

INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA

# PREPARING AN INTEGRATED REPORT

## A STARTER'S GUIDE

**INTEGRATED REPORTING  
COMMITTEE  
(IRC)**

[www.integratedreportingsa.org](http://www.integratedreportingsa.org)

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Framework



Guiding principle



Content element

# PURPOSE OF THIS PAPER

**The Paper seeks to provide organisations with practical suggestions on preparing an integrated report. The Paper is guided by the International <IR> Framework (Framework), released by the International Integrated Reporting Council (IIRC) in December 2013, which was subsequently endorsed by the Integrated Reporting Committee (IRC) of South Africa as guidance on how to prepare an integrated report. It's advisable to read the Framework first before going through this Paper.**

The Paper has been developed in response to requests from new preparers of integrated reports. It draws on the experience of some South African organisations which have been on the integrated reporting journey for the past five years. It identifies key areas that should be considered when preparing an integrated report and offers internal structures, planning and processes found to be helpful by experienced reporters.

The Paper aims to be a useful resource for those about to start or who have recently started their integrated reporting journey, but could also be of use to those already some way down the road. It is appropriate for both larger organisations that have dedicated reporting resources and smaller organisations that do not.

The focus of the Paper is on the process of preparing an integrated report. It does not address areas such as strategy development or risk management, which should ideally precede an integrated report but can quickly become an iterative process. Nor does the Paper address how organisations embed integrated thinking into their business.



We hope you find this Paper useful and welcome your comments addressed to the IRC secretariat at [ircsa@saica.co.za](mailto:ircsa@saica.co.za)

While every effort has been made to ensure that the information published in this work is accurate, the Integrated Reporting Committee (IRC) of South Africa, its members and secretariat, and the members of its Working Group take no responsibility for any loss or damage suffered by any person as a result of the reliance upon the information contained therein.

# IN A NUTSHELL

This is an overview of an integrated report and its preparation process with subsequent sections expanding on the information.

## WHAT IS AN INTEGRATED REPORT?



*An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.*<sup>1</sup>

In other words, it's a report that tells the organisation's value creation story in a clear, concise and understandable way. It's a portal by which the organisation communicates a holistic view of its current position, where it's going, and how it intends to get there. The report enables readers to make an assessment of the organisation's ability to create value in the future, with value creation referring to the value created for both the organisation and for others.

## THE FRAMEWORK

The International <IR> Framework greatly assists an organisation in preparing its integrated report. The Framework is principles based and sets out the fundamental concepts, guiding principles and content elements of a report. The fundamental concepts underpin the guiding principles which inform the preparation, content and presentation of the report, while the content elements give detail on the information to be reported on.

The structure of an integrated report is not prescribed by the Framework; nor should the guiding principles and content elements be seen as a tick box exercise. The focus should rather be on understanding the fundamental concepts and guiding principles and why they're important. The leadership of the organisation should apply its collective mind to the organisation's unique reporting needs and telling its unique value creation story.

The Framework contains 18 requirements (stated in bold type in the Framework with a summary on pages 34 and 35) which include the guiding principles and content elements. An integrated report should contain all of these if the report is to reference the Framework. The Framework is flexible enough – section 1E – so that the form of the integrated report can fit into the existing regulatory requirements in different legal jurisdictions. When applying the Framework an organisation should assess how it adheres not only to the 18 requirements but also to the spirit and intent of the Framework.

Integrated reporting is based on two fundamental and interconnected concepts: value creation and the capitals.

Value creation emphasises value is not created by or within the organisation alone, but is influenced by the external environment, the organisation's relationships with others, and the resources used and affected. Value creation can best be understood as the change in value of the capitals over time.

<sup>1</sup> The International <IR> Framework, glossary

The concept of capitals seeks to assist an organisation in identifying all the resources and relationships it uses and affects to report in a comprehensive manner. The six capitals are:

- **Financial capital**, such as shareholder equity and funds raised by issuing bonds
- **Manufactured capital**, such as equipment and public infrastructure
- **Intellectual capital**, such as technology, patents, research and development, and the organisation’s internal systems, procedures and protocols
- **Human capital**, such as people’s skills and experience
- **Social and relationship capital**, such as key stakeholder relationships, brands and reputation, as well as community involvement
- **Natural capital**, such as water, land, and minerals



The Framework’s guiding principles assist in understanding the information that should be reported. It’s not about more information. It’s about material information. The seven guiding principles are:

- **Strategic focus and future orientation**
- **Connectivity of information**
- **Stakeholder relationships**
- **Materiality**
- **Conciseness**
- **Reliability and completeness**
- **Consistency and comparability**



An integrated report includes eight content elements, referring to information which is interconnected:

- **Organisational overview and external environment**
- **Governance**
- **Business model**
- **Risks and opportunities**
- **Strategy and resource allocation**
- **Performance**
- **Outlook**
- **Basis of preparation and presentation**

## INTEGRATED THINKING

Understanding the consequences and implications of decisions across the organisation’s important capitals can be described as integrated thinking – which should lead to integrated decision-making in the organisation. The integrated report should show how the organisation uses and affects its important capitals, as well as the trade-offs between the capitals, in its value creation process.

The more integrated thinking is embedded in the organisation the easier it is to prepare an integrated report, and indeed the better the quality of the report. It’s recommended that the organisation’s highest governing body (referred to as the board in this Paper) has an agenda item at each meeting on the capitals used and affected, as well as the ongoing relationships with stakeholders including their legitimate and reasonable needs, interests and expectations.

Integrated reporting assumes there is some degree of integrated thinking in the organisation with experienced reporters noting that integrated reporting has often helped to embed integrated thinking.

## PLANNING AND PREPARING THE REPORT

### LEADERSHIP AND GOVERNANCE

The participation and buy-in of the organisation’s leadership is imperative for the integrated reporting process to succeed. A priority for new preparers is to ensure that the leadership participates in and understands the benefits of integrated reporting and integrated thinking. This is assisted by including the agenda item at board meetings, as suggested above, thus ensuring the board is kept informed throughout the year. The board should have final say in approving the integrated report and determining the material matters reported in it, and to oversee the preparation process – after all, the integrated report is its report.

### **CLEAR ACCOUNTABILITY AND PROCESS**

The preparation of the report should be supported by clear accountability and process. The need for early and thorough planning can't be emphasised enough. Indeed, it's critical to the report being produced on time and within budget. The board may designate a senior executive accountable for the preparation of the report. An integrated reporting team, drawing on individuals from various business areas, is often established to provide strategic direction, set deliverables and timeframes, and monitor preparation. Smaller organisations could have smaller teams to undertake this function.

### **STAKEHOLDER RELATIONSHIPS**

An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders. It's important for readers of the report to understand this because the organisation creates value through its relationships with others. The integrated report should show who the key stakeholders are and their impact on the organisation, the impact the organisation has on them, their needs, interests, expectations and issues raised, and how the organisation has responded to these.

### **MATERIAL MATTERS**

Determining materiality is one of the cornerstones of an effective integrated report. It means that only the matters that substantively affect the organisation's ability to create value should be reported on. In determining material matters, consideration should be given to all aspects of the organisation – strategy, governance, performance, prospects, and the important capitals. A focus on materiality avoids reporting unnecessary and irrelevant information. The report should disclose the process for determining materiality, and the board should approve the identified material matters.

### **RELIABILITY AND ASSURANCE**

Reliable information is important for the integrity and credibility of the integrated report. Collecting non-financial data and translating it into an understandable and accessible format can be

challenging. The goal should be to get non-financial information reporting systems on a par with those for financial information.

External verification can increase the credibility of the integrated report. The board should determine the assurance approach for the report and its process, which will often include both internal and external assurance. The external assurance of the integrated report by assurance providers is currently under discussion internationally.

### **WRITING AND COMPILING THE REPORT**

To be accountable the organisation and its board should ensure that the integrated report is transparent, accessible and understandable. Thus, the report should be clear, concise, use understandable language, and avoid irrelevant information and detail. The report should contain the organisation's overall story – and, if required, additional information can be housed on the organisation's website.

The integrated report should be a balanced report, avoiding the tendency to include only the good and not the bad news. Some investors and other readers of reports have said that unbalanced reporting affects the credibility of the organisation.

### **CONCLUSION**

The integrated report shouldn't be seen by an organisation as yet another compliance burden. It really is a good communication tool which offers internal benefits for the organisation too.

There is no one-size-fits-all integrated report or integrated reporting process. The reporting process is scaleable and the effort required will likely be in proportion to the size and structure of the organisation – the process should not be complex.

Integrated reporting is a journey. It's unlikely that all objectives for your integrated report will be met in the first year, but reporting will improve as the organisation remains committed to the journey.



# SOME BACKGROUND

## KEY TERMS EXPLAINED

Throughout this Paper mention is made of integrated thinking, integrated reporting, and the integrated report – these terms are explained below. The fundamental concepts of integrated reporting, value creation and the capitals, are explained on pages 10 to 12.

### WHAT IS INTEGRATED THINKING?

**<IR>** *The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term.*<sup>2</sup>

In essence, it's the consideration of the integration and management of the important capitals used or affected by the organisation. Integrated thinking enhances understanding of the implications of business activities on the important capitals. Integrated decision-making considers all the important capitals – because, at the very least, how the organisation impacts its important capitals today affects their future availability, quality and affordability.

Embedding integrated thinking in an organisation should happen at three levels: the board, senior management and employees. The board decides on the integrated strategy and strategic objectives, which should then be filtered down by senior management to employees. Integrated thinking requires a mindset change away from a short-term, singular financial focus to one that considers all important capitals over the short, medium and long term.

Integrated reporting reinforces an organisation's efforts to embed integrated thinking and change corporate behaviour. The benefits of integrated thinking include:

- A more cohesive approach to decision-making which focuses on value creation in the short, medium and long term
- A more robust and integrated strategy and strategic objectives
- Better strategic perspectives and a wider view of risks
- Deeper understanding of business processes and identification of gaps in processes
- More connected internal and external reporting

### WHAT IS INTEGRATED REPORTING?

**<IR>** *Integrated reporting is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.*<sup>3</sup>

Integrated reporting covers the process of preparing an integrated report as well as other communications that refer to the organisation's value creation. Important to note is that the integrated reporting process is founded on integrated thinking.

