

# Integrated Reporting

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# Integrated reporting – What, why and by when?

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- What is integrated reporting?
- What is it going to cost the company?
- What are the benefits for an entity and its stakeholders?
- Who must comply and by when?
- What must an integrated report look like?
- What guidance is available to assist?

# Requirement to prepare an Integrated Report

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- **JSE Listings Requirements**
  - Apply or explain – as part of King III
- **Non-listed entities**
  - Business judgment rule applicable to all directors in terms of the Companies Act, 2008
- **King III**
  - The board should ensure the integrity of the company's integrated report
  - Sustainability reporting and disclosure should be integrated with the company's financial reporting
  - Sustainability reporting and disclosure should be independently assured



# *What is Integrated Reporting?*

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# What is integrated reporting?

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- Strategic approach
- To explaining how an organisation uses the resources and relationships available to it
- In order to create and sustain value
- In the short, medium and longer term
- Including how the organisation has performed in the past
- And its plans and challenges in the face of an uncertain future

# Objective of Integrated Report(ing)

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- To report to stakeholders on the strategy, performance and activities of the organisation in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term
- To foster appreciation, both within the organisation and among its stakeholders, of the extent to which the organisation's ability to create and sustain value is based on financial, social, economic and environmental systems and by the quality of its relationships with its stakeholders

# What would be Different?

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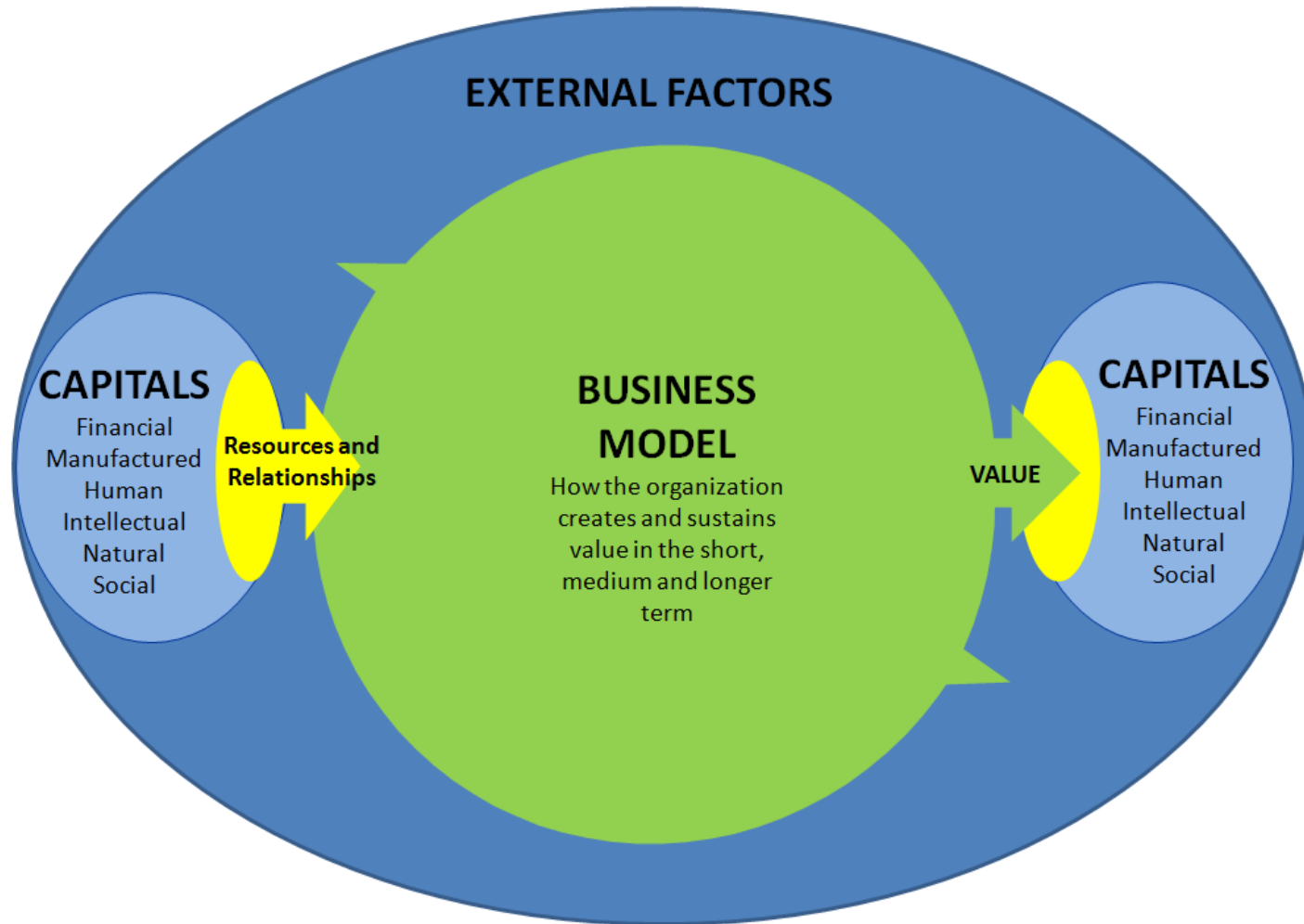
- Focus
  - Past, financial  $\Rightarrow$  future, connected, strategic
- Timeframe
  - Short term  $\Rightarrow$  Short, medium and longer term
- Detail
  - Long and complex  $\Rightarrow$  concise and material
- Compliance
  - Rule bound  $\Rightarrow$  responsive to individual circumstances

