

Deloitte.

*Lost in
regulation...*



Integrated Reporting
Is your message
lost in regulation?



Content

What is an Integrated Report?.....	6
Navigating the Integrated Reporting requirements	10
Contacts	14

This paper aims to
address the
key questions
relating to
Integrated Reporting,
as asked by
those charged
with governance

There is much anxiety and uncertainty in the market regarding Integrated Reporting. At Deloitte, we firmly believe that if sustainability and good corporate governance is a key component of your business strategy, you will be well placed to develop a sound Integrated Report.

Integrated Reporting, if well applied, creates an excellent opportunity to convey your message focussing on what matters to your shareholders and other stakeholders, and not only on what is required by regulation.

The King Code of Governance Principles for South Africa (“King III”) encourages Integrated Reporting; recognising that governance, strategy and sustainability are inseparable. The *“Framework for Integrated Reporting and the Integrated Report Discussion Paper”*, issued in January 2011 (“the IR Discussion Paper”) clarified the King III references to the *“fundamental shift”* and *“significant evolution”* required in corporate reporting.

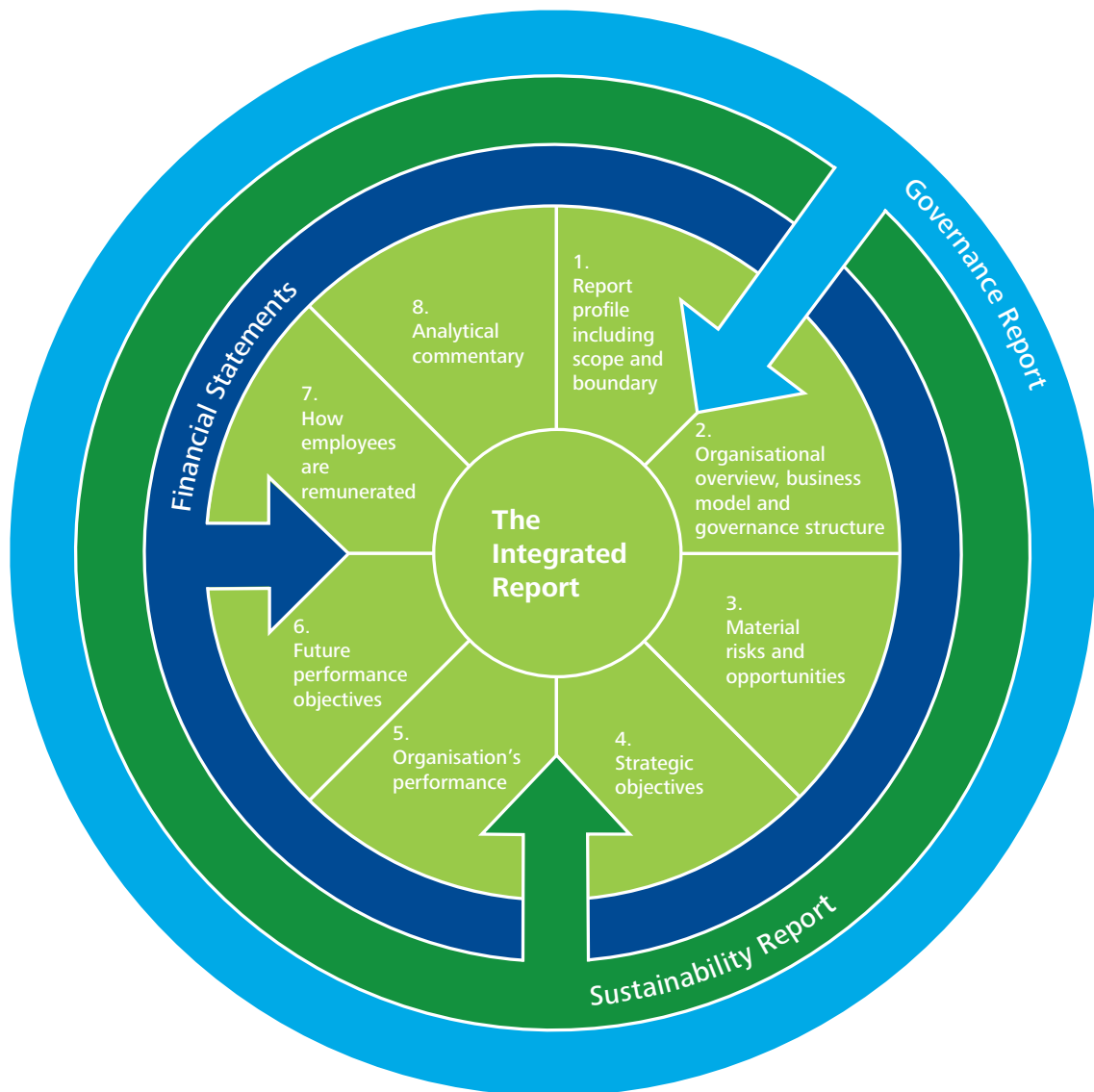
What is an Integrated Report?

