The Influence of Integrated Reporting on Business Model and Strategy Disclosures

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Abstract

Business model (BM) and strategy disclosures could provide investors with relevant information. This study offers a platform for future research on BM and strategy disclosure and is the first to analyse the change in BM and strategy disclosures after the introduction of an integrated reporting (IR) requirement, to propose a framework for disclosure quality analyses, and to analyse how companies disclose the relationship between their BM and strategy. The findings show that BMs and strategy were not disclosed before the requirement to publish an integrated report in South Africa, but were disclosed thereafter. By 2014, companies used diagrams, flow charts, and informative narratives of business plans and value chains. Companies now disclose their strategic goals more transparently, but still do not link these goals to BMs, key performance indicators, risks or opportunities. The findings provide insight into disclosures that improved since the IR requirement and matters that are still not fully disclosed, which would be of interest to regulators tasked with investor protection.

Keywords – Business model disclosure; Strategy disclosure; Integrated reporting

1. Introduction

A company's strategy relates to its future value creation plans and the business model (BM) can be described as an integral part of the strategy that provides additional information regarding the implementation of the strategy. As such, investors are interested in strategy and BM disclosures. In evidence, empirical findings show that both quantitative and qualitative narrative disclosures of companies' strategic plans are associated with security price reactions and an increase in the accuracy of analysts' earnings forecasts (Baginski et al., 2016). Therefore, strategy and BM disclosures are important for regulators tasked with investor protection, as better disclosures will ensure that investors have access to all relevant information and that there is consensus regarding companies' future prospects, reducing opportunities for sophisticated investors to gain an unfair advantage at the cost of unsophisticated investors.

Integrated reporting (IR) requires the disclosure of a company's strategy and BM (de Villiers et al., 2014). Thus, mandating IR may be the answer to improving strategy and BM disclosure and improving the information environment to the advantage of investors. However, the International Integrated Reporting Council's (IIRC's) Summary of Significant Issues (IIRC, 2013c) suggests that companies face a number of challenges, including the definition of BM and the relationship between strategy and the BM. Therefore, it remains an empirical question whether IR improves strategy and BM disclosures. This study examines how the introduction of integrated reporting changed strategy and BM disclosures in companies with high quality integrated reports, using newly developed methods to assess the quality of the disclosures.

Several review studies deal with the IR literature (Dumay et al., 2016; Perego et al., 2016; de Villiers et al., 2014; de Villiers et al., 2017a; de Villiers et al., 2017b). De Villiers et al. (2014) report that although companies in the UK, Spain, Australia, Japan, Singapore and Netherlands disclosed strategic goals, only 40% explained the details of how they would achieve these strategic goals and minimal detail was provided on the BM, how it integrated with strategy and how resources would be allocated to achieve the stated goals (de Villiers et al., 2014). Dumay et al. (2016) show that of the 56 articles published between 2011 and 2015, only eight were based on South African data (Dumay et al., 2017). Our paper is, among other things, motivated by calls for research aimed at improving our understanding of the integration of strategy with other aspects in IR (Dumay et al., 2016; Perego et al., 2016; de Villiers et al., 2014). We also contribute to the burgeoning IR literature in general

(Del Baldo, 2017; Du Toit, 2017; Dumay and Dai, 2017; Dumay et al., 2017; Guthrie et al., 2017; Lai et al., 2017; Macias and Farfan-Lievano, 2017; Silvestri et al., 2017).

Prior studies have discussed the potential of BM disclosures to enhance corporate reporting (Nielsen and Roslender, 2015), and examined the extent of the disclosure of strategy, strategic goals, strategic objectives, implementation plans, effects on capitals, and stakeholders (Marx and Mohammadali-Haji, 2014; Padia and Yasseen, 2011; Stent and Dowler, 2015). The empirical studies found that only 6% of companies made full disclosure about strategy in 2005, whereas, in 2013 only 30% of companies disclosed strategic goals and how these goals were to be achieved (Marx and Mohammadali-Haji, 2014; Padia and Yasseen, 2011; Stent and Dowler, 2015). These studies analysed the amount of strategy disclosure, but did not examine the actual strategic goals, the BM, or the link between strategy and the BM. In addition, these studies did not assess whether disclosures changed, as each study covered only one year. Furthermore, at the time of these studies, the IR Framework was not yet published (IIRC, 2013a), and the IIRC had not yet published an important clarification document, the IIRC Business Model background paper (IIRC, 2013d).

The current study overcome several shortcomings of these prior studies by using the IR Framework and the IIRC Business Model background paper to evaluate the change in the nature of strategy disclosures and BM disclosures, and whether each strategic goal is related to the BM in disclosures. As far as we are aware, IR is not mandated by law anywhere in the world. However, we use the only setting where IR is part of the corporate governance rules that is a listing requirement, on an apply or explain basis. In South Africa, companies with a primary listing on the Johannesburg Stock Exchange (JSE) have to either produce an integrated report or explain in their annual report why they do not do so, which is commonly referred to as mandatory on a comply or explain basis. In practice, almost all companies choose to produce an integrated report. Therefore, this setting allows us to examine whether and how strategy and BM disclosures changed from before to after the introduction of this listing requirement. We thus compare the 2008 disclosures of a sample of South African companies, the year before any relevant corporate governance or IR requirements applied, to their 2014 disclosures, a period after IR became mandatory on an apply or explain basis.

As far as we could ascertain, no prior study analyses how companies relate their BM to their strategy in their integrated reports, or examine the change in these disclosures since the introduction of IR. In addition to the importance of assessing whether the introduction of a requirement to publish an integrated report improves strategy and BM disclosures, to shed light on whether this is a sensible way to improve investors' information environment, which will be of interest to market regulators, this study will also be relevant to academics who could find our analytical tools and insights helpful in conducting further research around the implementation of strategy and BM disclosures; companies could find our insights helpful in developing the strategy and BM disclosures in their integrated reports; and accounting bodies, standard setters, regulators, and IR consultants may find the insights useful in the development of standards and implementation guidelines.

2. Literature review

The literature review commences with a discussion of the South African setting, before defining and describing the disclosures of BM and strategy and the link between the two concepts, based on the guidelines in the IR Framework and the background paper on the BM. Thereafter, investors' information needs are explored, followed by a summary of professional publications. Finally, the IFRS 9 requirements are considered, as these requirements also highlight the importance of BM disclosures.

The South African context

The Johannesburg Stock Exchange (JSE) is the only South African and the largest stock exchange in Africa. To encourage transparency and consistency in financial reporting, the King Committee on Corporate Governance was formed in 1993 by the Institute of Directors in South Africa, chaired by Judge Mervyn King (de Villiers et al., 2014). The Committee has published several versions of the King Report over the years, with "King III" published in 2009. King III incorporates the principles of governance, strategy and sustainability and for the first time mentions an integrated report "that conveys adequate information about the social, economic and environmental impact of the company on the community in which it operates" (IoDSA, 2009).

King III was immediately included as a JSE listing requirements, requiring listed companies to prepare integrated reports for year ends after 1 March 2010, or explain why they had not (de Villiers et al., 2014). At the time, there was no IR framework. The Integrated Reporting Council (IRC) of South Africa was formed for this purpose. In 2010, the International IRC (IIRC) was formed, and in 2013 they published the IIRC Framework (IIRC, 2013a), a

Prototype (IIRC, 2013b), and a Summary of Significant Issues (IIRC, 2013c), which addressed concerns raised in public comment on the Consultation Draft of the Framework.

