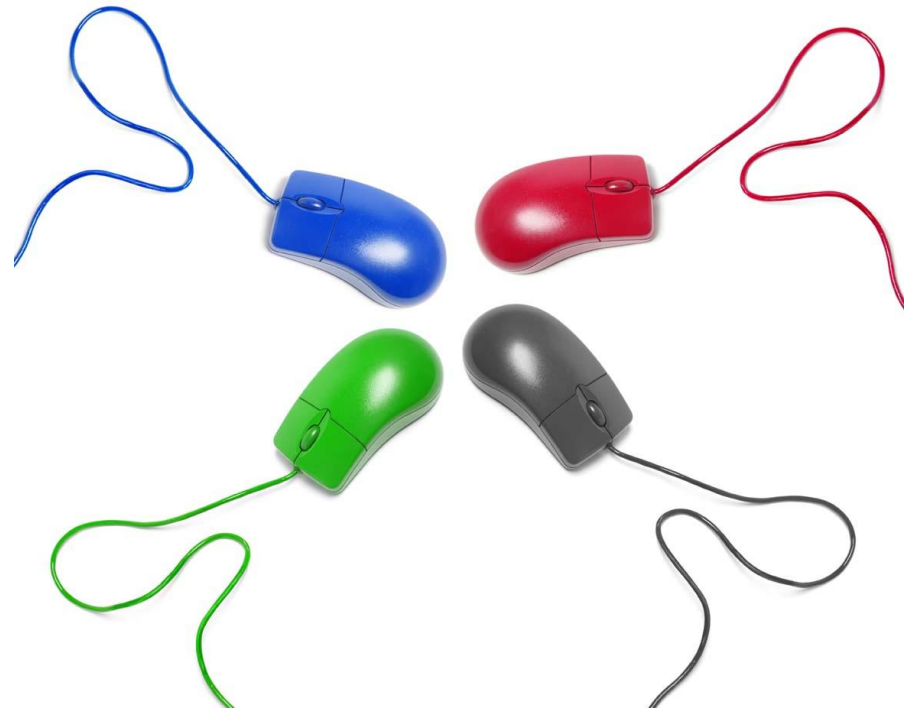


PLEASE NOTE: The audio for today's presentation will be transmitted through your computer speakers.

A better view Integrated reporting webcast

March 19, 2014



Speakers

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Agenda

- Background
- Why are companies engaging in <IR>?
- <IR> framework
- Lessons learned
- Key opportunities
- Getting started
- Questions and answers