The Integrated Report is a report that tells the overall story of an organisation in a manner that allows all stakeholders to assess the ability of the organisation to create and sustain value over the short, medium and long term

A good Integrated Report should demonstrate in plain language how the organisation plans to sustain long term competitiveness without unduly compromising short term profitability.

The IR Discussion Paper issued by the South African Integrated Reporting Committee (IRC) describes the Integrated Report as the organisation's primary report and identifies eight suggested elements to be included. It further refers to the financial statements and the Sustainability Report as reports that need to be drawn upon when preparing the Integrated Report.

The proposed structure and content is illustrated alongside.



The Integrated Report

Prepared in accordance with the "Framework for Integrated Reporting and the Integrated Report Discussion Paper", issued January 2011

Governance Report	Sustainability Report	Financial Statements
Prepared with reference to King III	Covering a combination of environmental, social and governance matters. Prepared in accordance with a recognised framework such as Global Reporting Initiative (GRI) or AccountAbility and audited to provide at least limited assurance over key indicators in accordance with ISAE 3000 or AA1000AS	Prepared in accordance with International Financial Reporting Standards (IFRS) and audited to provide reasonable assurance in accordance with International Auditing Standards

Eight elements are further described in the “*Framework for Integrated Reporting and the Integrated Report Discussion Paper*” issued in January 2011:

A description of the scope and boundary of the Integrated Report.
A concise overview of the organisation and its activities , a statement of its business model describing the manner in which it currently creates value and an overview of its governance structure.
A description of the risks and opportunities that are material to the organisation’s current and anticipated activities. These risks and opportunities are identified based on a review of financial, social, environmental, economic and governance issues and trends, an assessment of the organisation’s material impacts on financial, social, economic and environmental systems and a review of its relationships with key stakeholders.
A description of the organisation’s strategic objectives demonstrating how these have been informed by the risks and opportunities, including sustainability issues. The report should give an indication of the organisational competencies required to realise the strategic objectives and a succinct list of the Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) that will track performance against the strategic objectives and competency requirements. This should cover the short, medium and long term periods.
An account of the organisation’s performance in terms of its strategic objectives, its material, social, environmental, economic and financial impacts and its KPIs and KRIs.
A statement of the organisation’s anticipated activities and future performance objectives, informed by its assessment of recent performance and understanding of societal trends and stakeholder expectations.
An overview of how the organisation remunerates employees and senior executives, including factors that could influence future remuneration.
A brief analytical commentary that reflects the understanding of the organisation’s governing structure and executive team regarding the nature of the organisation’s current and anticipated performance in the context of the organisation’s strategic objectives. The organisation should report how it can improve its positive material impacts and how it can eradicate or ameliorate its negative material impacts.

The Integrated Report is not simply the Annual Report produced with sufficient cross reference to environmental, social and governance indicators, as this does not provide the insight into strategy, risks and opportunities required, nor is it the Sustainability Report itself

The Integrated Report should be able to be taken as a stand-alone document and should provide sufficient financial and sustainability information to enable an informed opinion to be made. In determining what level of disclosure will result in sufficient information being disclosed, relevance and faithful presentation should take precedence above comparability and consistency.