The Framework defines an integrated report as “a concise communication about how a company’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term” (IIRC, 2013a). The Framework highlights that “an integrated report should provide insight into the company’s strategy, and how it relates to the company’s ability to create value” (IIRC, 2013a). The JSE issued a Guidance Letter on 30 September 2014, clarifying that publishing an integrated report is one of the comply or explain listing requirements (JSE, 2015).

Definition and description of business model and strategy

The BM is central to IR and is described as the “heart of the business” and a “system of transforming inputs through business activities into outputs and outcomes that fulfil the strategic objectives and create value over the short, medium and long term” (IIRC, 2013a). The various capitals are inputs to the BM, which converts them into outputs (products, services, by-products and waste). The IR Framework defines a BM as “a system of inputs, value-adding activities and outputs that aims to create value over the short, medium and long term” and defines strategy as “strategic objectives together with the strategies to achieve them” (IIRC, 2013a). The Framework views the strategy and BM as separately disclosable items that are pertinent to investors’ decision making (IIRC, 2013a).

The term BM is a commonly used in the business world, with no commonly agreed definition (Casadesus-Masanell and Ricart, 2010; Nielsen and Bukh, 2011; Novak, 2013; Stefanovic and Milosevic, 2012; Teece, 2010; Zott et al., 2011). Perhaps for this reason, the BM and strategy are often confused (Casadesus-Masanell and Ricart, 2010; Stefanovic and Milosevic, 2012). The BM is aimed at demonstrating how the company creates value and delivers value to its customers (Baden-Fuller and Mangematin, 2013; Teece, 2010), an understanding that is consistent with the IR Framework. The IIRC formed a Technical Collaboration Group to prepare and issue a BM background paper to define the term BM and provide guidance for the disclosure of the BM and strategy (IIRC, 2013d). A BM describes the logic of the company, the way it operates and how it creates value for its stakeholders, whereas a “strategy” refers to the choice of BM through which the company will compete in the marketplace (Casadesus-Masanell and Ricart, 2010). A strategy can be seen as a contingent plan of action designed to achieve a particular goal (Casadesus-Masanell and Ricart, 2010).

Selecting a particular BM means choosing a specific way to compete, operate and create value for the company's stakeholders. Essentially, a strategy coincides with the chosen BM, so that stakeholders are aware of the company's strategy by studying its BM. According to Teece (2010), a company's BM cannot be executed without a strategy (Teece, 2010). A BM and strategy are two inextricable concepts, with a strategy being the summary of all the company's BMs (Stefanovic and Milosevic, 2012). Strategy is viewed as the process by which a company executes its BM and how their business processes fit together; strategy is the realisation of the company's BM (Casadesus-Masanell and Ricart, 2010). The focus of strategy is on the precise formulation of a plan of action about the intentions of the company and achieving those goals taking into account the products it supplies, the customers it serves, the countries in which it operates, the activities it undertakes, as well as resource allocation (Grant, 2016).

The BM is a significant tool for capturing, visualising, understanding and communicating a company's business logic (Osterwalder, 2004). It provides a platform to measure, observe and compare company performance and improves the management of the business logic, by ameliorating the design, planning, changing and implementation of company strategy (Osterwalder, 2004). Articulated BMs allow companies to react faster to changes in the business environment, improves the alignment of strategy, business organization and technology and helps foster innovation (Osterwalder, 2004).

Connectivity between business model and strategy

It is important for investors to understand the relationship between the BM and the company's strategy, governance, performance and prospects (Topazio, 2013). Annual reports disclose BMs in various ways across the world and 63% of articles examined in a study showed an explicit link between the BM and a company's ability to generate revenue and drive financial performance (Topazio, 2013). Robertson and Samy (2015) investigated the limitations of current reporting practices and argued that there is a lack of clear connection between financial and non-financial information, because companies do not make use of integrated thinking.

Investors' information needs

According to King III, informed investors evaluate a company's economic value, seeking information that goes beyond the financial reports, specifically "future earnings, brand, goodwill, the quality of its board and management, reputation, strategy and other sustainability aspects" (IoDSA, 2009). Studies show that investors' and analysts' financial disclosure demands are not being met (Nielsen and Bukh, 2011; Nielsen, 2014).

Since the adoption of IR, there has been a significant increase in the extent and quality of IR disclosure, and companies report more non-financial information when disclosure is under increased scrutiny imposed by mandatory disclosure requirements (Haji and Anifowose, 2016; Setia et al., 2015). Despite the increase in volume of disclosure, key aspects of disclosure are poorly incorporated, financial and non-financial information are discussed in silos, and disclosures are generic and not company specific (Du Toit et al., 2017; Haji and Anifowose, 2016; Robertson and Samy, 2015). Companies are increasingly conforming to the reporting language in the IR Framework (Haji and Hossain, 2016), but the introduction of IR has not stimulated new innovation in disclosures mechanisms (Stubbs and Higgins, 2014). Although Lee and Yeo and Baboukardos (Baboukardos and Rimmel, 2016; Lee and Yeo, 2016) find that the company's value is positively associated with the adoption of IR, prior studies found that companies adopted a legitimation strategy and multiple impression management techniques when preparing integrated reports (Haji and Hossain, 2016; Haji and Anifowose, 2016; Setia et al., 2015).

The accounting profession on BM and strategy disclosures

This section summarises the audit firm and professional body publications that relate to BM and strategy disclosures. ACCA (2013) reports that 45% of investors believe that the annual report is no longer useful for understanding a company's future performance and 90% believed that IR would add more value to understanding the factors that affect a company's BM. Ernst and Young (E&Y) (2014) conclude that the BM is a critical component of IR because it assists in meaningful engagement with investors and other users of annual financial statements. CIMA describe the BM as a separately reportable item in the annual report, because it is a key starting point for investor analysis (Topazio, 2013). PwC (2013) found that 71% of companies make reference to their BM, with half of those companies providing detailed insight into the BM, and 60% of companies integrating the BM with other elements in the annual report. A study based on interviews found that investment professionals still saw the annual report as the premier source of corporate information, and they have difficulties in understanding companies' BM, strategy, and value creation (PWC, 2014). Nevertheless, 88% believed that the BM was of high importance and considered BM disclosures to explain how cash is generated and value is created (PWC, 2014). Even though investors considered this a crucial piece of information, they felt that companies did not communicate it clearly (PWC, 2014). The study found that 80% of the investment professionals felt that the company's BM should be linked to its overall strategy to be meaningful; 64% preferred the BM to be disclosed in a diagram; 37% disagreed that disclosure about future strategic plans was adequate; and 51% felt that annual reports did not provide appropriate information about the company's BM and strategy (PWC, 2014).

Relevance of International Financial Reporting Standards to this study

International Financial Reporting Standards (IFRS) consider the disclosure of the BM and strategy to be important to users of financial statements, because the IFRS Practice Statement on Management Commentary requires the disclosure of the nature of business, management's objectives, strategies to achieve stated objectives, entity's resources, risks and relationships, results of operations and prospects, and performance measures and indicators to evaluate the entity's performance against stated objectives (IASB, 2010).