Important caveats

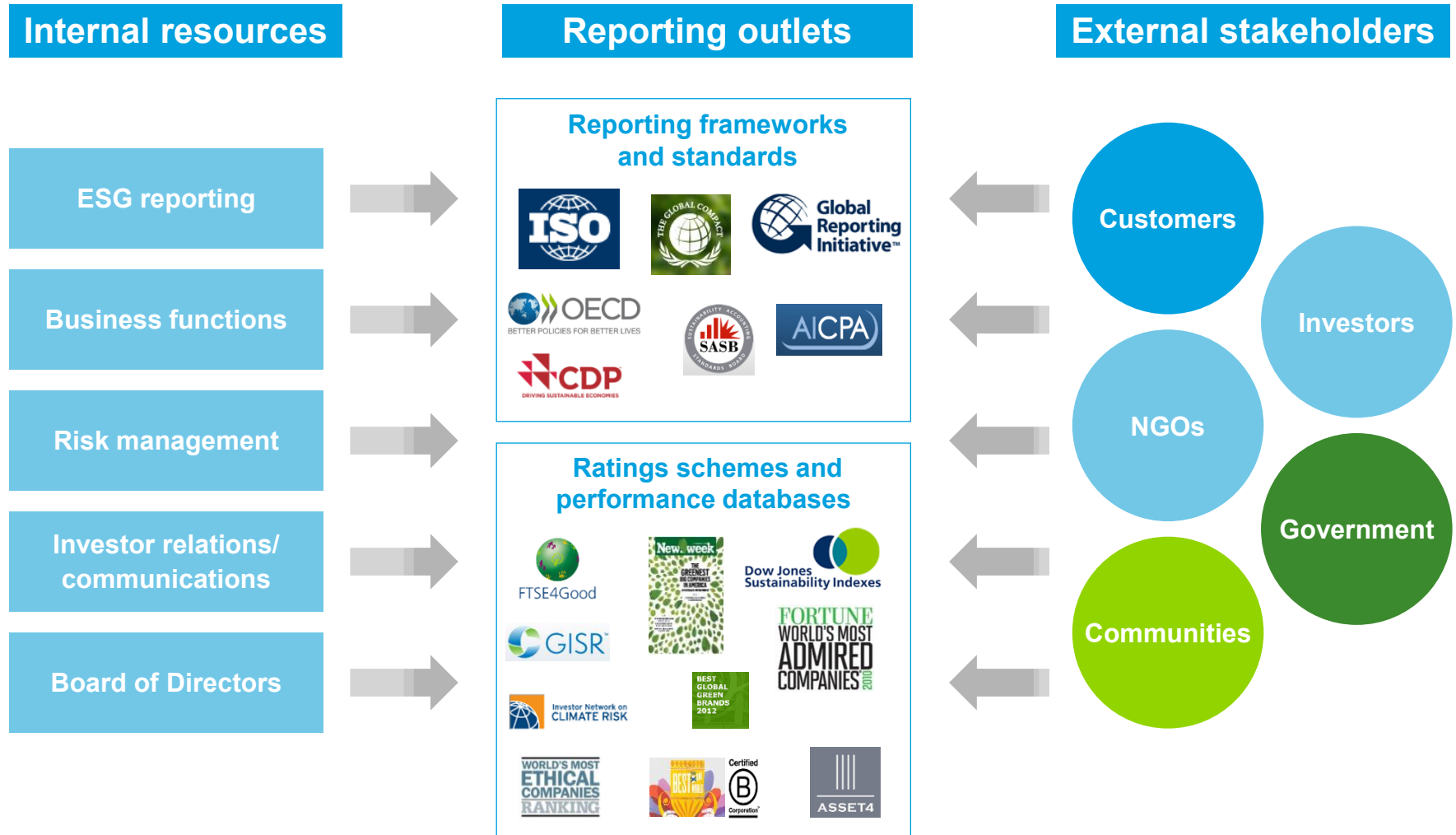
This webcast does not provide official Deloitte interpretive accounting guidance.

Check with your advisor before taking any action.

Background

Reporting landscape

A proliferation of reporting frameworks and ratings



What is an integrated report <IR>?

- A concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to **creates value over time**.
- An IR promotes a cohesive and efficient approach to corporate reporting and that result in a periodic report to investors and other stakeholders how an organization **creates value**.

An IR provides an **integrated thinking** aims to **improve the quality of information** available to **providers of financial capital** to enable a more efficient and productive allocation of capital.



Who is the IIRC?

- The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and Non-Governmental Organizations.
- The mission of the IIRC is to create a globally accepted International <IR> Framework that elicits from organizations material information about their strategy, governance, performance and prospects in a clear, concise and comparable format.

The IIRC is overseen by the Board, comprised of:

- [Mervyn King](#), Chairman of the IIRC
- [Peter Bakker](#), Deputy Chairman of the IIRC
- [Ian Ball](#), Chairman of the Working Group
- [Jane Diplock](#)
- [Paul Druckman](#), Chief Executive Officer
- [Jessica Fries](#), Deputy Chairman of the Working Group
- [Ernst Ligteringen](#)
- [Christy Wood](#)

The Journey to Issuance of the <IR> Framework

Discussion Paper published September 2011. Comment period closed December 2011. Further <IR> Framework development followed through Pilot Programme, Business Network and Investor Network.

- Discussion paper issued September 2011
Comment period ended in December 2011

**Feb
2013**

IIRC and IASB announce Memorandum of Understanding (MoU)

**March
2013**

IIRC and Global Reporting Initiative (GRI) announce MoU

**April
2013**

IIRC issues a consultation draft
350 comment letters received

**December
2013**

Final framework issued


Why are companies engaging in <IR>?