<sup>2</sup> The International <IR> Framework, glossary

<sup>3</sup> The International <IR> Framework, glossary

**WHAT IS AN INTEGRATED REPORT?**

*An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.*<sup>4</sup>

*The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It therefore contains relevant information, both financial and other. An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.*<sup>5</sup>

The integrated report tells the complete story of the organisation in a clear and straightforward manner. It differs from the traditional annual report, which emphasises financial reporting, in that it focuses on the ability to create value in the short, medium and long term. The report has an emphasis on: conciseness, strategic focus and future orientation, connectivity of information, and the capitals and their interdependencies.

The integrated report can be considered as the lead among the organisation's corporate reports. Other reports – such as the annual financial statements or sustainability reports – can be viewed as supporting reports and will contain more detailed information than is required in the integrated report. In describing how the integrated report fits into the structure of corporate reporting, the analogy of the octopus is often used: "The head of the octopus can be seen as the integrated report. The head is connected to the multitude of arms with each arm representing a detailed report or communication, such as the annual financial statements, sustainability report, governance report, remuneration report, regulatory reports and so on. The integrated report ... connects the different types of information, including the financial to the non-financial, and in so doing explains how the company creates value and how it can continue to create value in the future."<sup>6</sup>

<sup>4</sup> *The International <IR> Framework, glossary*

<sup>5</sup> *The International <IR> Framework, paragraphs 1.7 and 1.8*

<sup>6</sup> *Mervyn King and Leigh Roberts, Integrate Doing Business in the 21st Century, Juta and Company Ltd, 2013, page 72*



## THE SOUTH AFRICAN CONTEXT

**Alignment with the King Code of Governance for South Africa 2009 (King III): As King III was released in September 2009, a King III Practice Note on the integrated report was released in June 2014 which explains the alignment with the Framework. “King III recommends integrated reporting to reflect the business reality that strategy, risk, performance and sustainability have become inseparable. This integrated thinking is evidenced in an integrated report ...”**

“King III’s purpose in this regard sets out the principles relating to integrated reporting (i.e. the what), and is not meant to be prescriptive on the content or format of the integrated report. Whilst some elements of content and format were included in the King III recommendations, this was done at a time when there was no other guidance on the matter. Subsequently, the Framework was released with the purpose of establishing guiding principles and content elements that govern the content of an integrated report (i.e. the how to), thus providing additional clarity... As such, the principles and practice recommendations of King III operate on a conceptual level whereas the Framework offers implementation guidance.

The approach taken in King III was that the form of the integrated report is less important than the substance of evidencing the integrated thinking of the collective mind of the board. Hence, it was neither the intention nor the purpose and role of King III to be prescriptive on the format of the integrated report.”<sup>7</sup>

*Format of the report:* The Framework states that the primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time, noting that the report benefits all stakeholders interested in the organisation’s ability to create value over time. King III is based on an inclusive stakeholder approach. However, the Framework is flexible enough – section 1E – so that if an organisation wants to address its integrated report to all stakeholders it can do so (but refer to the conditions set out in section 1E).

*Becoming the norm in South Africa:* The Johannesburg Stock Exchange (JSE) has adopted the King III principles as part of its Listings Requirements, which require listed companies to apply the King III principles or explain which principles have not been applied and provide reasons. So while it is not compulsory for a JSE-listed company to prepare an integrated report, if it is not doing so it has to publicly explain why.

South Africa is widely considered as the leader in integrated reporting – mainly thanks to King III. Most of the JSE top 100 companies, many smaller listed companies, and some of the larger state-owned companies prepare integrated reports. Some unlisted organisations also prepare integrated reports to demonstrate good governance and reporting. Many South African reports are highly respected and newcomers to the integrated reporting journey can draw on some good examples from South Africa (most organisations make their reports available on their websites and see [www.integratedreportingsa.org](http://www.integratedreportingsa.org) for the names of the reports which won awards).


<sup>7</sup> Institute of Directors in Southern Africa, Practice Notes King III Chapter 9 – The integrated report, pages 2 and 3

## WHY INTEGRATED REPORTING?

Professor Mervyn King, chairman of the IRC and IIRC, explains: "Until recently, corporate reporting has failed to keep pace with the new ways business has to be done in the 21st century. Good corporate governance, on-going stakeholder relationships, integrated thinking and the integrated report are four of the tools being used by businesses today in learning to make more with less. Stakeholders are already learning that they can make a more informed assessment about value creation from an integrated report. Integrated reporting is playing a role in meeting the world's two great challenges – financial stability and sustainability."<sup>8</sup>


Paul Druckman, chief executive officer of the IIRC, notes: "Many stakeholders have an interest in high-quality corporate reporting and a sustainable economy depends on relevant and accurate information flowing to investors, to enable efficient and productive capital allocation."<sup>9</sup> "Integrated reporting promotes a more cohesive and efficient approach to corporate reporting that draws on different reporting strands."<sup>10</sup>

The Framework lists the aims of integrated reporting as:

-  **• Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital**
- Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of the organization to create value over time**
- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies**
- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term**<sup>11</sup>

Integrated thinking, integrated reporting and the integrated report are all connected.

Integrated thinking can lead to better integration of the information systems that support internal and external reporting.

-  ***The more that integrated thinking is embedded into an organization's activities, the more naturally will... the connectivity of information flow into management reporting, analysis and decision-making, and subsequently into the integrated report.***<sup>12</sup>

<sup>8</sup> IIRC Pilot Programme Yearbook 2013 Business and Investors explore the sustainability perspective of Integrated Reporting, page 2

<sup>9</sup> IIRC Pilot Programme Yearbook 2012 Capturing the experiences of global businesses and investors, page 1

<sup>10</sup> IIRC Pilot Programme Yearbook 2013 Business and Investors explore the sustainability perspective of Integrated Reporting, page 2

<sup>11</sup> The International <IR> Framework, page 2

<sup>12</sup> The International <IR> Framework, paragraph 3.7

**Some of the benefits of integrated reporting cited by experienced South African reporters are:**

- Increased internal awareness of key environmental, social and governance matters
- Breaking down of internal silos and promoting sharing of information in the organisation
- Improved knowledge-management processes
- Focused integration of key performance indicators (KPIs), risks, and strategic objectives within the context of the six capitals
- Clear depiction of the business model articulates and increases understanding of how value is created over time
- Greater alignment of internal and external reporting, i.e. one version of the truth
- Succinct and connected reporting which is easier to interpret and analyse
- Improvement in balanced reporting and transparency through:
  - Inclusion of both positive and negative information
  - Addressing both historic performance and future outlook
  - A strategic focus
- Improved quality of communication between the organisation and stakeholders

# CONSIDERATIONS

## UNDERSTANDING THE FUNDAMENTAL CONCEPTS

Understanding value creation and the capitals is crucial to knowing what an integrated report is and what it's not.

### VALUE CREATION

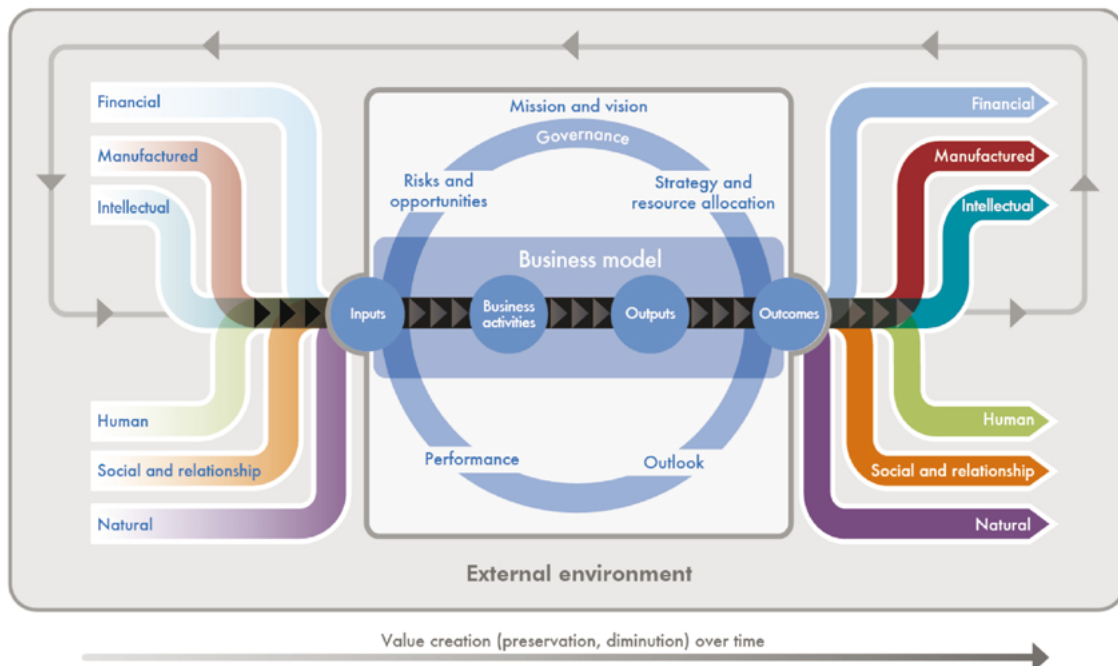
**<IR>** *Value creation is the process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.*<sup>13</sup>

So, value creation covers the change in value in the capitals used or affected by the organisation. It's the consequences of doing business on the capitals.

"... value is created through an organisation's business model, which takes inputs from the capitals and transforms them through business activities and interactions to produce outputs and outcomes that, over the short, medium and long term, create or destroy value for the organisation, its stakeholders, society and the environment."<sup>14</sup>

This process is depicted in figure 1.

**Figure 1: The value creation process**<sup>15</sup>



**<IR>** *The integrated report ... explains how an organization creates value over time. Value is not created by or within an organization alone. It is:*

- Influenced by the external environment
- Created through relationships with stakeholders
- Dependent on various resources

*An integrated report therefore aims to provide insight about:*

- The external environment that affects an organization
- The resources and the relationships used and affected by the organization, which are referred to collectively in this Framework as the capitals.... financial, manufactured, intellectual, human, social and relationship, and natural
- How the organization interacts with the external environment and the capitals to create value over the short, medium and long term<sup>16</sup>

<sup>13</sup> The International <IR> Framework, glossary

<sup>14</sup> IIRC, Background Paper for <IR>, Value Creation, page 1

<sup>15</sup> The International <IR> Framework, figure 2, page 13

<sup>16</sup> The International <IR> Framework, paragraphs 2.2 and 2.3

**Figure 2: Value created for the organization and for others**<sup>17</sup>



It's useful for the organisation to understand how it and its key stakeholders view value.