In July 2014 the International Accounting Standards Board (IASB) issued IFRS 9 Financial Instruments, which becomes effective from 2018. IFRS 9 provides guidance on the classification of financial instruments, and how they are accounted for and measured on an ongoing basis (IASB, 2015). The classification of financial assets is based on the entity's BM for managing the financial assets and the contractual cash flow characteristics of the financial assets (IASB, 2015). The BM assessment is the first of the two steps taken to classify financial assets. An entity's BM reflects how it manages its financial assets in order to generate cash flows (IASB, 2015). The BM also determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both (IASB, 2015). IFRS 9 is outside the scope of this study because it provides guidance to preparers of financial statements whereas the IR Framework provides best practices for integrated reporting.

3. Research method

Sample

To ensure a sample of exemplars of high quality integrated reports, the sample was derived from the E&Y quality ranking of the top 100 JSE listed companies for 2014, the most recent year that was available at the time of the commencement of the study. In judging the integrated reports, E&Y made use of the Consultation Draft of the International IR Framework and awarded mark based on the quality of disclosure (Ernst and Young, 2015). The sample of this study consists of the top 20 in the 2014 E&Y ranking[1], plus the 2013 winner, Royal Bafokeng (Ernst and Young, 2014), and Eskom, known for the quality of their IR, although they are not listed, being a state-owned-enterprise. Anglo American Plc was excluded from the sample because it did not prepare an integrated report for 2014. Intu Properties Plc was removed from the sample because it had a secondary listing on the JSE, whereas the other companies in the sample had a primary listing. Therefore, the final sample comprised of 20 companies. An analysis of these exemplars of good IR practice should best reveal the change in disclosure practice and any remaining shortcomings that regulators may want to address.

Method of analysis and criteria for measuring disclosures

The following approach was taken in this study: First, the development of a disclosure index for BM and strategy disclosure, second the application of the disclosure checklist through content analysis of the integrated reports of the sample companies, third the investigation of the connections between BM and strategy disclosures, while recording, scoring and tabulation the results of these analyses.

The first step in analysing an annual/integrated report, was to identify whether the company had disclosed BM and/or strategy information. Often, the table of contents of the report was helpful for the purpose of identification. In instances where the BM or strategic goals were not clearly labelled, the report was scrutinized for expressions and headings such as: “the way we do business”, “how we do business”, “investment case”, “company targets” or “company goals”. In some instances, strategy was discussed in the CEO’s report. The sections identified in this way, were analysed in order to identify the disclosure index items.

Content analysis is commonly used in the field of corporate reporting and integrated reporting and is useful in examining trends and patterns (Krippendorff, 2004; de Villiers et

[1] E&Y identified the 2014 top 20 integrated reports as: 1) Liberty Holdings, 2) Anglo American Plc, 3) Barclays Africa Group Ltd, 4) Sasol Ltd, 5) MTN Group Ltd, 6) Redefine Properties Ltd, 7) Standard Bank Group Ltd, 8) Truworths International Ltd, 9) Gold Fields Ltd, 10) Kumba Iron Ore Ltd, 11) African Rainbow Minerals Ltd, 12) Anglo American Platinum Ltd, 13) Anglo Gold Ashanti Ltd, 14) ArcelorMittal South Africa Ltd, 15) Aspen Pharmacare Holdings Ltd, 16) Barloworld Ltd, 17) Clicks Group Ltd, 18) Exxaro Resources Ltd, 19) Growthpoint Properties Ltd, and 20) Intu Properties Plc (Ernst and Young, 2015).

al., 2017a). Content analysis involves classifying disclosures into categories of items that capture the essence of the concept(s) of interest, often using a predetermined disclosure index, based on best practice guidelines (Krippendorff, 2004), similar to prior studies in the field of integrated reporting (Haji and Hossain, 2016; Haji and Anifowose, 2016; Setia et al., 2015). In this study, a disclosure index was constructed based on the definitions, principles, and explanations in the IIRC Framework and the Background Paper on BMs. No prior study examines BM disclosures in a detailed and systematic way, therefore prior studies did not contribute much to the list of criteria. The criteria for strategy and BM disclosure comprise of 14 items and 23 items respectively. We explored and allowed for the various ways companies disclosed each of the items on the disclosure index and recorded for each report whether each of the items were disclosed or not. The results were tabulated and the number of disclosures summarised for each company for 2008 and 2014. This allowed for a comparison to determine whether disclosures improved.

In the next part of our analysis, we determined for each strategic goal disclosed whether it was possible to identify how this item aligns with the BM of the company. Thereafter, a percentage was calculated based on the number of strategic goals that could be linked to the BM in relation to the total number of strategic goals. The results were combined, tabulated and compared.

The annual reports and integrated reports for 2008 and 2014 were downloaded from the companies' websites. Each of the co-authors read the reports and recorded whether each disclosure item was disclosed or not independently. The results were compared and discussed in the limited number of instances where there was a difference. The consensus view was then taken as the final result. This approach ensured the accuracy and reliability of the data collected.

The criteria discussed below were used to determine the extent of disclosure of strategic goals.

Method of analysing strategy disclosure

We identified strategy disclosure items from the IR Framework and the BM background paper and included these in the disclosure checklist, as explained in more detail below. The items identified were the vision, mission, values, strategic objectives, resource allocation plans, measurement of achievements and target goals, risks and opportunities, effect on capitals, competitive advantage and stakeholder engagement. Each of these are discussed below.

On page 1 of the IIRC BM background paper, a diagram depicts *the vision and mission of the company* just above the BM, which indicates that this is considered to be important in defining the company's purpose (IIRC, 2013d). Therefore, this disclosure was sought in the integrated reports. Stent and Dowler (2015) also included vision, mission and values in their analysis. The *company values* were added as a criterion because they also relate to the company's strategy.

We went on to examine whether the integrated reports disclosed the *short-, medium- and long-term strategic objectives* and the *strategies in place, or to be implemented, to achieve the stated strategic objectives* (IIRC, 2013a:para 4.28). For this criterion, we searched for time frames to determine whether the company had considered how long it would take to achieve its strategic goals and whether it had disclosed specific methods/plans for executing these goals. Following this search, we identified information disclosed about the *resources* required to achieve the goals and whether the required resources were quantified (IIRC, 2013a:para 4.28).

Para 4.29 of the Framework states that companies must disclose how they will measure *achievements and target outcomes* in the short, medium and long term (IIRC, 2013a:para 4.29). For this part of the analysis, we established whether the company disclosed KPIs for each strategic goal categorised into a time frame. Disclosure could include changes to the BM that might be necessary for implementing chosen strategies and an understanding of the company's ability to adapt to change (IIRC, 2013a:para 4.29). Here, we determined whether information about "change" and "adaptation" of the BM was disclosed. *Risks* and opportunities facing the company from the external environment could be discussed in this section in relation to the strategic goals (IIRC, 2013a:para 4.29). Here, we searched for disclosure about risk management, risk appetite, a risk matrix and risk dashboard. Disclosure could also encompass how the strategy affects the capitals and the risk management arrangements related to these capitals (IIRC, 2013a:para 4.29). In this section, we also identified any discussions about "effects on capitals".

Companies should disclose their *competitive advantage* and what enable value creation (IIRC, 2013a:para 4.29). For this element, we explored whether the company made use of innovation, how the company developed and exploited intellectual capital and the extent to which environmental and social considerations had been embedded in the company's strategy to give it a competitive advantage (IIRC, 2013a:para 4.29; de Villiers and Vorster, 1995). Key features and findings of *stakeholder engagement* that were used in formulating company strategy and resource allocation plans should be explained (IIRC, 2013a:para 4.29). For this component, we identified the company stakeholder plans.