Why are companies engaging in <IR>?


Growing realization that a wide range of factors determine the value of an organization



Many value factors are not easy to account for (e.g., people, natural resources, intellectual capital, market and regulatory context, competition, energy security)



<IR> reflects the broad and longer-term consequences of the decisions organizations make in order to create value over time.



<IR> enables an organization to communicate in a clear, articulate way how it is drawing on all resources to create value in the short, medium and long term

What investors like about <IR>

- **Clarity** on which matters are most material to the business
- A clear identification of **risks and opportunities**
- Information on the **impact of business** issues on the direction of the business
- **How management of business issues benefits** the organization in terms of competitiveness, gaining/losing market share, innovation (**Integrated thinking**)
- An **indicative value** that shows the relative movement in performance

ESG issues do affect the profitability of organisations and we are looking to invest into companies that understand this and translate it into a competitive advantage over their peers.

Mike Appleby Alliance Trust

<IR> framework

Key messages about the IIRC framework

Overview

- **Intent of the framework is to**
 - Strike an appropriate balance between flexibility and prescription
 - Recognize the wide variation in individual circumstances of different organizations
 - Enable a sufficient degree of comparability across organizations to meet relevant information needs
- **The framework will not**
 - Prescribe specific key performance indicators, measurement methods, or the disclosure of individual matters
- Before an integrated report can be said to be in accordance with the Framework a small number of requirements have to be applied

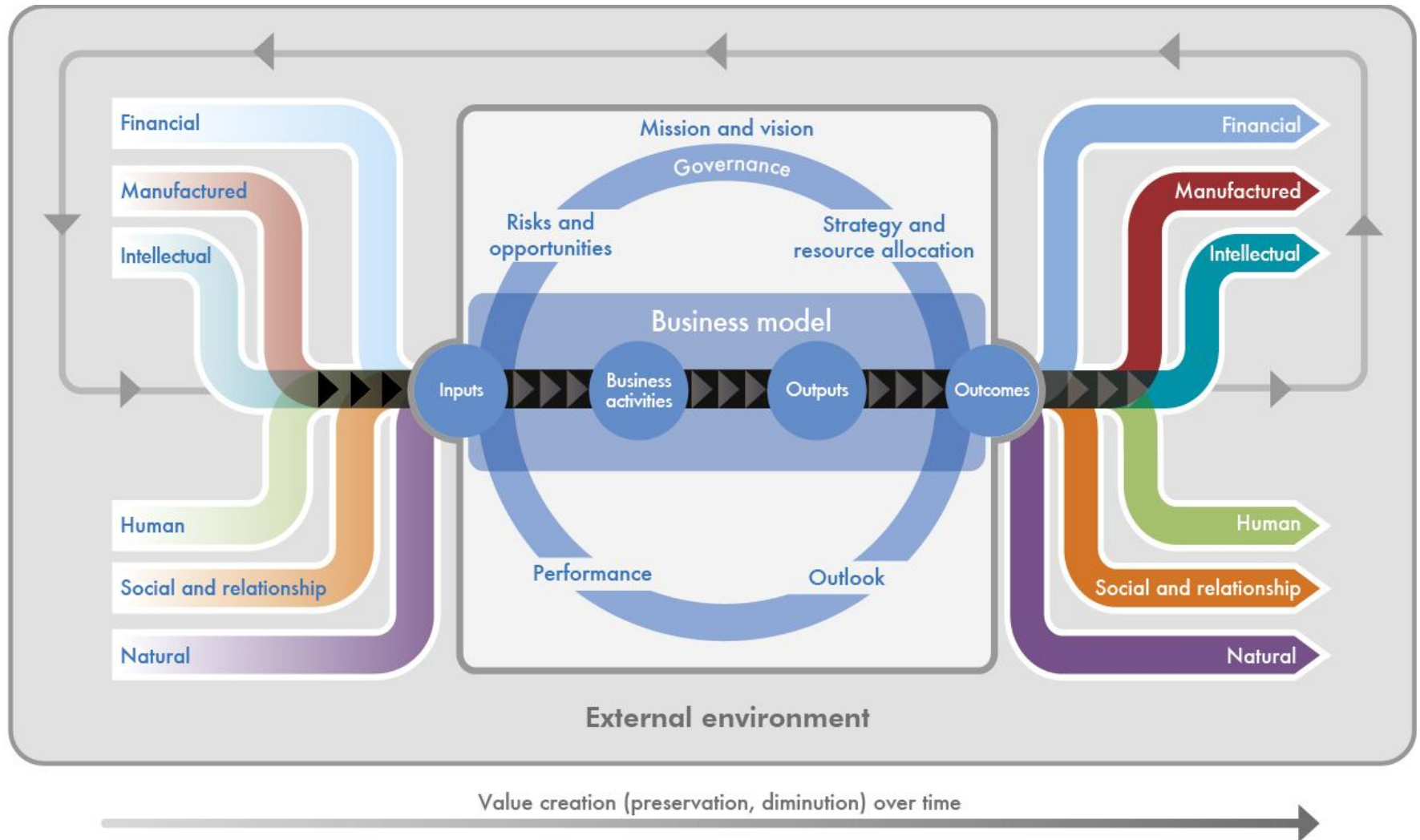
Key messages about the IIRC framework (cont'd)