The Integrated Report should contain forward looking information dealing with the organisation's performance objectives.

Although the annual report generally contains performance objectives relating to financial indicators, the Integrated Report will **also contain forward looking information relating to environmental and social indicators**, and should cover the **actions identified to address risks and opportunities**.

Navigating the Integrated Reporting requirements

Who should produce an Integrated Report?

Following the incorporation of King III into the Johannesburg Stock Exchange Listing Requirements, listed companies are required to issue an Integrated Report for financial years starting **on or after 1 March 2010**, or explain why they are not doing so.

Good governance requires transparency and therefore we recommend that all organisations consider the principles of Integrated Reporting to understand how to best apply it in their specific circumstance. In particular, we recommend that organisations better understand the impact the ever increasing focus on environmental and social matters will have on their upstream and downstream supply chain, to ensure that the opportunity to maximise competitive advantage is utilised. It is important though to recognise that Integrated Reporting is a journey and reporting will improve over time.

How does the “*Framework for Integrated Reporting and the Integrated Report Discussion Paper*”, issued in South Africa in 2011 fit into global reporting requirements?

There is no doubt that there is global recognition that corporate reporting should be improved to ensure that businesses are better understood. Although King III is forcing South Africa to move faster than the rest, we are moving in the same direction as the rest of the world.

The International Integrated Reporting Committee (IIRC) was formed in August 2010 with the mission to create a globally accepted Integrated Reporting framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format. This committee, on which Deloitte is represented, has a stated aim to get Integrated Reporting on the agenda of the G-20 meeting being hosted by France in November 2011.

Some leading international companies have been practising Integrated Reporting for the past few years. We believe that this practice will become increasingly popular as market forces and regulation push organisations to adopt Integrated Reporting. **In the long term, every company should, and eventually will have to, practice Integrated Reporting.**



If my company does not have a large carbon footprint - is this relevant to me?

There is a common misunderstanding that Integrated Reporting (and Sustainability Reporting) is about the environment. Integrated Reporting is about presenting a cohesive and persuasive picture of your business and should include matters that are important to your stakeholders. It deals with risks, opportunities and strategic objectives relating to the combination of financial, social, environmental, economic and governance matters and therefore is relevant to all organisations.

Exactly what needs to be assured and who should provide this assurance?

King III recommends the following:

- The Annual Financial Statements should be prepared in accordance with International Financial Reporting Standards (IFRS) and need to be audited in accordance with International Auditing Standards (IAS);
- The Sustainability Report should be prepared in accordance with a recognised framework (Global Reporting Initiative Reporting Guidelines are most commonly used in South Africa), with assurance reporting provided in accordance with the International Standards for Assurance Engagements 3000 (Revised), "Assurance Engagements other than audits or reviews of historical financial information" (ISAE 3000).

The audit requirement of the Integrated Report is still unclear. In particular, concerns have been expressed over the potential need to provide assurance over forward looking information.