Method of analysing business model disclosure

Following the analysis of the disclosure of strategy, we compared the BM disclosures against the items we identified, namely inputs, business activities, outputs, outcomes and effectiveness and readability. We discuss these items in further detail below.

In the IR Framework, *inputs* appear to be the starting point of the BM (IIRC, 2013a:par 4.14). Inputs may include resources in the form of raw materials, common resources, employees, research, ideas, financial capital or relationships with stakeholders (IIRC, 2013d). Inputs may be "internal or external and direct or indirect and are required to produce outputs and outcomes that in turn create or destroy value for the organization, consumers, the environment, providers of financial capital and others" (IIRC, 2013d). The BM must explain the effects of inputs on the capitals (IIRC, 2013d). Six capitals are identified: financial, manufactured, human, intellectual, environmental and social. Financial capital is the pool of funds in the company and includes debt and equity (IIRC, 2013e). Manufactured capital describes the company's machinery and tools used in the production process (IIRC, 2013e). Human capital describes the staff complement of the company (IIRC, 2013e). Intellectual capital is the company's intellectual property and other knowledge-based intangibles (IIRC, 2013e). Environmental capital encompasses any natural resources (IIRC, 2013e). Social capital comprises internal and external stakeholder relationships (IIRC, 2013e). We searched the annual reports for descriptions of the capitals and the impact of inputs on them.

A BM must describe the *business activities* that a company undertakes (IIRC, 2013a:para 4.16; IIRC, 2013d:para 6B). For this point, we examined the BM for the processes or operations of the company. The disclosure must explain the contribution to long-term BM success of initiatives that influence the effectiveness and efficiency of business activities (IIRC, 2013d). Here we examined the BM for time frames or any inefficiencies anticipated by the company. A company must explain how it differentiates itself in the marketplace through product differentiation, market segmentation, delivery channels and marketing (IIRC, 2013d). In this component, we determined if any marketing strategies had been disclosed. The description should also explain the extent to which the BM relies on revenue generation after the initial point of sale (IIRC, 2013d). This criterion would be applicable to companies that make sales directly to the public; for example, a store. The BM's responsiveness to change should also be discussed (IIRC, 2013d). For this point, we determined whether information about “change” and “adaptation” of the BM was provided.

A company's BM should identify the company's key products and services and other *outputs*, such as waste and other by-products that may be material enough to be discussed within the BM disclosure (IIRC, 2013a:para 4.18; IIRC, 2013d:para 6C). In this part of the analysis, we identified the goods and services of the company. The BM should explain the positive and negative *outcomes* that arise from the company's business activities, outputs and effect on the capitals (IIRC, 2013a:para 4.19; IIRC, 2013d:para 6D). In this section, we searched for employee morale, organisational reputation, revenue and cash flows, customer satisfaction, tax payments, brand loyalty, and social and environmental effects.

In order to improve the *effectiveness and readability* of the disclosure, the key elements of the BM must be explicitly identified within the discussion (IIRC, 2013d:para 6E). Companies must make use of a simple diagram that highlights key elements of the BM, supported by clear explanations of the relevance of these elements to the company (IIRC, 2013d:para 6E). All narratives that address material matters must be logical (IIRC, 2013d:para 6E). The BM must make clear disclosure of critical stakeholders, key value drivers and important external factors (IIRC, 2013d:para 6E). The BM must position the company within the entire value chain (IIRC, 2013d:para 6E). The BM must also be connected or linked to other aspects of reporting, such as opportunities and risks, KPIs and financial considerations like cost containment and revenues (IIRC, 2013d:para 6E).

Method of analysing the link between strategy and business model

Finally, a detailed analysis of each company's strategic goals and BM was conducted to determine whether the *strategic goals were linked to the BM*. This relates to the requirements that “disclosure can also include descriptions of how strategy and resource allocation plans relate to the BM” (IIRC, 2013a:para 4.29) and the “BM must also be connected or linked to other aspects of reporting, such as strategy” (IIRC, 2013d:para 6E).

In carrying out this part of the analysis, we examined each strategic goal for connections to the the company’s BM. The results of the strategy disclosure analysis are provided in Table 1, the results for the BM disclosure are provided in Table 2 and the results of the analysis of whether strategic goals relate to BM disclosures are provided in Table 3. [See tables and figures at the bottom of this document.]

4. Findings

Vision, mission and values

We inspected the reports for each company’s vision, mission and values and found that most of the companies that made this disclosure did so at the very beginning of the report and these three items were grouped together in most cases. Nineteen companies disclosed their vision in 2014 compared to 15 companies in 2008. Of the 20 companies, 12 disclosed their mission statement in 2014, which increased from seven companies in 2008. In 2014, all 20 companies disclosed the values of the company as opposed to in 2008, when only 13 companies made the disclosure. These findings are in keeping with Padia and Yasseen (2011), who found that a majority of JSE listed companies disclose their mission. The increase in the disclosure of vision, mission and values from 2008 to 2014 is indicative of companies responding to pressures in the environment and converging in their disclosure of these matters.

Strategic goals disclosure

Table 1 provides a summary of the analysis of the sample of companies used in the study. All 20 companies disclosed their strategic goals in 2014, whereas in 2008, only 10 made these disclosures. Below we discuss the findings for each the individual disclosure criteria.

Short-, medium- and long-term goals

In 2008, none of the companies made the distinction between short-, medium- and long-term goals and, in 2014, two companies categorised their strategic goals as short, medium and long term. In many instances the CEO or Chairman discussed long-term and medium-term objectives in their statements, but the links between this discussion and the strategic goals disclosed in the main body of the report were not disclosed or evident.

Strategies for achieving strategic goals

Detailed plans of how the company intended to achieve its strategic goals were sought. Three of the companies disclosed this information in 2008 (one in detail), whereas nine companies disclosed this information in 2014.

Resource allocation plans

The main component of this section concerned identifying what resources or capitals the company would use in achieving the strategic goals. In 2008, four companies disclosed, moving to four in 2014 (two in detail).

Achievements and targets

KPIs were sought. Although nine of the companies disclosed their targets in 2014, it was not always clear which strategic goals these targets related to. This indicates that the companies may have set their KPIs without taking into consideration the strategic goals of the company. The performance measures were not categorised into short-, medium- and long-term KPIs. In some cases, only financial targets were disclosed. In 2008, only one company disclosed its targets and it was difficult to relate the KPIs to the strategic goals.

Risk management

For this component, we searched for key risks facing the company. In 2014, all the companies made good disclosure of risks and opportunities affecting them and of mitigating controls in place to address the risks. Most companies had a separate chapter dedicated to risk management; however, these risks were not discussed in the context of the strategic goals and BM. In 2008, only six companies disclosed their risks and risk management plans.

Competitive advantage

This entails disclosures of the impact of innovation, the use of intellectual property, and social and environmental aspects on the company's competitive advantage. In 2008, only two companies provided detailed information about how they were innovative during the year and three further companies mentioned the word "innovation". In 2014, six companies made disclosure about innovation, however only two companies described exactly what sort of innovation they used. The others mentioned the word "innovation" or used it in their vision/mission/values but did not provide examples of how they utilised innovation.