Overview

- Voluntary application
- Supplemental to current statutory reporting requirements (Audited financial statements, MD&A, Annual Information Form, etc.)
- Principles based framework intended to permit experimentation and creativity in reporting

International <IR> framework: Overview

Central themes



Overview of the IIRC framework

<IR> guiding principles

1. Strategic focus and future orientation
2. Connectivity of information
3. Stakeholder responsiveness
4. Materiality and conciseness
5. Reliability and completeness
6. Consistency and comparability

Report
preparation



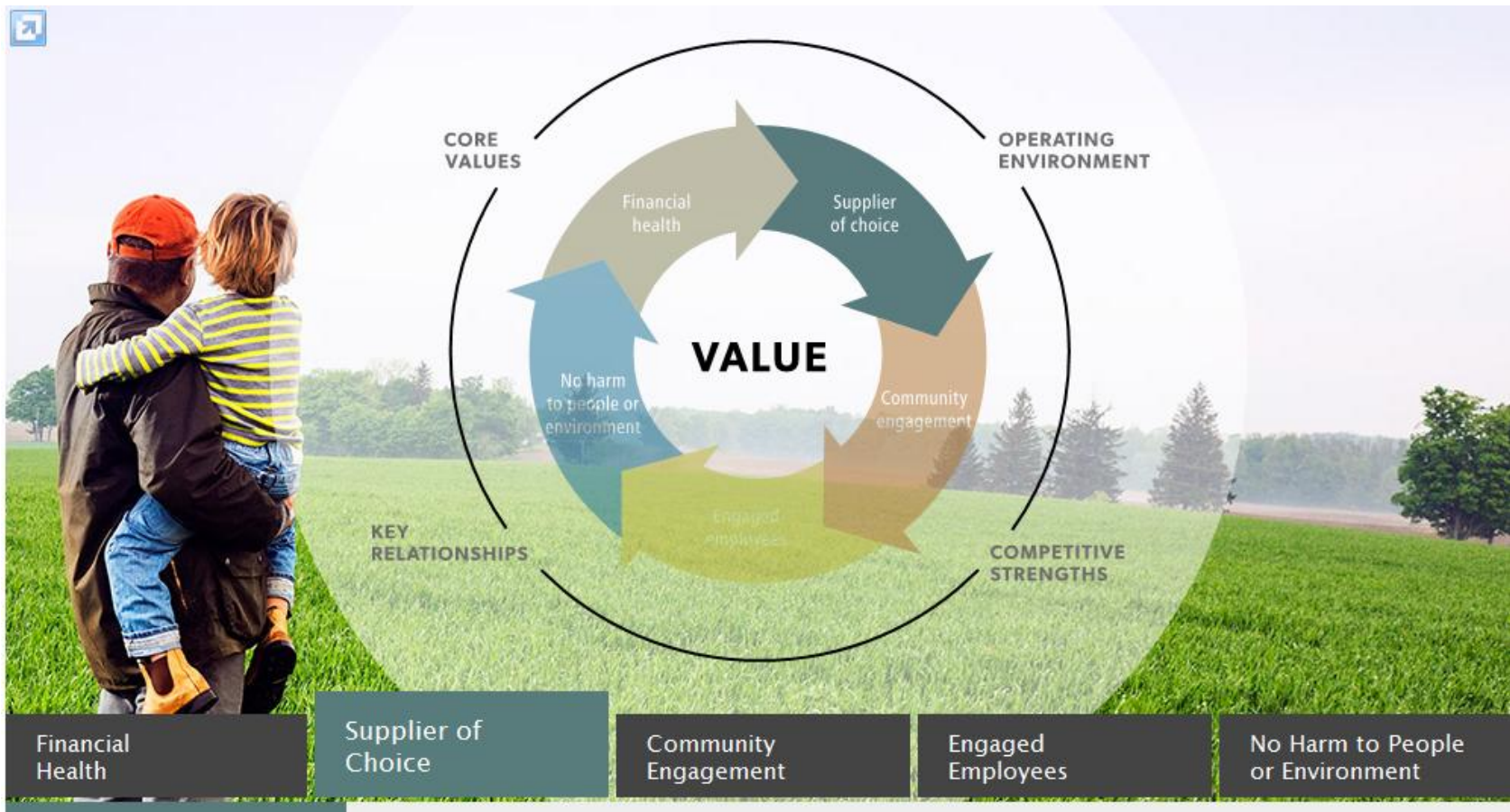
<IR> content elements

- Organizational overview and external environment
- Governance
- Opportunities and risks
- Strategy and resource allocation
- Business model
- Performance
- Future outlook

Integrated reporting: <IR> framework

Examples from IIRC database