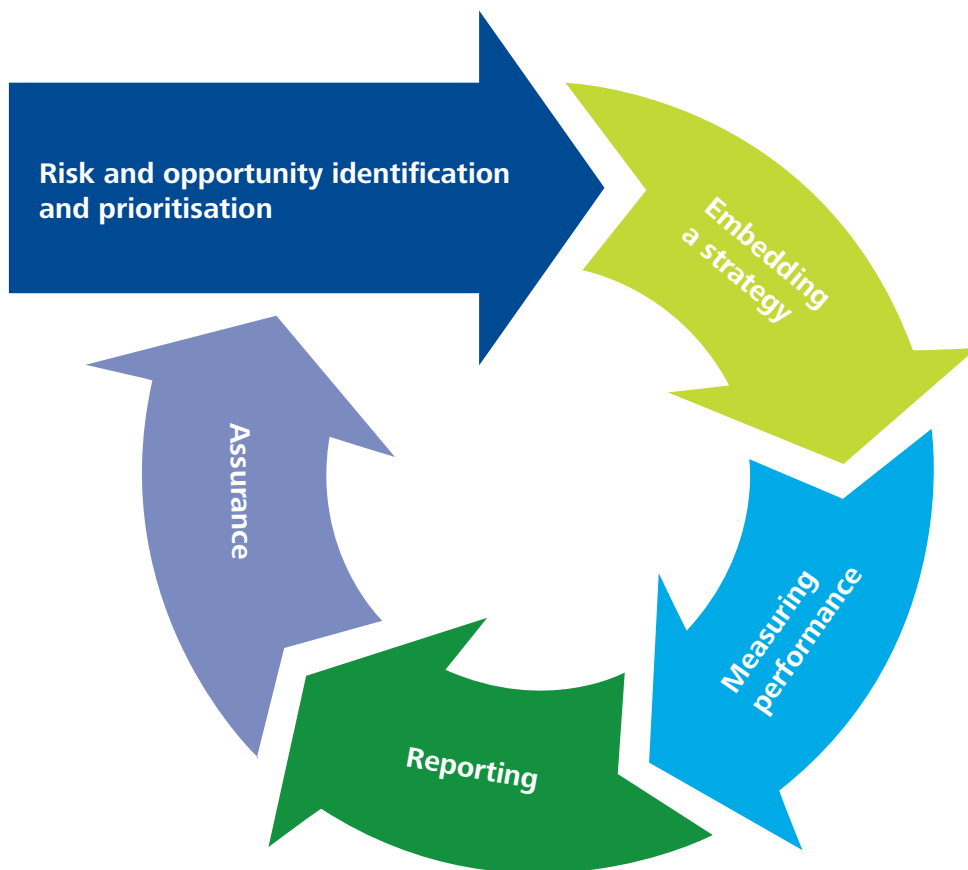


Are we simply responding to regulation, or is there a business incentive to engage in this process?

The loss of shareholder value due to corporate scandals, the sub-prime lending crisis and environmental disasters have been a good reminder that non-financial issues could have a significant impact on the long term sustainability of a company. It therefore follows that financial measurement alone cannot provide sufficient insight into corporate performance. In an era where information is freely available, it is essential that the organisation's message gets across to its stakeholders and addresses their concerns.

Integrated Reporting is about embedding a sustainable strategy. How do I do this?

Any journey that ends in measurement and assurance must begin with an idea of why the initiative needs to be undertaken. At Deloitte, we believe that the journey towards an Integrated Report begins with understanding; in this case, how financial, environmental, social and governance issues affect the stakeholders of an organisation. In building that understanding, Deloitte looks at the business risks that have emerged from the long term sustainability agenda, the impacts of those risks and most importantly, the opportunities which they present.



The Integrated Report Roadmap

Risk and opportunity identification and prioritisation

Identify material risks and opportunities based on a review of financial, social, economic, environmental and governance systems, as well as a review of its relationships with key stakeholders

Embedding a strategy

Review the existing strategy to ensure that the risks and opportunities that have emerged from the long term sustainability agenda are incorporated in the business strategy

Measuring performance

Select KPIs and ensure that the relevant systems to measure these indicators are in place. Embed these KPIs in the remuneration system


Reporting


Develop an Integrated Report that conveys the organisation's message to its stakeholders


Assurance


Develop a roadmap for ongoing independent assurance

Contacts

	Nina le Riche
	Director
	Mobile: +27 (0)82 331 4840
	Email: nleriche@deloitte.co.za

	Elanie Heyl
	Senior Manager
	Mobile: +27 (0)83 225 0730
	Email: elaniehey@deloitte.co.za

	Claire Hoy
	Senior Manager
	Mobile: +27 (0)83 410 2139
	Email: choy@deloitte.co.za

	Johan Erasmus
	Senior Manager
	Mobile: +27 (0)82 573 2536
	Email: jerasmus@deloitte.co.za





Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and each DTTL member firm are separate and distinct legal entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts or omissions and not those of each other. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates, and/or other entities.

© 2011 Deloitte & Touche. All rights reserved. Member of Deloitte Touche Tohmatsu Limited

Designed and produced by Creative Solutions at Deloitte, Johannesburg. (802161/chr)