In 2014, five companies disclosed their use of intellectual capital in the business, but only two of these provided detailed information. In 2008, none of the companies disclosed their use of intellectual capital in the company. In 2014, 16 companies disclosed their environmental and social impacts on competitive advantage, whereas only seven did so in 2008. It is possible that companies do not want to disclose too much information about competitive advantage in this section because competitors may gain access to this information. Similarly, Ungerer (2013) found that companies are reluctant to disclose information about competitive strategy.

Stakeholder engagement

For this section, we determined how companies disclosed their stakeholder plans. In 2014, 16 companies disclosed their stakeholder engagement but only eight of the companies provided detailed information from their stakeholder engagement plans. In 2008, only three companies provided detailed discussions of their stakeholder engagements. Figure 1 shows evidence of convergence, with most companies disclosing the items in 2014, much more so than in 2008 before the IR requirement.

Business model disclosure

Table 2 below provides a summary of the analysis of the sample of companies used in the study. In 2014, 18 of the 20 companies disclosed a BM in their IR, whereas, in 2008, only seven companies disclosed a BM. Below we discuss the findings for each of the criteria listed in Section 3 that pertains to BM disclosure.

Inputs

In this section, we identified whether the companies disclosed how they would use each of the six capitals in their BM. Funding models were disclosed by four companies in 2008 and this increased to 14 companies in 2014. Manufactured capital was disclosed by three companies in 2008 and, in 2014, 14 companies disclosed their manufactured capital. In 2008, three companies disclosed their human capital in detail and, in 2014, 17 companies disclosed the human capital appropriately. Intellectual capital was disclosed by two companies in 2008 and, in 2014, 14 companies disclosed their intellectual property. In 2008, three companies disclosed natural capital and, in 2014, 14 companies disclosed natural capital. Only one company disclosed remediation to the environment in 2008 and, in 2014, five of the affected companies disclosed how they would rehabilitate the environment. Two companies disclosed their social and relationship capital in 2008 and, in 2014, 14 companies disclosed their social and relationship capital.

Business activities

For business activities, we looked for disclosure about the long-term viability of the company, how the company differentiated itself in the market, revenue recognition at the point of sale, the use of innovation and the adaptability of the company to changes. Only one company disclosed the contribution to long-term success of their BM in 2008 and 13 companies made the disclosure in 2014. In 2008, three of the companies properly disclosed how they differentiated themselves in the marketplace and, in 2014, 12 companies made the disclosure. It is possible that the mining industry is highly regulated, which may mean that product differentiation and market segmentation are not applicable. It is also possible that these companies do not want to make information available to competitors. None of the companies disclosed the extent to which their BM relied on revenue generation after the point of sale in 2008 or 2014. None of the companies discussed the culture of innovation in terms of customers and products and the responsiveness of the BM to adapt to changes in 2008. In 2014, 12 companies disclosed the culture of innovation and four disclosed their BM's ability to adapt to changes.

Outputs

For this criterion, we identified the products and services that the company provided. In 2014, all 18 companies made substantial disclosure about their outputs when compared to 2008, when only six companies disclosed their outputs.

Outcomes

In 2014, 15 companies discussed and explained their outcomes while one company made disclosure about outcomes in 2008.

Effectiveness and readability

Elements of the BM were clearly identified in 2014 in 15 of the companies and in only three in 2008. Fifteen companies used a diagram with clear explanations in 2014 and only 1 used a diagram in 2008. In 2014, 14 companies provided adequate and logical narrative that described the activities of the company and, in 2009, only three companies managed to provide good narrative. In some cases, the BM was disclosed in a table format and a brief description was provided. In other cases, the BM was very specifically set out in a flow chart diagram and gave the reader an idea of what business the company was doing without reading any further, describing all the necessary elements of a BM relevant to the company. The value chain was used by 15 companies in 2014 and only three used the value chain in

2008. In 2014, three companies identified key stakeholders, key value drivers and external factors and only one company identified these in 2008. In 2008 and 2014, most of the companies did not make good disclosure about risks, KPIs and cost containment; the majority of the disclosure was not specifically linked to the BM. The impact of innovation and environmental and social matters on competitive advantage was not disclosed in adequate detail and the BM did not explain how these factors impacted on the company. Interactions with stakeholders were not reported on in sufficient detail.

Figure 2 shows evidence of increased convergence, with most disclosure items being taken up by more companies in 2014 than in 2008.

Link between strategy and business model

Table 3 provides a summary of the analysis of the sample of companies used in the study regarding the link between each company's strategy and BM.

In this section, we took each strategic goal disclosed in the integrated and annual reports and determined which item on the BM it related to. African Rainbow and Growthpoint were not included in the analysis, because they did not disclose a BM either in 2008 or 2014. We found that 15 companies disclosed strategic goals in sufficient detail that the majority could be linked to an item on the BM in 2014, whereas in 2008, only one company linked its strategic goals to its BM. The greater convergence indicates that companies are responding to the IR regulation, and may be benchmarking each other and increasingly take-for-granted that the links between strategy and BMs should be disclosed.

Discussion

Most of the companies' 2014 integrated reports contained specific relevant sections, such as an overview of performance, company structure, value creation and highlights of the year, strategy, strategic performance, risk, compliance and assurance, performance, and corporate governance. The strategy sections contained discussions about business philosophy, strategy, objectives of strategic goals, values, and the BM. In some cases the strategic goals were disclosed in the form of a diagram with little detail and in some cases robust information was provided for each goal. In most cases, the goals were not categorised into short, medium and long term. The Chairman's message included a discussion of the long-term view of the company but this was not linked to the strategic goals. The strategies in place to achieve the strategic goals and the resources required to achieve these goals were discussed elsewhere in the report and would have made more sense if they had been discussed under each strategic goal.

The achievements and targets were disclosed under the risk, compliance and assurance or balanced scorecard chapter and were not categorised according to strategic goals or into short-, medium- and long-term categories. The BM's ability to adapt to change was vaguely discussed in the Chairman's message, which usually mentioned inflation, economy and global factors. In one instance, a well presented and easy to follow extract from the strategic dashboard was disclosed to explain the risk appetite, the capital affected, and the KPI for each strategic objective. The impact of innovation and environmental and social matters on competitive advantage was not disclosed in adequate detail and did not explain how these factors impacted on the company. Interactions with stakeholders were reported on in considerable detail, however.

No absolute clear link was provided between the strategic goals and the BM, mainly because the disclosures were not explicit about the strategic goals. BMs were generally well disclosed in 2014 and used process flow diagrams and clear explanations of inputs, activities, outputs and outcomes.

Contrary to our findings, Stent and Dowler (2015) found a deficiency in the disclosure of vision, mission and values in New Zealand companies where IR is not mandatory. According to our findings, South African companies disclose these matters well, similar to earlier findings (Padia and Yasseen, 2011).

In 2014, a study conducted by a UK consulting firm together with the IIRC found that since the implementation of IR, 87% of respondent companies felt that investors had a deeper understanding of their company strategy (Black Sun, 2014). Supporting this view, our findings show that strategy disclosures were more robust in 2014, i.e. after the introduction of the IR requirement, compared to before IR.