The value creation process is not static and requires regular reviews of the various components and capitals and how they interact with one another.

**THE CAPITALS**

**<IR>** *At the core of the organization is its business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs (products, services, by-products and waste). The organization's activities and its outputs lead to outcomes in terms of effects on the capitals. The capacity of the business model to adapt to changes (e.g. in the availability, quality and affordability of inputs) can affect the organization's longer-term viability.*<sup>18</sup>

The flow of the capitals is depicted in figure 1.

In general, the capitals can be described as resources and relationships. Clearly, the organisation has effects on the capitals through its activities, products and services. These can be positive, negative or both. Each capital offers inherent benefits, risks and opportunities to the organisation. The capitals are not mutually exclusive – in fact they are very often interdependent on each other.

**<IR>** In the Framework, the six capitals are categorised and described:

- *Financial capital – The pool of funds that is available to an organization for use in the production of goods or the provision of services*
- *Manufactured capital – Manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services. Manufactured capital is often created by other organizations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use*
- *Intellectual capital – Organizational, knowledge-based intangibles*
- *Human capital – People's competencies, capabilities and experience, and their motivations to innovate*
- *Social and relationship capital – The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being*
- *Natural capital – All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization*<sup>19</sup>

<sup>17</sup> The International <IR> Framework, figure 1, page 10

<sup>18</sup> The International <IR> Framework, paragraph 2.23

<sup>19</sup> The International <IR> Framework, paragraph 2.15 (extracts)

## CONSIDERATIONS | CONTINUED

The integrated report should set out how the organisation uses and affects the capitals (the ones that are important to it) and how the various trade-offs are managed. For example, an organisation relies on fresh water as an input in its production process and in so doing depletes the overall fresh water resource (natural capital). It uses its in-house experts (human capital) to develop technology (intellectual capital) and pays (financial capital) to build a more environmentally friendly production plant (manufactured capital), which uses less fresh water and so decreases its negative impact on the environment. By using financial capital to increase the positive value of the organisation's manufactured, human and intellectual capital, it decreases its negative impact on natural capital, which may in turn lead to an improvement in the relationship with environmental groups and local communities also reliant on water, which in turn improves its social and relationship capital.

The organisation should consider all six capitals when preparing its integrated report to ensure it covers all aspects of its value creation story – they serve as a completeness check. While each capital should be considered if it's found not to be materially used or affected it may be excluded.

The organisation is not obliged to use the capitals as categorised in the Framework – it's free to determine its own categories and if so, it's suggested that this is explained in the report.



## USING THE GUIDING PRINCIPLES



**The guiding principles inform the preparation of an integrated report, its content, and how information is presented. They are a guide as to what should be considered for the report:**

### STRATEGIC FOCUS AND FUTURE ORIENTATION

*An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals.<sup>20</sup>*

The report should clearly show the linkages between strategy, risks and opportunities, current performance, as well as future outlook and targets.

### CONNECTIVITY OF INFORMATION

*An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.<sup>20</sup>*

The report should highlight the connection, for example, between past, present and future performance, between financial and non-financial information, and between qualitative and quantitative information.

### STAKEHOLDER RELATIONSHIPS

*An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.<sup>20</sup>*

### MATERIALITY

*An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.<sup>20</sup>*

A focus on materiality should assist in avoiding irrelevant and detailed information from cluttering the report. The integrated report is a high-level, concise report that contains only the most material matters and information affecting the organisation and its ability to create value over time. Additional information can be placed in supporting reports.

## USING THE GUIDING PRINCIPLES CONTINUED

### CONCISENESS

*An integrated report should be concise*<sup>20</sup>

Conciseness implies more than 'as short as possible'. It implies that the information should be accessible through crisp presentation, the omission of immaterial information, and a logical easy-to-follow structure.

### RELIABILITY AND COMPLETENESS

*An integrated report should include all material matters, both positive and negative, in a balanced way and without material error*<sup>20</sup>

Integrated reporting requires that consideration is given to both good and bad news and performance. Furthermore, both the increases and reductions in the value of the important capitals should be reflected. Where the information is not perfectly accurate, estimates should be used and appropriate processes in place to ensure that the risk of material misstatement is reduced.

### CONSISTENCY AND COMPARABILITY

*The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.*<sup>20</sup>

The use of industry benchmarks, indicators of best practice, and ratios are tools that can improve reporting consistency and industry comparability.

<sup>20</sup> The International <IR> Framework, page 5

## USING THE CONTENT ELEMENTS



An integrated report includes eight content elements (information areas) that are linked to each other. The Framework lists the content elements as questions to offer flexibility in telling the organisation’s story. These questions also serve as a completeness check – that is, does your report provide answers to each question? The Framework offers suggestions on what information could be covered by each content element.

### ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

*What does the organization do and what are the circumstances under which it operates?*<sup>21</sup>

### GOVERNANCE

*How does the organization’s governance structure support its ability to create value in the short, medium and long term?*<sup>21</sup>

### BUSINESS MODEL

*What is the organization’s business model?*<sup>21</sup>

### RISKS AND OPPORTUNITIES

*What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium and long term, and how is the organization dealing with them?*<sup>21</sup>

### STRATEGY AND RESOURCE ALLOCATION

*Where does the organization want to go and how does it intend to get there?*<sup>21</sup>

### PERFORMANCE

*To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?*<sup>21</sup>

### OUTLOOK

*What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?*<sup>21</sup>

### BASIS OF PRESENTATION

*How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?*<sup>21</sup>

The content elements do not define the structure of an integrated report – it’s more about the information that should be included. The structure of the report is not prescribed by the Framework; instead it should be determined by the organisation’s unique value creation story. Experienced reporters have structured their reports, among others, around their strategic objectives, strategic themes, the capitals, value chain, etc. while still ensuring the content element information is included.

<sup>21</sup> The International <IR> Framework, page 5

## GOVERNANCE OF THE INTEGRATED REPORT AND REPORTING PROCESS

**The board has ultimate responsibility for the integrated report and should apply its collective mind to the reporting process and the report produced.**

The Framework calls for a statement from the board to be included in the integrated report, but allows an easing-in period for inclusion of this statement (see last bullet point in the excerpt below).

**<IR>** *An integrated report should include a statement from those charged with governance that includes:*

- *An acknowledgement of their responsibility to ensure the integrity of the integrated report*
- *An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report*
- *Their opinion or conclusion about whether the integrated report is presented in accordance with this Framework*

*or, if it does not include such a statement, it should explain:*

- *What role those charged with governance played in its preparation and presentation*
- *What steps are being taken to include such a statement in future reports*
- *The time frame for doing so, which should be no later than the organization's third integrated report that references this Framework<sup>22</sup>*

Endorsement by the board should be prominent, preferably near the front of the report, and should include the date of board approval. It should be noted that the board is responsible for corporate reporting whether or not it includes such a statement in the integrated report. An effective integrated report can increase transparency, and increased transparency leads to increased trust among key stakeholders which is beneficial for the organisation.

Critical to the integrated reporting process is that there is clear understanding and agreement within the board and the executive team on the principles and aims of integrated reporting.

The board should approve the governance process that will guide the integrated report and, it is suggested, designate a senior executive accountable for the report who provides regular updates to the board.

The appointed executive will find it helpful to set up an integrated reporting team (committee or steering group) to provide overall strategic direction, give guidance, monitor the preparation process, and approve the integrated report for submission first to the executive team and then to the board. When setting up the team, the available resources and current reporting structure should be considered, as well as the following factors:

- The roles and responsibilities should be established upfront and agreed with the board
- Include individuals from the external and internal reporting teams, as well as other areas of the business: finance, strategy, investor relations, stakeholder engagement, corporate communications, sustainability, internal audit, technical (operational units), legal, company secretary, etc. It may not be necessary to have every area represented – this will depend on the organisational structure, existing reporting processes, and the individuals themselves
- Consider including key individuals with a comprehensive knowledge of the business
- Appoint strong and senior leadership to the team writing and compiling the report

<sup>22</sup> *The International <IR> Framework, paragraph 1.20*

**Experienced South African reporters have found the following matters useful to be included in the integrated reporting team's strategic direction responsibilities:**

- Determine the purpose of the integrated report (for some organisations this may include at whom the report is targeted)
- Determine the corporate reporting suite, i.e. will the integrated report have supporting reports such as sustainability report, governance report etc; will the annual financial statements be appended to the integrated report or will they be separate; will abridged financial statements be included in the report
- Determine how the corporate reporting suite is to be published – what will be printed and what will be made available on the website
- Approve the reporting timelines, taking account of the governance process to ensure the report is produced on time and within budget
- Ensure the report meets the requirements of the Framework
- Decide on the structure and style of the report
- Determine the material matters to be included in the report and its key messages
- Determine the assurance approach for information to be included in the report
- Ensure the executive team and the board are timeously informed on pertinent issues on the report's preparation, production and release

# PREPARING THE REPORT

## PLANNING THE PREPARATION PROCESS

**Planning for an integrated report should ideally start at the beginning of the reporting period. Setting clear instructions with firm timelines will ensure the smooth running of the reporting process. When planning timelines, it helps to work backwards from the date on which the report has to be released and the timetable should include dates for the governance approval procedures.**

It's important to consider how the existing reporting processes and reports (such as internal reports, sustainability report and financial statements) will fit into the integrated reporting process to avoid duplication and overburdening resources.

