of integration from 2012 to 2013. When considering the GRI adherence levels of the reports, it was found that there were three instances where there were differences in the ratings based on the analysis of disclosures and self-declared ratings. In only one instance, the company was over-optimistic by rating itself higher than what was based on the analysis of its integrated reporting. All the companies except for one indicated that their nonfinancial reporting policies are aligned with the GRI.

Furthermore, most companies stated some indicators as not material/relevant to the company without explaining the measure of materiality used. Although it was still considered as disclosed, it raised the question as to whether it may be necessary for the GRI to provide more information on this concept, as materiality could be interpreted differently by different stakeholders. The contribution of the paper is therefore seen as providing some insight into the current status of sustainability reporting in the South African financial services sector. Although, most of these companies are providing such reports, and although the quality of these reports has been improving, there is still room for improvement. The lack of grasping the functionality of the sector supplements, and incorporating it in their reporting practices, may very well lift the sustainability reports (and thus the integrated reports) to the next level.

2. Limitations of the study. The results of this study are limited by the fact that only the South African financial services sector was used in the sample. This restricts the application of the results of this study to companies in other sectors. The results may furthermore not be applicable to other countries, as submitting/providing integrated reports may not be a listing requirement of the relevant stock exchange. There is also no assured positive correlation between a high GRI compliance score and effective reporting, as an effective report is not measured by the number of boxes ticked, but rather by how well the GRI guidelines are applied with regard to materiality. Furthermore, because the companies only indicated some indicators as "not material" to the company without providing a meaningful discussion on each of the performance indicators and why it is not material, it is difficult to determine how effective the integrated reports of these companies really were. Because some companies started using the G4 guidelines in 2013, it was not possible to compare the adherence levels of all the companies for the period of 2012 and 2013 as the G4 guidelines' "in accordance" levels replaced A, B & C adherence levels. The G4 guidelines also contain new and revised disclosures, which made it difficult to compare the key performance indicators and number of indicators reported on, limiting the results of this study to the companies that could be compared.

3. Future research possibilities. Considering the above limitations, further research can attempt to replicate a similar study in other sectors of the JSE, or a study can be done to determine the effectiveness of companies' integrated reports. The comparability of reports using the G4 guidelines can also be evaluated.

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