In their analysis of 2014 integrated reports, E&Y found a similar shortcoming to that found in this study, that companies do not disclose performance measures and risks that can be specifically linked to strategic goals (Ernst and Young, 2014). Our study also mirror Stent and Dowler's (2015) finding that although New Zealand companies disclosed their strategic goals, they failed to commit to a time frame. Our study also supports the findings of Ungerer (2013) that companies from the Energy and Natural Resources, and Mining and Metals sectors made more disclosure about strategy than did the Retail and Banking sectors.

Our study found that more companies made disclosures of their BM and strategic goals in 2014 than in 2008; however, companies clearly struggle to disclose the link between their BM and strategy, possibly because information is gathered in different stages and from different sources over a period of time. This results in a large amount of information and perhaps the preparers struggle to see the bigger picture when preparing the integrated report. Another reason could be that the disclosures are used as part of an impression management strategy and may therefore lack clarity (Melloni et al., 2016). Another possibility is that BM disclosures may not be solely focused on value creation or interconnectivity (Bini et al., 2016). For example, Atkins and Maroun (2015) state that institutional investors were of the opinion that companies were preparing integrated reports without fully understanding the requirements of the Framework and background papers, and our findings arguably provide further supporting evidence for this notion.

Our findings show clear signs of convergence in the disclosure of strategy and BM. In 2008, before any disclosure rules, there were few disclosures, the IR requirement brought about changes during the period up to 2014. Uncertainty regarding the best way to respond to this regulatory pressure led to a period of benchmarking and copying. The use of consultants to assist with IR implementation led to increased professionalization of the IR disclosure procedures, when following the available guidelines were likely increasingly seen as the 'right thing to do'. This process and progression is another example of the kind previously documented for sustainability disclosures and the role played by the Global Reporting Initiative guidelines (McNally et al., 2017; de Villiers and Alexander, 2014; de Villiers et al., 2014). Given that the same disclosures are increasingly made and convergence has occurred, disclosure practices now appear to have reached the stage where they are part of the normal rules and procedures. Therefore, the field of strategy and BM disclosure appears to be moving towards a more mature phase were it is taken-for-granted as being needed and the 'right thing to do'. Of course, similar to de Villiers and Alexander (2014) and de Villiers et al. (2014), our analyses are based on disclosures (that reflect rules and procedures), therefore we cannot be absolutely sure of the thinking behind these outward manifestations of the reasons for disclosure. Nevertheless, the disclosure evidence points in the direction of maturity and taken-for-grantedness.

6. Conclusion

The purpose of this paper was to examine corporate BM and strategy disclosures and how these disclosures can be influenced by the introduction of a requirement to produce an integrated report. The sample of companies was based on the E&Y assessment of integrated reports, published in 2015 and based on the 2014 integrated reports of the top 100 JSE listed companies, comprising of 20 companies; i.e. the 18 top companies; the winner of the prior year; and Eskom, the sole electricity generator in South Africa. The JSE adopted King III, which mentioned the need for an integrated report, in 2009. Therefore, we analysed the disclosure in 2008 and 2014, before and after the adoption of the King III and IR requirements. We found that companies disclose extensive information regarding their BM and strategy by 2014, in contrast with virtually no such disclosures in 2008.

We used criteria obtained from the IR Framework and BM background paper to measure the quality of the disclosures. Disclosures that still fall short of the criteria we used are: linking all of company strategic goals to their BM; disclosure of resource allocation plans, intellectual capital, factors that impact competitive advantage, ability of the BM to adapt to changes and market differentiation; and distinguishing among short-, medium- and long-term strategic goals.

Companies could benefit from reconsidering how they disclose their strategy and amending their BM disclosure to be aligned with their strategic goals, KPIs and risks. The use of a dedicated management information system for BM and strategy information and disclosures will ensure that all strategic goals are considered for inclusion when drafting the BM disclosure, particularly in complex operations. An important element that companies do not currently disclose is the ability of the BM to adapt to changes. Companies also did not disclose how they differentiate themselves in the marketplace.

The findings of this study must be interpreted within the context of several limitations. First, the study is limited to South African companies. Second, the study focuses on companies that have been adjudged to produce high quality integrated reports. Third, content analysis is inherently subject to concerns about reliability and validity. Finally, the limitations associated with small samples apply. Therefore, caution is advised when interpreting the results.

Despite any shortcomings of the study, the findings nevertheless show evidence that the introduction of an IR requirement has the potential to lead to an improvement in strategy and BM disclosures. Expanding the sample size and/or including companies that produce lower quality integrated reports is unlikely to change this conclusion, because strategy and BM disclosures were virtually non-existent before the IR requirement in South Africa, and our findings show clear evidence of high quality strategy and BM disclosures after the introduction of the IR requirement. Better disclosures of this nature have been shown to be of value to investors and analysts by improving the information environment (Baginski et al., 2016). Therefore, mandating IR is an approach that may be considered by market regulators tasked with investor protection.

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Table 1: Analysis of strategy disclosure – 2008 and 2014

	Exxaro		Eskom		Sasol		Royal Bafokeng		Standard Bank		Truworths		Gold Fields		Aspen		Kumba		Clicks		Liberty		Barclays		MTN		Redefine		African Rainbow		Anglo Platinum		Anglo Gold Ashanti		ArcelorMittal		Barloworld		Growthpoint		Total ✓	Total ✓
	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008
1. Vision	✓	✓	✓	✓	×	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	×	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	**19**	**15**
2. Mission	✓	✓	✓	×	×	×	✓	×	✓	×	✓	✓	×	✓	×	×	✓	×	×	×	✓	×	✓	×	✓	×	×	✓	×	×	×	×	✓	✓	✓	✓	×	×	✓	✓	**12**	**7**
3. Values	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	×	✓	×	✓	×	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	×	**20**	**13**
4. Did the company disclose strategic goals?	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	×	✓	×	✓	×	✓	✓	✓	×	✓	✓	✓	✓	✓	×	✓	✓	✓	×	✓	×	✓	✓	✓	×	✓	×	**20**	**10**
5. An integrated report describes:																																										
a) The organisation's short-, medium- and long-term strategic objectives	×	×	×	×	×	×	×	#	×	×	×	×	×	#	×	#	✓	#	×	×	×	#	×	×	✓	×	×	#	×	×	×	#	×	#	×	×	×	#	×	#	**2**	**0**
b) The strategies it has in place, or intends to implement, to achieve those strategic objectives	✓	✓	✓	×	✓	×	×	#	×	×	×	×	×	#	×	#	✓	#	×	×	×	#	×	×	✓	✓	✓	#	✓	✓	×	#	✓	#	×	×	✓	#	×	#	**9**	**3**
c) The resource allocation plans it has to implement its strategy	×	✓	×	✓	×	×	×	#	×	×	×	×	×	#	×	#	✓	#	×	×	×	#	×	×	✓	✓	✓	#	×	✓	×	#	×	#	×	×	✓	#	×	#	**4**	**4**
d) How it will measure achievements and target outcomes for the short, medium and long term.	×	×	×	×	×	×	×	#	×	×	×	×	×	#	×	#	✓	#	×	×	×	#	✓	×	✓	×	×	#	✓	×	✓	#	✓	#	✓	✓	✓	#	✓	#	**9**	**1**
5.1 This description can include: 5.1.1 The link between the organisation's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:																																										
a) are influenced by/respond to the external environment and the identified risks and opportunities	✓	✓	✓	✓	✓	×	✓	#	✓	✓	✓	✓	✓	#	✓	#	✓	#	✓	✓	✓	#	✓	×	✓	✓	✓	#	✓	×	✓	#	✓	#	✓	×	✓	#	✓	#	**20**	**6**
b) affect the capitals and the risk management arrangements related to those capitals	✓	✓	✓	×	✓	×	✓	#	✓	✓	✓	✓	✓	#	×	#	✓	#	✓	✓	✓	#	✓	×	✓	×	✓	#	✓	×	✓	#	✓	#	✓	×	✓	#	✓	#	**19**	**4**
5.1.2 What differentiates the organisation to give it competitive advantage and enable it to create value, such as:																																										
a) the role of innovation	×	×	×	×	✓	✓	×	#	×	×	×	×	✓	#	×	#	×	#	×	×	×	#	✓	×	✓	✓	×	#	×	×	×	#	✓	#	×	×	✓	#	×	#	**6**	**2**
b) how the organisation develops and exploits intellectual capital	×	×	×	×	✓	×	✓	#	×	×	×	×	×	#	×	#	×	#	×	×	×	#	×	×	✓	×	✓	#	✓	×	×	#	×	#	×	×	×	#	×	#	**5**	**0**
c) the extent to which environmental and social considerations have been embedded in the organisation's strategy to give it a competitive advantage	✓	✓	✓	✓	✓	✓	✓	#	✓	✓	✓	✓	✓	#	✓	#	✓	#	✓	✓	✓	#	✓	×	✓	✓	✓	#	×	×	✓	#	×	#	×	×	✓	#	×	#	**16**	**7**
5.1.3 Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.	✓	✓	✓	×	×	×	✓	#	✓	×	×	✓	✓	#	✓	#	✓	#	×	×	✓	#	✓	×	✓	✓	✓	#	×	×	✓	#	✓	#	✓	×	✓	#	✓	#	**16**	**3**
Total ✓	**9**	**10**	**9**	**6**	**8**	**5**	**9**	**0**	**8**	**6**	**7**	**8**	**8**	**2**	**6**	**0**	**12**	**0**	**6**	**6**	**8**	**2**	**10**	**2**	**14**	**9**	**10**	**3**	**8**	**4**	**8**	**2**	**10**	**3**	**8**	**5**	**11**	**1**	**8**	**1**		