# What would be Different?



- Presentation
  - Paper based ⇨ technology based
- Trust
  - Narrow disclosures ⇨ greater transparency
- Thinking
  - Silos ⇨ integrated
- Stewardship
  - Financial ⇨ all the capitals

# A Possible Integrated Reporting Model



Acknowledgment: Prof Roger Simnett, Australian School of Business

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# Capital Stewardship

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- The preservation and enlargement of multiple forms of capital, all of which contribute to long-term value creation
  - Intellectual
  - Natural
  - Financial
  - Organisational
  - Social

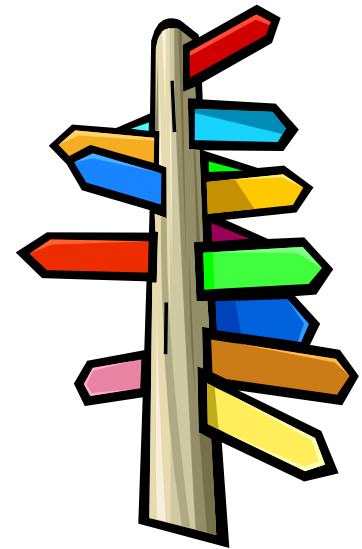
# “Think Different”



- Corporate reporting lost it way, we need to “think different”
  - 6 core indicators
  - Use technology
  - Monetising environmental and social impact
  - Assurance = verifying key data sets
  - Audience is the capital markets

# Guiding Principles for Integrated Reporting

- Strategic focus
- Future orientation
- Connectivity of information
- Responsive and stakeholder inclusive
- Concise, reliable and material



# Board Process - Reporting versus the Drafting of a Report?

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- Reporting is a process, not an end
- Ad hoc gathering of information to be replaced with internal processes over time
- Integrated reporting is an evolving process and possibly not perfect from the start
- Align reporting with what management and the board focus on in measuring the business (set KPIs)
- Integrating sustainability strategy and business strategy – identify financial and non-financial priorities



## *Guidance/Standards*

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# Guidance/Standards

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- Integrated Reporting Committee (IRC) (in SA) issued a Discussion Paper in January 2011
- Also International Integrated Reporting Council (IIRC) - chaired by Mervyn King, with Prince of Wales as sponsor/key supporter
- Ultimately an integrated reporting framework to be issued
- Later possibly standards
- SA Stakeholder Group to be established

# IRC Discussion Paper (IRC DP)

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- Objective of an integrated report and integrated reporting
- Reporting principles
- Suggested elements to be addressed
- Suggested steps to follow in developing an integrated report