PotashCorp – Annual report 2013 – Integrated business model and strategic value drivers



Integrated reporting: <IR> framework (cont'd)

Examples from IIRC database

Unilever – Annual report 2012

- The 2012 Annual Report defines an embedded strategy: „The Sustainable Living Plan“, which emphasizes the long-term focus of Unilever’s strategy and an overarching systemic journey to sustainability outcomes.
- The strategy is fully integrated into the business model focused on three goals to be achieved by 2020, supported by seven commitments underpinned by well-defined targets.
- Unilever’s strategic approach considers both sustainability risks and opportunities.
- Unilever includes information as to how the business model will create and sustain financial and non-financial value over the long-term.

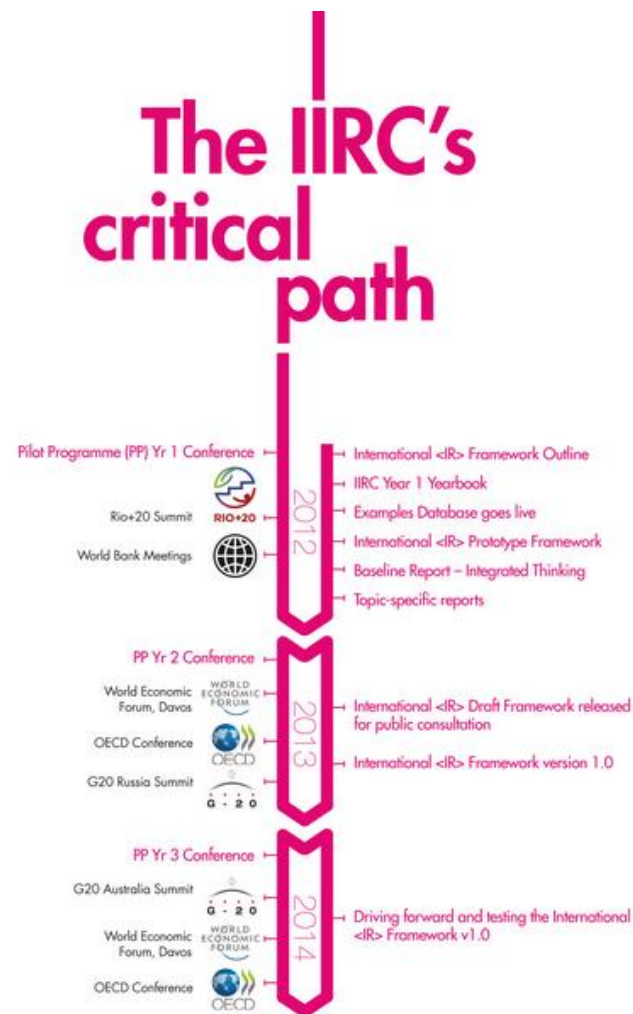
Information on this page is publicly available and was obtained from the IIRC Examples Database <http://examples.theiirc.org/home>.