✓	Disclosed appropriately
×	Not disclosed
#	The company did not disclose any strategic goals in the report; therefore, the strategic goals could not be measured against the criteria.

Table 2: Analysis of business model disclosure – 2008 and 2014

	Exxaro		Eskom		Sasol		Royal Bafokeng		Standard Bank		Truworths		Gold Fields		Aspen		Kumba		Clicks		Liberty		Barclays		MTN		Redefine		African Rainbow		Anglo Platinum		Anglo Gold Ashanti		ArcelorMittal		Barloworld		Growthpoint		Total ✓	Total ✓
	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008	2014	2008
1. Did the company disclose a BM?	✓	✓	✓	✓	✓	✓	✓	×	✓	×	✓	✓	✓	×	✓	×	✓	×	✓	✓	✓	×	✓	✓	✓	×	✓	✓	×	×	✓	×	✓	×	✓	×	✓	×	×	×	18	7
2. An integrated report describes the BM, including:																																										
2.1 Inputs																																										
a) Overview of the funding model	✓	×	✓	×	✓	✓	✓	#	✓	#	✓	✓	✓	#	×	#	×	#	×	×	×	#	✓	✓	✓	#	✓	✓	#	#	✓	#	✓	#	✓	#	✓	#	#	#	14	4
b) Description of manufactured capital	✓	×	✓	✓	✓	✓	✓	#	✓	#	✓	✓	✓	#	✓	#	✓	#	×	×	#	#	✓	×	✓	#	✓	×	#	#	✓	#	×	#	×	#	✓	#	#	#	14	3
c) The importance of human capital	✓	×	✓	✓	✓	×	✓	#	✓	#	✓	✓	✓	#	✓	#	✓	#	✓	✓	×	#	✓	×	✓	#	✓	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	17	3
d) Value-creation via intellectual property*	×	×	✓	×	✓	×	✓	#	✓	#	✓	×	✓	#	✓	#	×	#	✓	✓	×	#	✓	✓	✓	#	✓	×	#	#	✓	#	×	#	✓	#	✓	#	#	#	14	2
e) Natural capital	×	✓	✓	✓	✓	✓	✓	#	✓	#	✓	×	✓	#	×	#	✓	#	×	×	#	#	✓	×	✓	#	✓	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	14	3
f) Environmental remediation efforts	✓	×	✓	✓	✓	×	✓	#	#	#	#	#	×	#	×	#	✓	#	#	#	#	#	#	#	#	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	5	1
g) Social and relationship capital	✓	×	✓	✓	✓	×	✓	#	✓	#	✓	✓	✓	#	✓	#	✓	#	×	×	×	#	✓	×	✓	#	✓	×	#	#	✓	#	×	#	×	#	✓	#	#	#	14	2
2.2 Business activities and model																																										
a) Contribution of effective/efficiency*	✓	×	✓	×	✓	×	✓	#	✓	#	✓	×	✓	#	✓	#	✓	#	×	✓	✓	#	✓	×	✓	#	×	×	#	#	✓	#	×	#	×	#	×	#	#	#	13	1
b) Market differentiation	✓	×	&	&	✓	✓	✓	#	✓	#	✓	✓	×	#	✓	#	✓	#	✓	✓	✓	#	✓	×	✓	#	×	×	#	#	✓	#	×	#	×	#	×	#	#	#	12	3
c) Reliance revenue after the initial sale	×	×	×	×	×	×	×	#	×	#	×	×	×	#	×	#	×	#	×	×	×	#	×	×	×	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	0	0
d) Encouraging a culture of innovation	✓	×	✓	×	✓	×	✓	#	✓	#	✓	×	×	#	✓	#	✓	#	×	×	✓	#	×	×	✓	#	×	×	#	#	×	#	✓	#	×	#	✓	#	#	#	12	0
e) Adaptability of the business model	✓	×	✓	×	×	×	✓	#	×	#	×	×	×	#	×	#	✓	#	×	×	×	#	×	×	×	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	4	0
2.3 Outputs																																										
a) Products/services and waste/by-prod.	✓	✓	✓	✓	✓	✓	✓	#	✓	#	✓	✓	✓	#	✓	#	✓	#	✓	✓	✓	#	✓	×	✓	#	✓	✓	#	#	✓	#	✓	#	✓	#	✓	#	#	#	18	6
2.4 Outcomes																																										
a) Outcomes*	✓	✓	✓	×	✓	×	✓	#	✓	#	✓	×	✓	#	✓	#	✓	#	×	×	✓	#	×	×	✓	#	×	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	15	1
2.5 Enhancing effectiveness and readability																																										
a) Key elements of the business model	✓	✓	✓	✓	✓	✓	✓	#	×	#	×	×	✓	#	✓	#	✓	#	×	×	✓	#	✓	×	✓	#	✓	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	15	3
b) Diagram of key elements of the BM*	✓	×	✓	×	✓	✓	✓	#	×	#	×	×	✓	#	✓	#	✓	#	×	×	✓	#	✓	×	✓	#	✓	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	15	1
c) Narrative of all material matters*	✓	✓	×	×	✓	✓	✓	#	×	#	×	×	✓	#	✓	#	✓	#	×	×	✓	#	✓	✓	✓	#	✓	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	14	3
d) Key stakeholders*	×	×	×	✓	✓	×	×	#	✓	#	×	×	×	#	×	#	×	#	×	×	×	#	✓	×	×	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	3	1
e) Value chain pos.*	✓	✓	✓	✓	✓	✓	✓	#	×	#	×	×	✓	#	✓	#	✓	#	×	×	✓	#	✓	×	✓	#	✓	×	#	#	✓	#	✓	#	✓	#	✓	#	#	#	15	3
f) Connection to other aspects of reporting, including:																																										
Opportunities, risks	×	×	×	×	×	×	✓	#	×	#	✓	×	×	#	×	#	×	#	×	×	×	#	✓	×	×	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	3	0