# IRC DP: Objective of Integrated Report(ing)

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- To report to stakeholders on the strategy, performance and activities of the organisation in a manner that enables stakeholders to assess the ability of the organisation to create and sustain value over the short-, medium- and long-term
- To foster appreciation, both within the organisation and among its stakeholders, of the extent to which the organisation's ability to create and sustain value is based on financial, social, economic and environmental systems and by the quality of its relationships with its stakeholders

# IRC DP: Reporting Principles

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- Full disclosure of scope and boundary of the report
- Disclosure of the selection of the report content
  - Relevance and materiality
  - Faithful representation – complete, neutral and free from error
- Principles informing the quality of the reported information
  - Comparability and consistency
  - Verifiability
  - Timeliness
  - Understandability/clarity

# IRC DP: Suggested Elements

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- Report profile (What is the scope & boundary of the report?):
  - Reporting cycle, entities represented, reporting principles such as IFRS, GRI, King III, assurance, significant restatements, reference to separate documentation available
- Organisational overview, business model and governance structure (How do we create value and make decisions?)
- Understanding the operating context (What are the circumstances under which we operate?)
  - Identifying material issues, impacts and relationships as well as risks and opportunities

# IRC DP: Suggested Elements(cont.)

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- Strategic objectives, competencies, KPIs and KRIs (Where do we want to go and how do we intend to get there?)
- Account of the organisation's performance (How have we fared over the reporting period?)
  - Concise account of activities undertaken to address strategic objectives
  - Concise description of outcome of these activities against targets, material impacts, KPIs and KRIs
  - Financial information

# IRC DP: Suggested Elements(cont.)

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- Future performance objectives (Informed by our recent performance, what are our future objectives?)
- Remuneration policies (What is our approach towards remuneration?)
- Analytical commentary (What are the views of the leadership about the organisation?)

# IRC DP: Suggested Steps to follow

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- Ensure the organisation understands the implication of integrated reporting
- Plan the reporting process and define the scope and boundary
- Determine material risks and opportunities that impact on the organisation's ability to create sustainable value
- Implement systems to ensure responsiveness to key stakeholders
- Establish internal systems to obtain and monitor performance data

# IRC DP: Suggested Steps to follow

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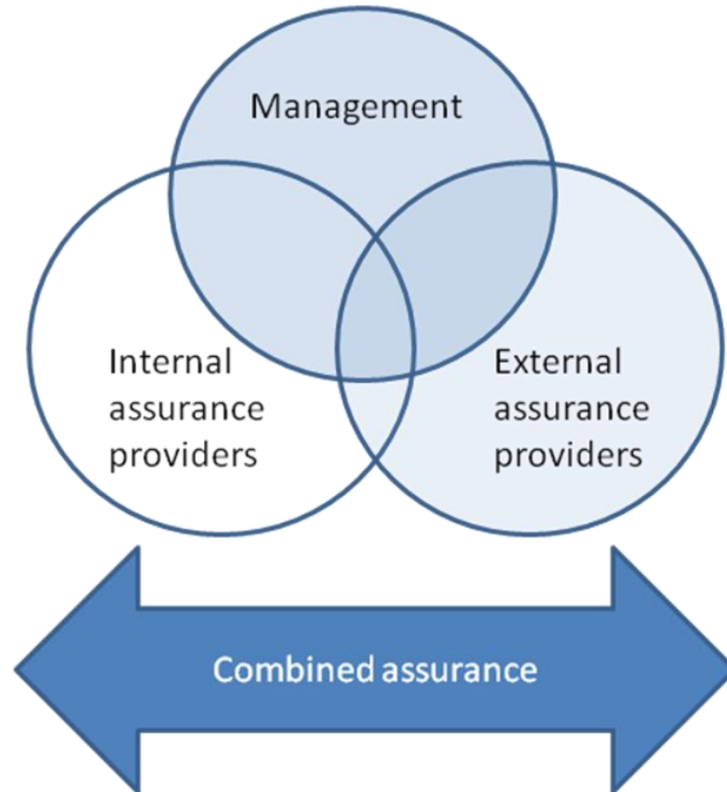
- Develop and implement an appropriate assurance process
- Compile and structure the integrated report
- Ensure the organisation's governing structure approves the report
- Publicly release the integrated report