Planning by the integrated reporting team should cover all aspects of the preparation process. The following questions can assist with planning:

WHO	WHAT
<ul style="list-style-type: none"> <li>Who will develop and distribute the reporting templates (if these are used for the collection of information), how should the templates look, when will they be sent out, and is training required for those required to complete them?</li> <li>Who will write the integrated report?</li> <li>Who, of the senior managers, will review the report before it is submitted to the executive team?</li> <li>Who will approve the final report (audit committee or sustainability committee before going to the board)?</li> <li>Who will design, typeset and print (internal, external or a combination)?</li> </ul>	<ul style="list-style-type: none"> <li>What reports should be produced (integrated, annual financial etc), who is their audience, will they be printed or only published on the website or both? Include the print run and posting of reports (if any)</li> <li>What is the budget for the reports and who will approve it (consider any cost saving measures on design, printing, etc.)?</li> <li>What information will be included in the integrated report?</li> <li>What information will be assured – internally and/or externally – and when will this take place and what are the requirements?</li> </ul>
HOW	WHEN
<ul style="list-style-type: none"> <li>How will the information for the report be collated (pay specific attention to multiple divisions/subsidiaries) and is it a standard or individual process of collating?</li> <li>How will the report be structured?</li> <li>How will the material matters be identified?</li> <li>How will the report be released?</li> </ul>	<ul style="list-style-type: none"> <li>When will the team meet (to schedule meetings in advance)?</li> <li>When to schedule interviews with senior management and the board?</li> <li>When will the material matters be approved?</li> <li>How long will it take to compile the information for the report?</li> <li>How long will it take to write the report?</li> <li>When will the report be released?</li> </ul>



**KEY AREAS**

One of the content elements to be covered in the report is the basis of preparation and presentation, which asks the question: *How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?* Hence, the following must be included in the report:

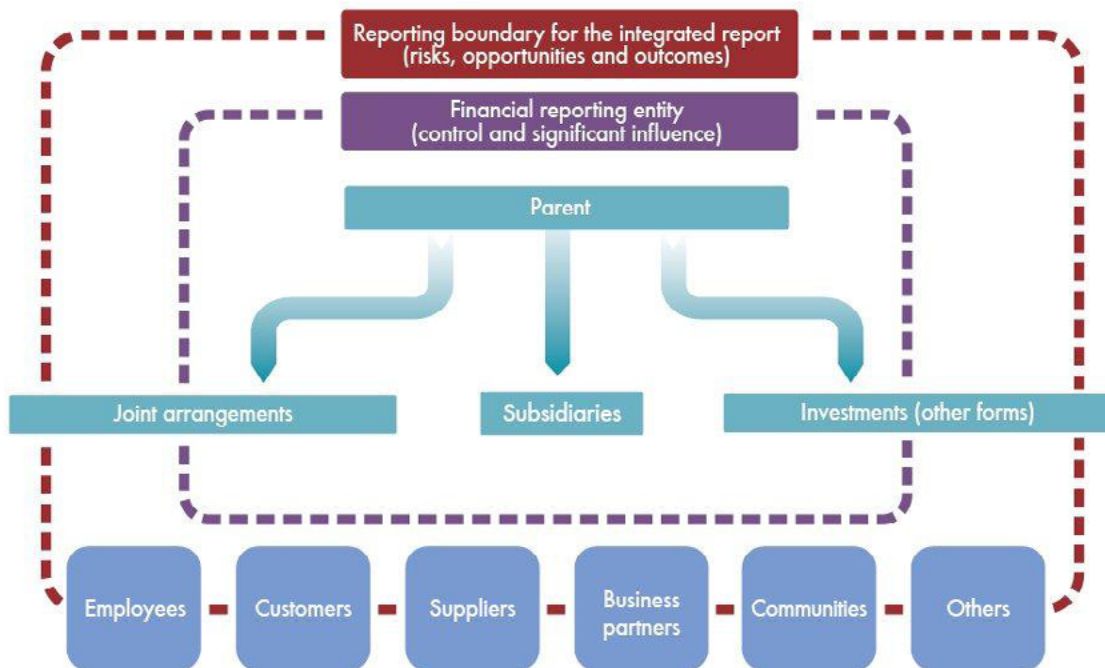
- A summary of the organization’s materiality determination process
- A description of the reporting boundary and how it has been determined
- A summary of the significant frameworks and methods used to quantify or evaluate material matters<sup>23</sup>

**REPORT BOUNDARY**

Financial reporting standards govern the boundary of financial reports, including subsidiaries, joint ventures and arrangements, while the boundary protocol of the Global Reporting Initiative (GRI) helps with the boundary of a sustainability report. The Framework gives guidance on setting the boundary of the integrated report, which is depicted in figure 3. Broadly, the capitals used or affected, as well as the organisation’s strategy and material matters, are essential in determining the report’s boundary. Specifically, any matter (whether or not it’s within the organisation’s sphere of influence or control) that could materially affect the organisation’s ability to create value in the short, medium or long term would fall within the boundary of the integrated report.

Boundary determination can become more complicated with multiple subsidiaries, joint ventures or complex supply chains. The principle remains, however, that if the matter could materially impact the organisation and the board needs to consider it, then it usually falls within the boundary of the report.

**Figure 3: Entities/stakeholders considered in determining the reporting boundary**<sup>24</sup>



<sup>23</sup> The International <IR> Framework, paragraph 4.41  
<sup>24</sup> The International <IR> Framework, figure 3, page 20

## STAKEHOLDER RELATIONSHIPS



The Framework's guiding principle is... *an integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.*<sup>25</sup>



Stakeholders are defined as... *those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. Stakeholders may include providers of financial capital, employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators, and policy-makers.*<sup>26</sup>

On-going stakeholder engagement should be a part of usual business activities and there is ample guidance on ways to engage (day-to-day liaison, meetings, roundtables, surveys, interviews etc). It's important that there is regular feedback to the board so that directors are kept informed of key stakeholders' legitimate and reasonable needs, interests and expectations and how the organisation is responding to them (or not).

Likewise, key stakeholders should have an understanding of what the organisation expects of them.

Understanding the perspectives and views of key stakeholders is useful to the organisation in many ways: it can highlight market trends and provide valuable insight that can be used to inform the organisation's strategy, risks and opportunities. It also helps in the identification of the material matters to be covered in the integrated report. If an organisation hasn't yet engaged with its key stakeholders, it should seek interaction with the specific aim of assisting in identifying material

matters. Either way, it's about incorporating relevant information gathered from stakeholders into the broader process of identifying the organisation's material matters.

"An effective reporting process should ideally include explicit provision for a process of dialogue between the organisation and its key stakeholders, in addition to relying on internal processes. If undertaken effectively, this dialogue process should enhance the organisation's ability to create and sustain value by building trust between the parties and by providing a valuable input into the organisation's strategy development process. It is recommended that systems are put in place to facilitate this dialogue and ensure that the organisation is responsive to the views and interests of its stakeholders."<sup>27</sup>

The organisation should develop a standard process to collate feedback from interactions with key stakeholders. These interactions should be noted with the date, content and form of engagement. The information should be retained in a central repository so that it can be analysed during the process of identifying material matters and other internal business uses.

Issues identified during the stakeholder engagement process may not always be among the top material matters listed in the integrated report. Such issues could be dealt with through other communications, for instance:

- Include the item in one of the detailed reports (for example sustainability report)
- Have a communication on the website dealing with the matter (e.g. factsheet)
- One-on-one engagement with the affected stakeholders
- Individual letters/reports to these stakeholders
- Public releases

An effective integrated report could also show how the key issues raised by stakeholders have influenced the organisation's strategy and strategic objectives.

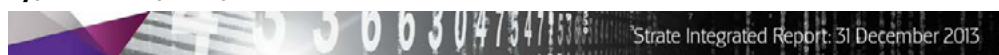
<sup>25</sup> The International <IR> Framework, paragraph 3.10

<sup>26</sup> The International <IR> Framework, glossary

<sup>27</sup> IRC of South Africa, Framework for Integrated Reporting and the Integrated Report, Discussion Paper 25 January 2011, page 21

Here are examples of how organisations have reported key stakeholder relationships in their integrated reports:

**Strate (Pty) Limited (2013)**



Stakeholder Engagement 2013

Stakeholder and Reason for Engagement	Engagement During the Reporting Period	Matters Engaged Upon	Issues Raised	Responses and Outcomes
<b>Regulators and Government</b>				
<ul style="list-style-type: none"> <li>They enable Strate's ability to operate by granting it a CSD licence. They also enable Strate's legislative environment and engagement with them assists Strate to address economic, social and environmental matters.</li> </ul>	<ul style="list-style-type: none"> <li>Committee and other ad hoc meetings;</li> <li>Commentary on various legislative matters;</li> <li>Market workshops with policymakers on new legislation;</li> <li>Supervision Informa publication;</li> <li>On-site reviews at CSD Participants;</li> <li>Compliance Officer Forum meetings;</li> <li>Integrated Report; and</li> <li>Training interventions.</li> </ul>	<ul style="list-style-type: none"> <li>Consultation on strategic projects for Strate in the interest of the South African financial market; and</li> <li>Legislative changes and regulatory frameworks for South Africa.</li> </ul>	<ul style="list-style-type: none"> <li>To ensure that Strate complies with its role as the CSD in the South African context; and</li> <li>Provided input into legislation to align the CSD Rules to market developments.</li> </ul>	<ul style="list-style-type: none"> <li>Workshops and meetings held to present the key strategic projects for Strate; and</li> <li>Workshops and meetings held to gain agreement and understanding of the impacts to Strate.</li> </ul>
<b>Shareholders</b>				
<ul style="list-style-type: none"> <li>As the providers of capital, Strate must meet their objectives of financial performance and overall sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting (AGM);</li> <li>Meetings and workshops with shareholders;</li> <li>Strategy session with the Executive Committee; and</li> <li>Individual meetings with CEO and Chairman.</li> </ul>	<ul style="list-style-type: none"> <li>Agreement on the Memorandum of Incorporation (Moi);</li> <li>Conversion to a private company;</li> <li>Conversion of ordinary shares from par value shares to no par value shares;</li> <li>Cancelled entire classes of preference shares; and</li> <li>Input into strategy formulation.</li> </ul>	<ul style="list-style-type: none"> <li>Different view on wording, specifically relating to the business of Strate and conditions to pursue other business;</li> <li>Rationale for conversion communicated to various stakeholders questioned; and</li> <li>Shareholders involved in strategy formulation.</li> </ul>	<ul style="list-style-type: none"> <li>Agreement reached on wording of the Moi;</li> <li>Rationale for conversion successfully communicated; and</li> <li>Strategy formulated and approved by the Board.</li> </ul>

In a nutshell | Some background | Considerations

Preparing the report

Final thoughts

## Standard Bank Group Limited (2013)

48 Standard Bank Group Annual integrated report 2013

Our performance

# Stakeholder engagement

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation.