Lessons learned

About the IIRC pilot programme

- IIRC has signed Memoranda of Understanding with the International Accounting Standards Board and Global Reporting Initiative in February 2013
- From 16 April for 90 days the IIRC will hold a Consultation Draft Period
- The IIRC Pilot Programme continuously calls upon more businesses and investors to join its network
- North American organizations currently participating in the pilot programme are:
 - Cliffs Natural Resources
 - Edelman
 - Jones Lang LaSalle
 - Microsoft Corporation
 - Prudential Financial
 - Teck Resources
 - The Clorox Company
 - The Coca Cola Company
 - Vancity

Source: IIRC (www.theiirc.org/wp-content/uploads/2011/02/criticalpath1.jpg)



Lessons learned from clients applying integrated reporting

Client examples

Transparency and accountability

- Board owner of the <IR> and champion needs to be at an executive level
- <IR> critical success factors to be determined and linked to management key performance criteria
- Defined roles and responsibilities within the organization Resource allocation needs to be considered
- <IR> needs to be supported by policy, procedures and frameworks

Lessons learned from clients applying integrated reporting (cont'd)

Client example

Boundary setting

- Complex in **multinationals** and diversified businesses
- Needs to be aligned with financial reporting
- Boundary defined for <IR> as well as for each KPI where different
- Transparent disclosure if reporting entity cannot report on all operations or areas

Materiality determination process

- Governance and stakeholder lens
- Not to be determined at year end but during planning stages
- Align with the reader of the <IR>
- Disclosure of the materiality process needs improvement

Lessons learned from clients applying integrated reporting (cont'd)

Client example

Systems, data and processes

- One of the largest challenges
- Clients discovered they don't have the systems, data or processes to support the <IR> process
- Investment decision

Credibility through assurance

- Assurance process is a journey
- No requirement at this point
- Need to understand the maturity of the processes and data
- Investment in training and awareness

Key opportunities

Some key opportunities

- Ability to tell the “whole story” about the organization and its contributions in the broadest sense to stakeholders
- Enhanced opportunity to discuss the interrelationship between critical matters such as sustainability, governance, financial performance and other matters
- Explore the flexibility of the framework to “use your own words” to tell your story
- Breaking down silos within an organization
- Conciseness objective will remove boilerplate language
- Opportunity to refresh communications strategies
- Stimulates creative and innovative thinking

Getting started

Getting started: Considerations to prepare an <IR>

Suggestions included in the <IR> framework

- Connect with your peers internally to discuss the <IR> Framework
- Conduct an assessment of the benefits of introducing <IR> to your organization and testing components of the Framework
- Engage with providers of financial capital around perceptions and understanding of <IR>
- Participate in IIRC events

Getting started

- Seek CEO and Board support and appoint an executive to drive the process (e.g., CFO)
- Identify material financial and nonfinancial performance measures
- Develop understanding of relationship between financial and nonfinancial performance
- Evaluate controls over nonfinancial information

Questions and answers

Deloitte.