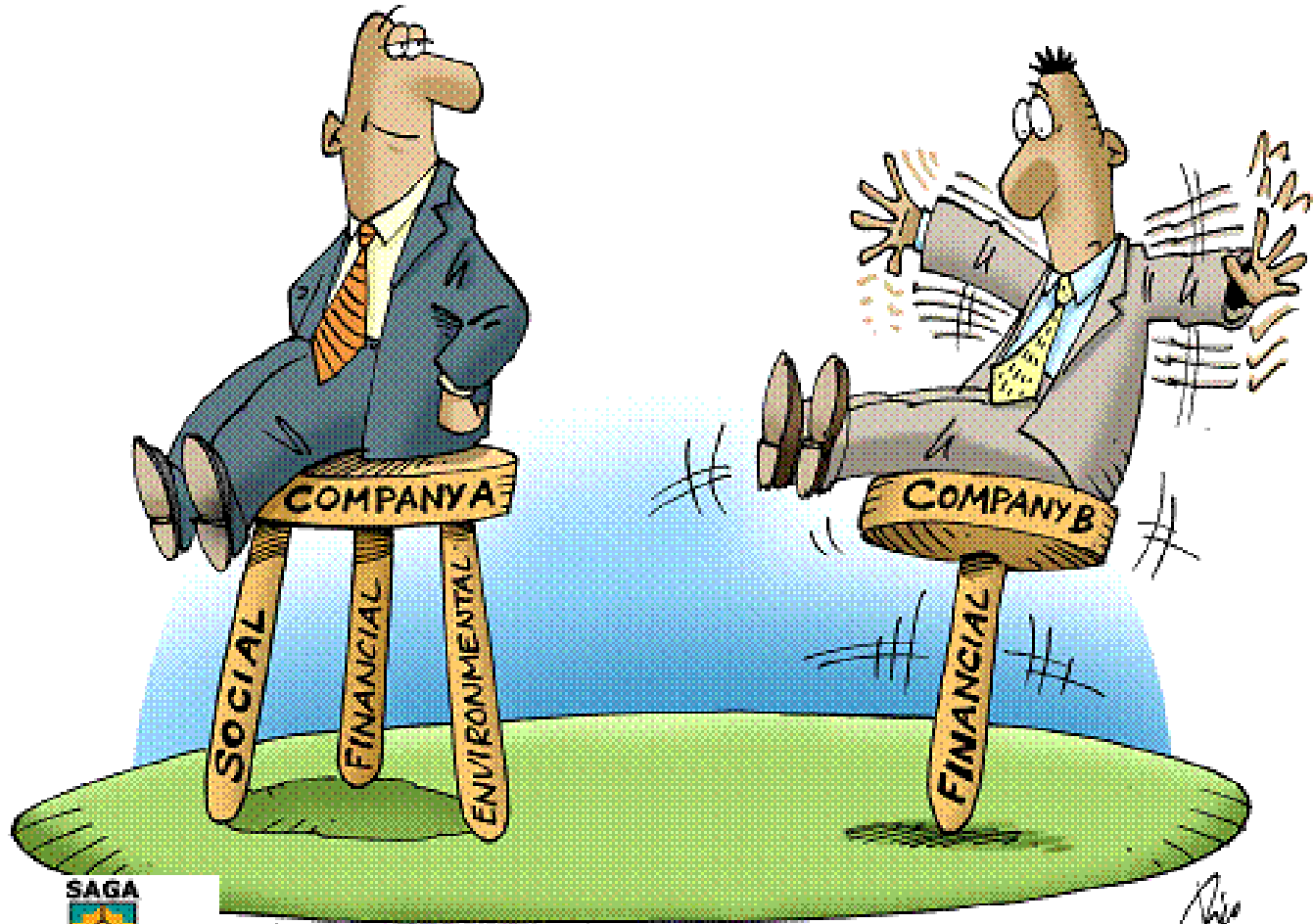
*Assurance*

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# Combined Assurance



Do what your report & report what you do ...



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