We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, minimise reputational risk and influence the environment in which we do business.

The ways in which we engage with our stakeholders, and the frequency with which we do so, varies according to each stakeholder


group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. We use a decentralised stakeholder engagement model in which individual business units undertake stakeholder engagement appropriate to their areas and are responsible for identifying stakeholder concerns and taking appropriate action. At the centre, the board, and in particular the group social and ethics committee, oversees all engagement and plays a key role in analysing

The following table broadly sets out issues raised by our stakeholders, and how we have responded.



<http://reporting.standardbank.com/wp-content/uploads/2014/04/final/SBG-AIR-2013-FINAL.pdf>

## MATERIAL MATTERS

 ***A matter is material if it could substantively affect the organization's ability to create value in the short, medium or long term.***<sup>28</sup>

Determining materiality is one of the cornerstones of an effective integrated report. It ensures that only matters that substantively affect the organisation's ability to create value are identified and reported on thus avoiding unnecessary and irrelevant information cluttering the report.

A material matter will usually be one that substantively affects, or has the potential to substantively affect, the organisation's strategy, governance, performance, prospects or its important capitals. Ordinarily, these matters should be those that are discussed at board and executive meetings.

The Framework sets out a materiality determination process – section 3D – that provides clear guidance to assist organisations in identifying the material matters to be included in the report. A summary of the materiality determination process is required to be disclosed in the report, stating the role of the board.

The robustness of the integrated report hinges on the process followed in determining the material matters that end up in the report. There should be a rigorous process that can stand up to questioning by investors and other stakeholders.

<sup>28</sup> *The International <IR> Framework, glossary*

Here are examples of how organisations have reported material matters and the materiality determination process in their integrated reports:

**Standard Bank Group Limited (2013)** – also shows the connectivity between material matters

12 Standard Bank Group Annual integrated report 2013

Our strategy

## Material issues impacting our sustainability

In formulating our strategy and determining our strategic priorities, we consider the full range of issues that influence the sustainability of our business and the social, economic and physical environments in which we operate and which, in turn, have a direct impact on our future viability.

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the societies in which we operate. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about the group's long-term sustainability and its commitment to their needs. We also take into consideration those factors that affect the financial stability and growth of economies and, in turn, our business. Effectively managing our material issues is critical to achieving our strategic objectives.

During 2013, we undertook an extensive exercise to update our material issues. The process we followed produced the following six material issues that are interrelated and, therefore, not ranked in any particular order:

- ▶ managing the opportunities and risks of our Africa strategy
- ▶ pace, volume and scale of regulatory change
- ▶ establishing and maintaining cost-effective, efficient and relevant IT infrastructure
- ▶ knowing our customers and doing the right business with them in the right way
- ▶ recruiting, retaining and motivating our employees
- ▶ delivering sustainable long-term financial performance.

An example indicating the dependencies and trade-offs we employ in conducting our business, and in our material issues, is managing the pace, volume and scale of regulatory change which requires IT systems that are flexible enough to enable adaptations to processes and procedures, and allow for ongoing monitoring and compliance. This has implications for the capabilities of our IT infrastructure and our investment decisions in relation to systems renewal. Changes in processes and procedures, and the underlying systems, also affect our customer and employee relationships, through potential disruptions to customer service and staff training. All of these factors have material cost implications that also affect our financial performance. Dealing with numerous jurisdictions across Africa and beyond, which have different regulatory regimes, together with our commitment to complying with the highest standards of international banking regulation, adds many layers of complexity.

### How we identify material issues:

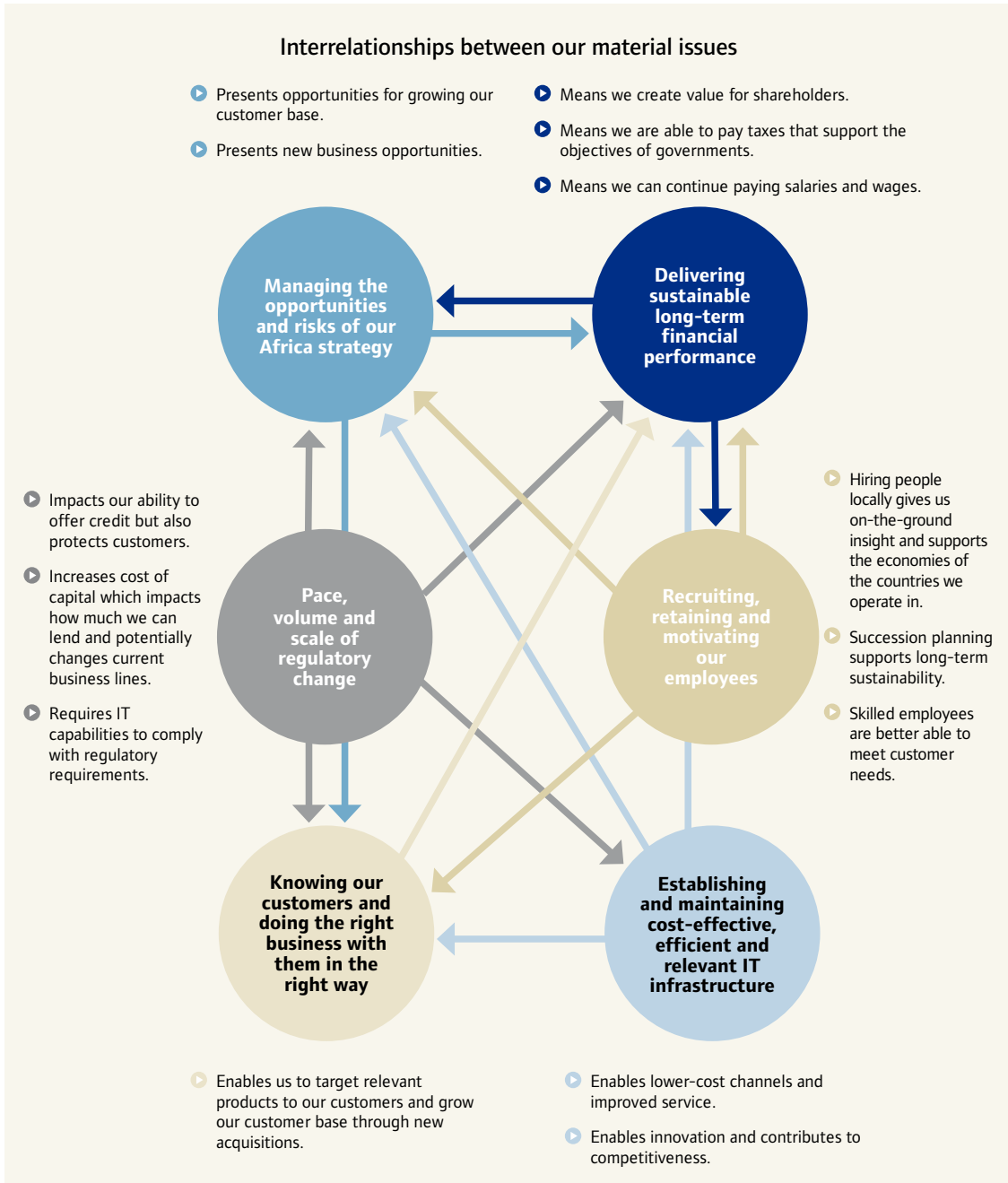


<http://reporting.standardbank.com/wp-content/uploads/2014/04/final/SBG-AIR-2013-FINAL.pdf>



**Standard Bank Group Limited (2013) continued** – also shows the connectivity between material matters

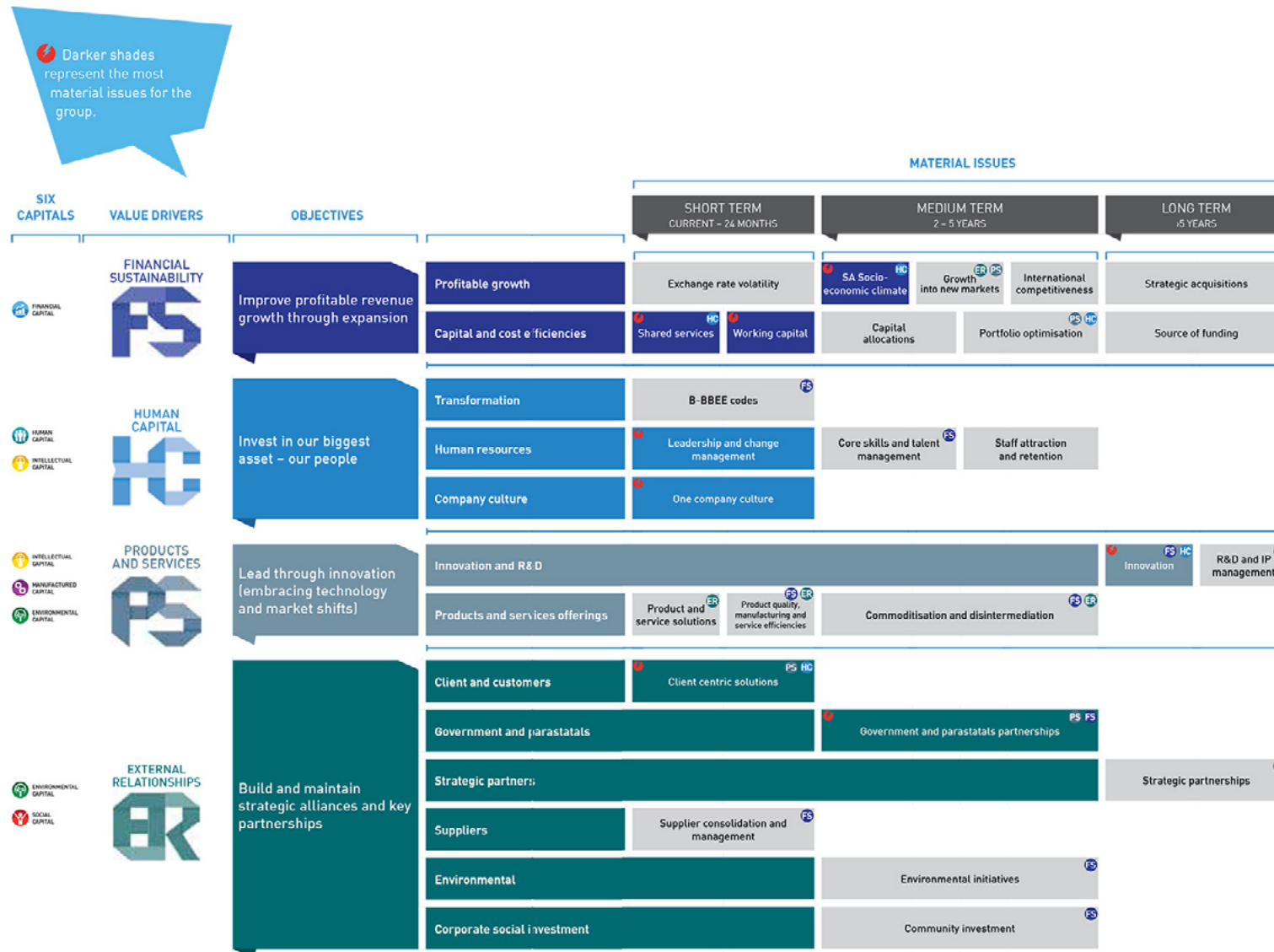
Our analysis of how we manage these material issues and their impact on our operations revealed the intricate interrelationships that exist between them.