KPIs,	×	×	×	×	×	×	✓	#	×	#	✓	×	×	#	×	#	×	#	×	×	×	#	✓	×	×	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	3	0
Financial considerations	✓	×	✓	✓	×	×	✓	#	×	#	×	✓	×	#	×	#	✓	#	×	×	×	#	×	×	×	#	×	×	#	#	×	#	×	#	×	#	×	#	#	#	4	2
Total ✓	17	7	17	11	18	10	21	0	13	0	14	8	14	0	14	0	17	0	5	6	10	0	17	4	16	0	12	3	0	0	15	0	11	0	11	0	14	0	0	0		

Legend: ✓Disclosed appropriately; × Not disclosed; & Eskom is the sole supplier of electricity in SA; therefore, this is not applicable; # The company did not disclose a business model in the report; therefore, the business model could not be evaluated against the criteria

*** Where descriptions have been shortened in the table above, the full descriptions are provided below:**
2.1 d) Value-creation via intellectual property, including brands, patents, copyrights, proprietary knowledge and other forms
2.2 a) Contribution of effective/efficiency initiatives
2.4 a) Outcomes from activities, outputs and effect on the capitals
2.5 b) Diagram of key elements of the BM, supported by a clear explanation of the relevance of these elements
2.5 c) Narrative of all material matters given the organisation's circumstances
2.5 d) Key stakeholders and other dependencies, key value drivers and important external factors, including factors over which it has control
2.5 e) Value chain position (position of the organisation within the value chain)

Table 3: Analysis of how strategic goals relate to business model disclosures – 2008 and 2014

	Exxaro		Eskom		Sasol		Royal Bafokeng	Standard Bank	Truworths		Gold Fields	Aspen	Kumba	Clicks		Liberty	Barclays		MTN	Redefine	Anglo Platinum	Anglo Gold Ashanti	ArcelorMittal	Barloworld
	2014	2008	2014	2008	2014	2008	2014	2014	2014	2008	2014	2014	2014	2014	2008	2014	2014	2008	2014	2014	2014	2014	2014	2014
Number of strategic goals disclosed	4	5	12	28	4	12	9	6	25	11	7	9	4	10	14	25	6	5	18	38	5	5	4	6
Number of strategic goals that could be linked to the BM	4	0	7	7	0	0	7	0	21	9	1	7	4	10	6	12	5	2	12	4	5	4	3	4
Percentage of strategic goals linked	100%	0%	58%	25%	0%	0%	78%	0%	84%	82%	14%	78%	100%	100%	43%	48%	83%	40%	67%	11%	100%	80%	75%	67%

Figure 1: Summary of the analysis of strategy disclosure – 2008 and 2014

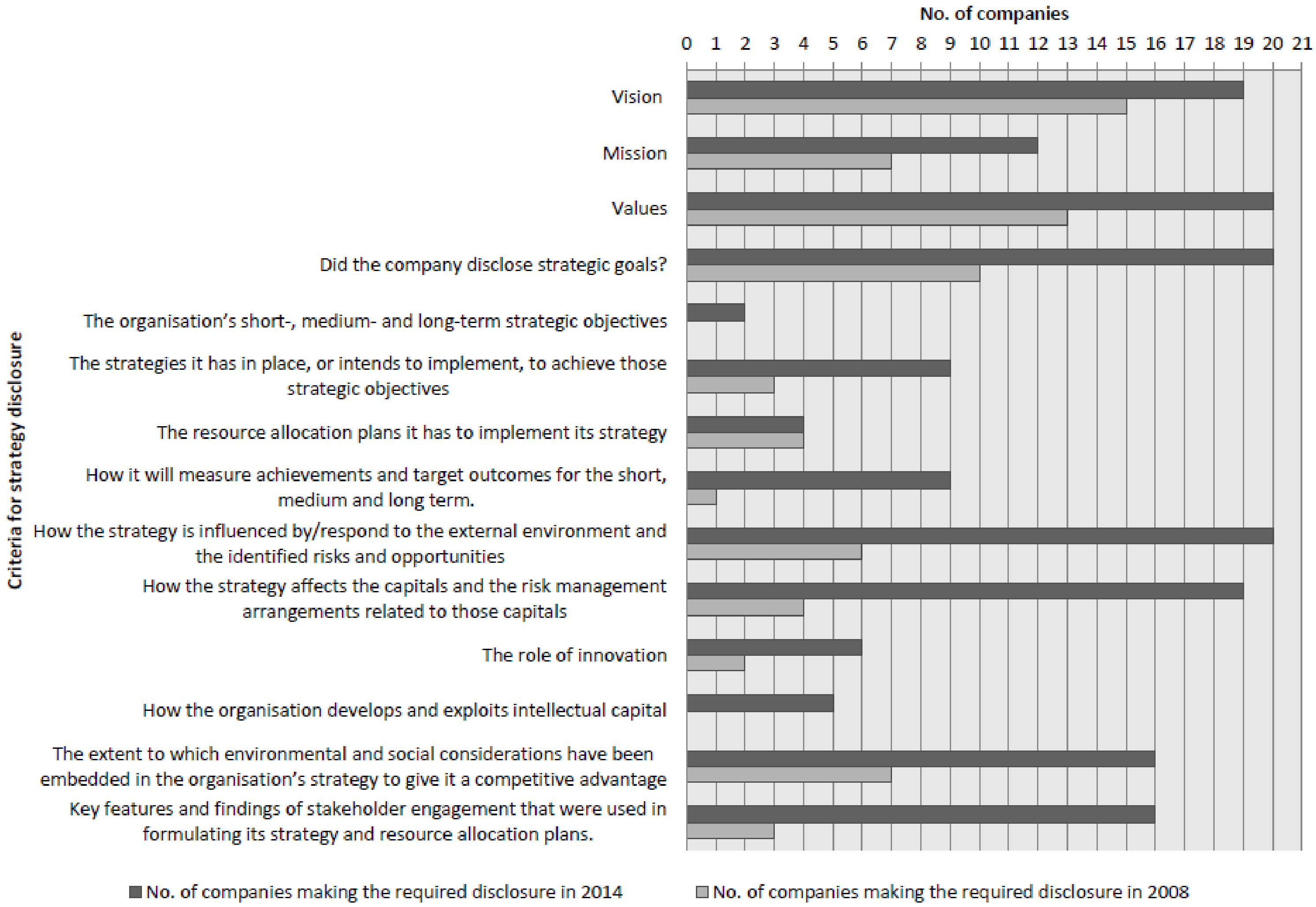

Figure 2: Summary of the analysis of business model disclosure – 2008 and 2014