<http://reporting.standardbank.com/wp-content/uploads/2014/04/final/SBG-AIR-2013-FINAL.pdf>

PREPARING THE REPORT | CONTINUED

**Altron (Allied Electronics Corporation) Limited (2014)** – also shows the material matters connected to strategic objectives and over different time periods



<http://www.altron.co.za/iar2014/>

**Aveng Group Limited (2014)**

**Material issues** 52

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**Identifying material issues**

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Aveng defines materiality of issues for reporting purposes as: issues that substantially affect the Group's ability to create and sustain value<sup>1</sup> over the short, medium and long term.

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**Material issues determination process**

Aveng's material issues determination process, largely informed by the International Integrated Reporting Council (IIRC) guidance, is illustrated below, followed by commentary on each element:

[http://www.aveng.co.za/sites/aveng.co.za/files/annual\\_reports/download-1414481908\\_download-1414474226\\_Aveng%20AR%202014\\_Lo-Res.pdf](http://www.aveng.co.za/sites/aveng.co.za/files/annual_reports/download-1414481908_download-1414474226_Aveng%20AR%202014_Lo-Res.pdf)

## BUSINESS MODEL

In recent years clarity about an organisation’s business model has become a critical element in corporate reporting.



The Framework states: *...an organization’s business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization’s strategic purposes and create value over the short, medium and long term.*<sup>29</sup>

See figure 1 on page 10.

The business model is a content element and the Framework requires its inclusion in the report, with the recommendation that a simple diagram be used to enhance readability supported by a clear explanation of the relevance of the various elements.

In drawing up the business model it helps to focus on information which is the most important to the organisation’s ability to create value and which will enhance reader understanding. The business model should also provide a clear distinction between inputs, outputs and outcomes and highlight the connections to information in other content elements – namely, strategy, risks and opportunities, external environment, outlook and governance.

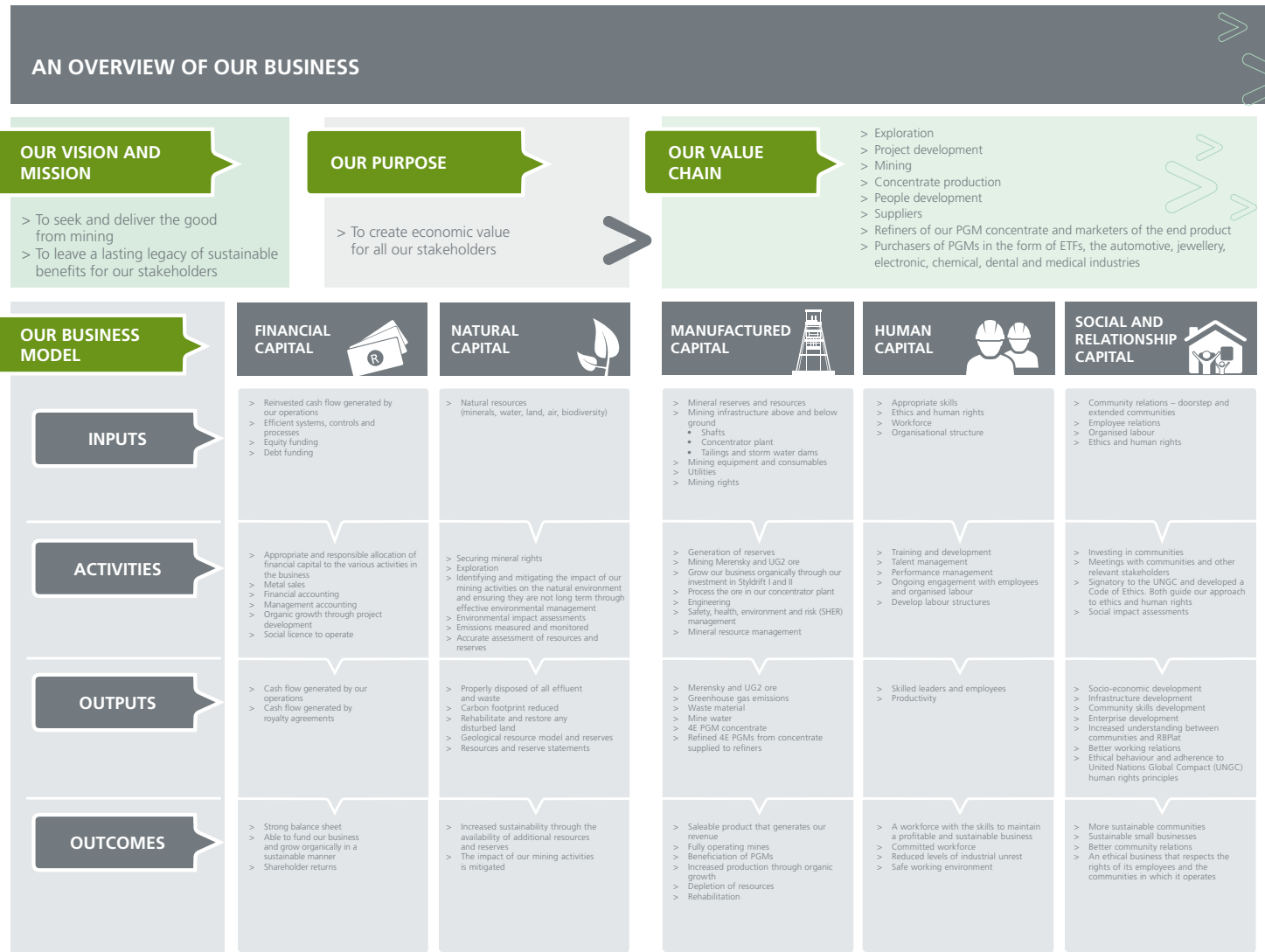
Experienced South African reporters have found that considering the following information assisted in drawing up the business model diagram for their integrated report:

- The organisational structure and business activities and processes
- Key inputs into the business and the resulting outputs (products, services and waste) and outcomes (consequences or effects on the capitals)
- The strategic objectives, key risks and opportunities
- All six capitals as this assists with completeness
- Another useful completeness check is a review of whether the components of the important KPIs are covered in the business model

<sup>29</sup> The International <IR> Framework, paragraph 4.11

Here are examples of how organisations have reported their business model (reflecting their value creation process and value created) in their integrated reports:

Royal Bafokeng Platinum Limited (2013)



<http://www.bafokengplatinum.co.za/im/files/reports/2013/RBP-annual-report-2013.pdf>

Sun International Limited (2014)

Our business model

INPUTS

**FINANCIAL CAPITAL**  
The Group's primary sources of financial capital are shareholder equity, internally generated cash flows and debt. These sources of funding have been more than sufficient to maintain our properties, fund expansion and pay dividends to shareholders in the past. The Group first looks to fund expansion through internally generated funds and debt.

**HUMAN CAPITAL**  
Sun International has a highly skilled and experienced international management team, which brings together industry knowledge and global perspectives from South Africa, Australia and Latin America. This team helps ensure that the Group makes appropriate investment decisions and operates according to global best practice. Our employees at our properties are the primary interface with our guests, which means that they are essentially the custodians of delivering the memorable experience we strive to offer. We invest in our people to ensure they have the appropriate skills to deliver on our strategic priorities and we actively align management performance to strategy.

**INTELLECTUAL CAPITAL**  
As a gaming, leisure and entertainment group, our brand is one of our most valuable assets together with our casino licences. Our wealth of management expertise and experience is contracted to the casinos and properties in our portfolio ensuring aligned operations with the ability to meet set targets and standards. Our intellectual capital is the foundation of our entry into new jurisdictions. We also invest in technology, systems and processes to improve how we work and provide an excellent guest experience.

**MANUFACTURED CAPITAL**  
The bricks and mortar of our properties forms the tangible assets of the business, and we invest in building unique casino, hotel and entertainment venues. The uniqueness of our properties is a key differentiator for our business, and we focus on protecting, leveraging and growing our asset base. We constantly review our asset base and its offerings to ensure they retain relevance and are optimally utilised.

**SOCIAL AND RELATIONSHIP CAPITAL**  
We actively manage the stakeholder relationships on which our business depends, including with communities, business partners, governments and regulators. Our casino licences – which are essentially our regulated licences to operate – are critical to our business and require that we comply with various licensing conditions. Compliance is supported by building on our stakeholder engagements. Also, our track record of being an ethical operator and good corporate citizen supports the growth of the business into new markets and is based on a belief that doing good is more than a requirement, it is about creating shared value. Our guests are probably the single most significant and important stakeholder in our business. We strive to not just meet but exceed their expectations.

**NATURAL CAPITAL**  
We are a medium impact user of natural resources, and our business activities depend on natural capital inputs such as water and energy. Many of our properties are located in pristine environments rich in biodiversity, which are a key aspect of their appeal to our guests.



BUSINESS ACTIVITIES

WE OFFER GAMING, HOSPITALITY AND ENTERTAINMENT TO OUR GUESTS THROUGH OUR CASINO, HOTEL AND RESORT PROPERTIES. WE ARE LEVERAGING OUR CORE EXISTING BUSINESS AND UTILISING OUR TRACK RECORD AND MANAGEMENT SKILLS TO TAKE ADVANTAGE OF GROWTH OPPORTUNITIES IN EMERGING MARKETS.



OUTPUT  
DELIVERING A MEMORABLE guest experience

OUR GAMING LICENCES ARE THE SINGLE MOST CRITICAL ENABLER OF OUR ABILITY TO OPERATE. GAMING CONTRIBUTES 78% OF GROUP REVENUE. WE CONTINUOUSLY EVALUATE OUR LICENCES TO ENSURE THEY REMAIN RELEVANT AND ARE OPTIMALLY UTILISED.

THE UNIQUENESS OF OUR PROPERTIES AND CUSTOMER SERVICE SKILLS OF OUR PEOPLE ARE KEY DIFFERENTIATORS TO OFFERING AN UNFORGETTABLE EXPERIENCE FOR OUR GUESTS, WHICH KEEPS THEM CHOOSING SUN INTERNATIONAL.

OUTCOMES

**FINANCIAL CAPITAL**  
In the 2014 financial year the Group generated R2.6 billion in internally generated cash flows and increased its debt funding by R633 million. This funding was primarily used for:  
 ♦ Replacement and maintenance capex – R1 212 million  
 ♦ Expansionary capex – R672 million  
 ♦ Acquisition of minorities interests – R126 million  
 ♦ Interest payment to debt funders – R540 million  
 ♦ Dividend payments to minority and Company shareholders – R489 million.

Our value added statement, on page 61 gives further details on the use of our financial capital.

**HUMAN CAPITAL**  
Sun International employs 10 417 people with 6 805 in South Africa, 2 101 in the rest of Africa, 1 493 in Chile and 18 in Panama (31st as of October 2014). In 2014, we paid R2 159 million in salaries and benefits to our employees.

In Africa, 8 412 of our non-management employees partake in the Sun International Employees Share Trust which has investments valued at R790 million. These employees benefit from Trust distributions, with R244 million distributed in total to employees since inception.

**INTELLECTUAL CAPITAL**  
In the past year we secured new casino licences in Panama and Colombia; the Panama casino opened on 12 September 2014 and the Colombia casino is due to open in the second half of the 2015 financial year. To improve our business operations we have invested significantly in IT, with R647 million spent on our enterprise gaming system and implementation having commenced on an enterprise resource planning system.

**MANUFACTURED CAPITAL**  
Over the past year we invested R179 million refurbishing the Sun City phase one Vacation Club units and R672 million on the Ocean Sun Casino in Panama. We also applied and received approval to amend Morija casino's licence condition which will permit us to relocate to Menlyn Maine in Eastern Pretoria where we plan to develop a R3 billion casino and entertainment complex. This outcome is however subject to legal proceedings initiated by a competitor.

**SOCIAL AND RELATIONSHIP CAPITAL**  
As a casino operator, we are acutely aware of the negative outcomes that gambling can have within communities. We actively partner with responsible gambling initiatives to help reduce the incidence of problem gambling. We also invest extensively in promoting tourism and supporting communities, creating shared value by aligning initiatives with our core business. The reputational benefit of these initiatives is crucial to accessing new markets. Over the past year we spent R30 million on CSI, socioeconomic development and enterprise development initiatives. Our focused stakeholder engagements continue to enhance our corporate reputation, which in turn has facilitated our entry into new jurisdictions and the securing of casino licences.

**NATURAL CAPITAL**  
Through our environmental initiatives and with dedicated expertise, we are reducing our impact, use of scarce natural resources and minimising waste. Besides improving environmental performance, there is an added benefit in lower operational costs. We are sensitive to the natural environments in which we operate, and our presence in these areas helps create value for other role-players who protect these environments, such as game reserves and natural heritage organisations.

AngloGold Ashanti Limited (2013)

**INPUTS**

To conduct our business and produce gold, certain inputs such as ore-bearing resources, people and machinery are required. We invest in skills enhancement, technology development and application, and in prospecting for and developing our mineral resources and ore reserves, to ensure the economic viability and sustainability of our business.

People	66,434	Exploration and evaluation costs	\$255.1m	Water used	64.8ML
Training and development	\$60.4m	Capital expenditure (includes equity-accounted investments)	\$2.0bn	Energy used	32.7PJ
Cash operating costs	\$3.3bn				



**FINDING AND ASSESSING THE OREBODY**

**Exploration**

Prospective gold deposit targets are identified and exploration is undertaken. Worthwhile discoveries undergo intensive evaluation.



**ACCESSING THE OREBODY**

- **Underground:** Vertical shafts and decline ramps are sunk into the ground to transport people and equipment to and from deep-level orebodies (many are more than 1,000m below surface) and to bring the ore mined to surface.
- **Open pit:** Near-surface orebodies are accessed by "stripping" overlying material.



**EXTRACTING THE ORE**

- **Underground:** Rock is drilled and blasted and the broken ore and waste rock brought to surface.
- **Open pit:** Drilling and blasting is done before ore is excavated.



**TRANSPORTING THE ORE**

- **Underground:** Ore is brought to surface both by horizontal and vertical transport systems and then transported by rail, truck or conveyor to processing facilities.
- **Open pit and surface stockpiles:** Ore is transported on haul trucks.



**PROCESSING**

Gold ore is processed and smelted into doré (unrefined gold bars) at our operations and dispatched to various metal refineries, including our Queiroz refinery in Brazil and Rand Refinery in South Africa.



**RETTREATMENT**

Surface Operations in South Africa retreat tailings, a waste product of processing, for residual gold and uranium

**WE PRODUCE**

Our primary product is gold, from which 96% of our revenue was generated in 2013. By-products include silver, uranium and sulphuric acid, depending on geology.

Gold	4.1Moz
Silver	3.3Moz
Uranium	1.4Mlb
Sulphuric acid	191t



**REHABILITATION AND CLOSURE**

This is integral to mine planning and development, from the start of exploration to the end of mining activity. Closure planning, which takes into account community livelihoods and land rehabilitation, continues throughout the life of an operation.

*"Overarching this business model is our sustainability strategy which has as its primary aim zero harm – to people and the environment."*



**END USE**

Gold is sold to international bullion banks or to jewellery fabrication industries.



**REFINING**

Gold is refined to a purity of at least 99.5%, in accordance with the accepted standards of 'good delivery'.

*"During 2013, AngloGold Ashanti treated 97.1Mt of attributable ore to obtain 4.1Moz of gold."*

**IMPACTS**

In conducting its business, AngloGold Ashanti has an impact on the environment.

Safety – all injury frequency rate per million hours worked	7.33
Discounted cost of future rehabilitation <sup>(1)</sup>	\$728.4m
GHG emissions	4.5Mt CO <sub>2</sub> e

**OUTCOMES**

Revenue	\$5.7bn	Paid in wages and salaries	\$1.6bn
Loss attributable to equity shareholders	\$2.2bn <sup>(2)</sup>	Payments to government	\$839.8m
Dividends paid	\$39.8m	Community investment	\$23.0m
Loss per share	568 US cents		

<sup>(1)</sup> Total cost of decommissioning and restoration obligations include closure obligations where required by law – see page 34.

<sup>(2)</sup> Includes post-tax impairments of goodwill; tangible assets; intangible assets; investments; and inventory write-downs of \$2.5bn.

<http://www.anglogoldashanti.com/en/Media/Reports/Integrated%20Reports/AGAAnnualintegratedreport2013.pdf>



Transnet SOC Limited (2014)

HOW TRANSNET CREATES VALUE

**INPUTS**  
Value deployed in 2014.

**FINANCIAL CAPITAL**

- Share Capital R12.7 billion.
- Long- and short-term borrowings R90.4 billion.
- Cash generated from operations R24.0 billion.

**MANUFACTURED CAPITAL**

- Property, plant and equipment R207.3 billion.
- Investment property R8.6 billion.

**HUMAN CAPITAL**

- 54 671 permanent headcount.
- Training spend R621 million.

**INTELLECTUAL CAPITAL**

- Custodian of the country's freight railway, ports and pipelines, infrastructure and technologies.
- R100 million invested in R&D.

**SOCIAL AND RELATIONSHIP CAPITAL**

- Customers.
- Government and regulators.
- Employees.
- Funders.
- Suppliers.
- Organised labour.
- Communities.
- Pensioners.

**NATURAL CAPITAL**

Consumed:

- 3.6TWh coal-fired electricity.
- 256 million litres diesel.
- Water, air, ecosystems.

**MDS**

- Infrastructure investment
- Volume growth
- Productivity and efficiency
- Volume growth
- Financial stability
- Regulatory
- Safety, health, environment and quality (SHEQ)
- Human capital development

**CONTEXT**

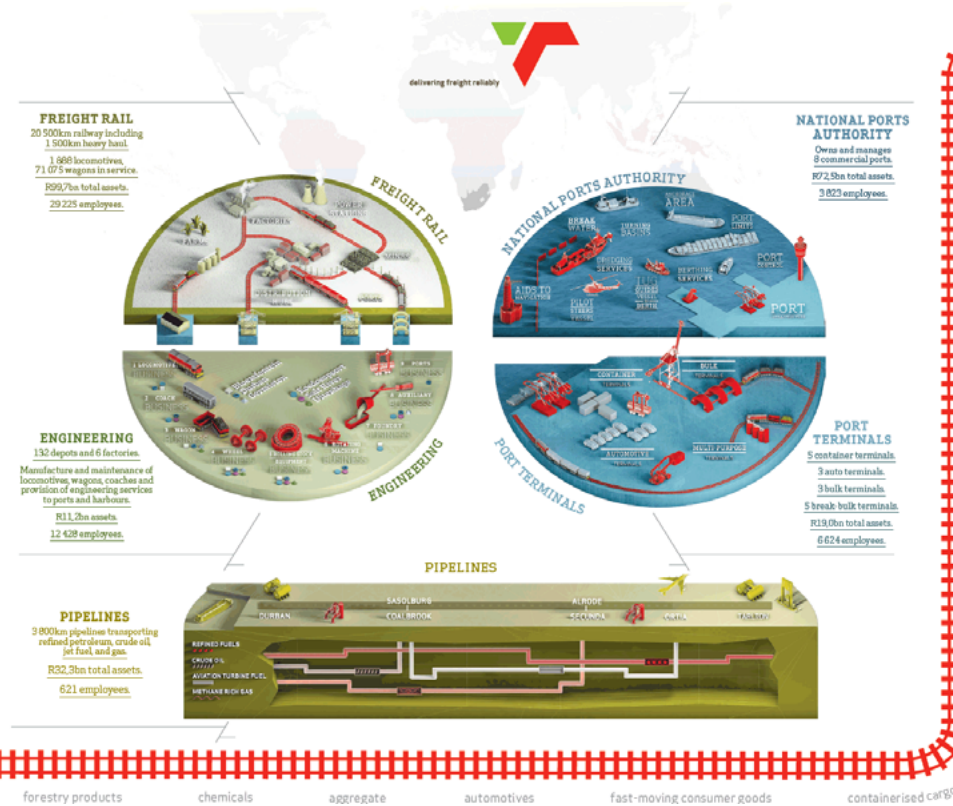
- South Africa's National Development Plan.
- Global and domestic economic conditions.
- Volatile commodity markets.
- Unemployment and inequality.
- Skills shortages.
- Technology advances.
- Regulation.

**RISKS**

- Regulatory uncertainty.
- Capital projects on time, on budget.
- Volumes and revenue growth.
- Business interruption and incident management.
- Funding and liquidity.
- Energy security.
- Human resource capability.
- ICT utilisation.
- Suppliers and customers.
- Environmental and social sustainability.

**OPPORTUNITIES**

- Collaboration with customers and logistics service providers.
- Small business advancement.
- Supplier development.
- Skills development.
- Regional integration.
- African markets.
- Technology applications.
- Diversification of electricity suppliers.
- Private sector partnerships.



**OUTCOMES**  
To build sustainable value.

**ECONOMIC DIVIDENDS**

- Capital investment R312.2 billion by 2021.
- Volumes by 2021:  
Rail: 3 450mt per annum.  
Ports: 6.1m TEUs per annum.  
Pipelines: 18.5Mm per annum.
- Financial stability:  
Gearing <50%.  
Cash interest cover >3.0 times.  
Investment grade credit ratings.
- Regulatory certainty.
- Productivity and efficiency:  
Rail reliability - 10% improvement.  
Port efficiency - 8.5% improvement.  
Pipeline delivery to order - 95%.
- Human capital by 2021:  
Payrollment employees 65 795.  
Skills investment 4% of payroll per annum.
- Economy-wide jobs 494 091.
- Local supplier industry development.
- Private sector participation.
- Rural development support.
- Regional logistics integration.

**SOCIAL DIVIDENDS**

- Mature governance.
- Zero tolerance for fraud and corruption.
- Zero-harms safety and security vigilance to protect employees, customers, communities and assets.
- Employment equity, with focus on women and people with disabilities.
- B-BBEE Level 1 by 2018.
- Corporate social investment.
- Proactive stakeholder engagement to build common value.


**ENVIRONMENTAL DIVIDENDS**

- Modal shift from road to rail (35% market share), lowering transport sector carbon emissions.
- Energy efficiency.
- Climate change mitigation.
- Climate change adaptation.
- Water use efficiency.
- Waste management optimisation.
- Biodiversity enhancement.

<http://www.transnet.net/InvestorRelations/Transnet%20Reports/Transnet%20Annual%20Report%202014.mht>

## OUTLOOK

One of the advantages of an integrated report is that it offers readers future-oriented information, as opposed to the historical view of financial reporting.

 The Framework defines the outlook content element as: *An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?*<sup>30</sup>

This does not mean that an organisation has to include profit projections in its integrated report. Rather, it's the organisation's future outlook on the external environment it's likely to face, how this will affect the organisation, and how its strategy is being formed and adjusted to respond to the future outlook. In other words, it's telling about strategy (which is a statement of existing fact at that time) and of how the organisation hopes to achieve it.

Experienced reporters have used various means to illustrate outlook information: including current and projected costs that influence future profits, sensitivity analyses, projected commodity prices and exchange rates and their effect on the organisation, and expected macro-economic conditions and how these will affect the organisation, etc.

<sup>30</sup> The International <IR> Framework, paragraph 4.34

### Here are examples of how organisations have reported on outlook information in their integrated reports:

#### Sasol Limited (2013)

##### Outlook for 2014

Overall, we expect the volatility in the global economy to persist, as the impacts of the global economic crisis continue to affect developed economies. Although some economies are showing signs of improvement, the ongoing European debt crisis and the US debt ceiling will continue to weigh on prospects. While growth rates are expected to improve, they are likely to continue slowing in certain developed and emerging economies, like China and India. Crude oil prices have remained volatile during the past year and we expect that to continue in the near term.

Contributing to the volatility will be the weakening demand for oil in Europe and lower growth, coupled with higher oil supply and geopolitical developments. Off this base, product prices are expected to be equally volatile. The rand/US dollar exchange rate remains the single biggest external factor impacting our profitability.

Given the continuing uncertain macroeconomic conditions and our assumptions in respect of crude oil and product prices, as well as the stronger rand/US dollar exchange rate, we will continue to manage the business with diligence. The current volatility and uncertainty of global markets make it difficult to be more precise on the outlook for the year ahead.

For budgeting and forecasting purposes, we estimate that for every US\$1/barrel increase in the annual average crude oil price, group operating profit for the year will increase by approximately R610 million during 2014. Similarly, we estimate that a 10c change in the annual average rand/US dollar exchange rate will impact our operating profit by approximately R939 million in 2014. These estimates are off a base of US\$108/barrel crude oil price and a rand/US dollar exchange rate of R9,05. It should be noted that in the current volatile environment, these sensitivities could be materially different depending on the crude oil price, exchange rates, product prices and volumes.

We remain on track to deliver on our expectations for improved operational performance. Our cost optimisation programme will aim to contain normalised cash fixed costs within South African PPI inflation. We will continue to progress our growth projects, underpinned by our focus on improving operational efficiencies and working capital improvements. Our focus in the year ahead will remain on the factors within our control: volume growth, margin improvement and cost containment.

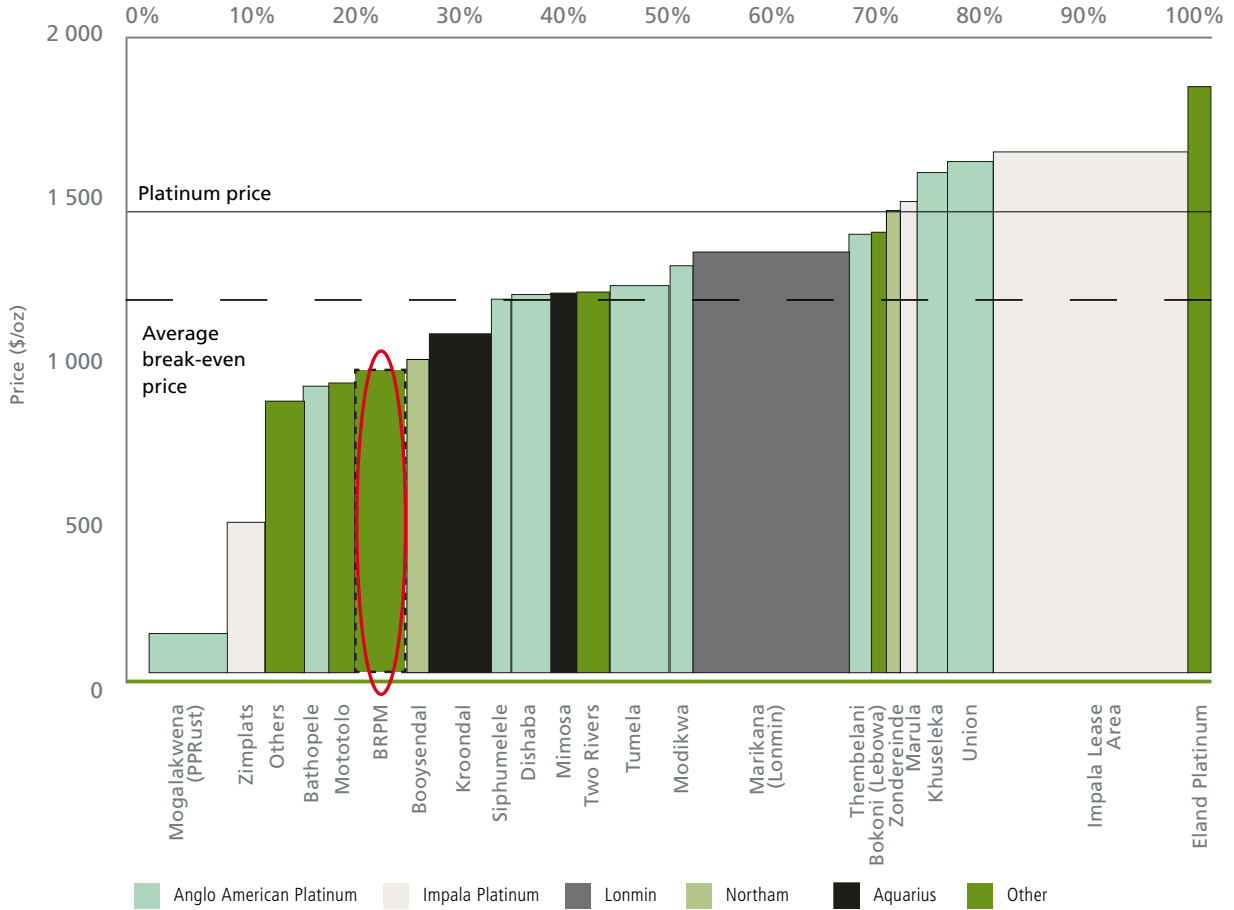
All in all, we will continue to diligently manage each of our value drivers, to create value for our shareholders on a sustainable basis.

 Refer to our forward looking statements set out on the inside back cover as well as our top risks on pages 44 to 47.

[http://www.sasol.com/sites/default/files/publications/integrated\\_reports/downloads/Sasol%20IR%202013lores.pdf](http://www.sasol.com/sites/default/files/publications/integrated_reports/downloads/Sasol%20IR%202013lores.pdf)

**Royal Bafokeng Platinum Limited (2013)** – shows historical cost and break-even information that have influence on future profit

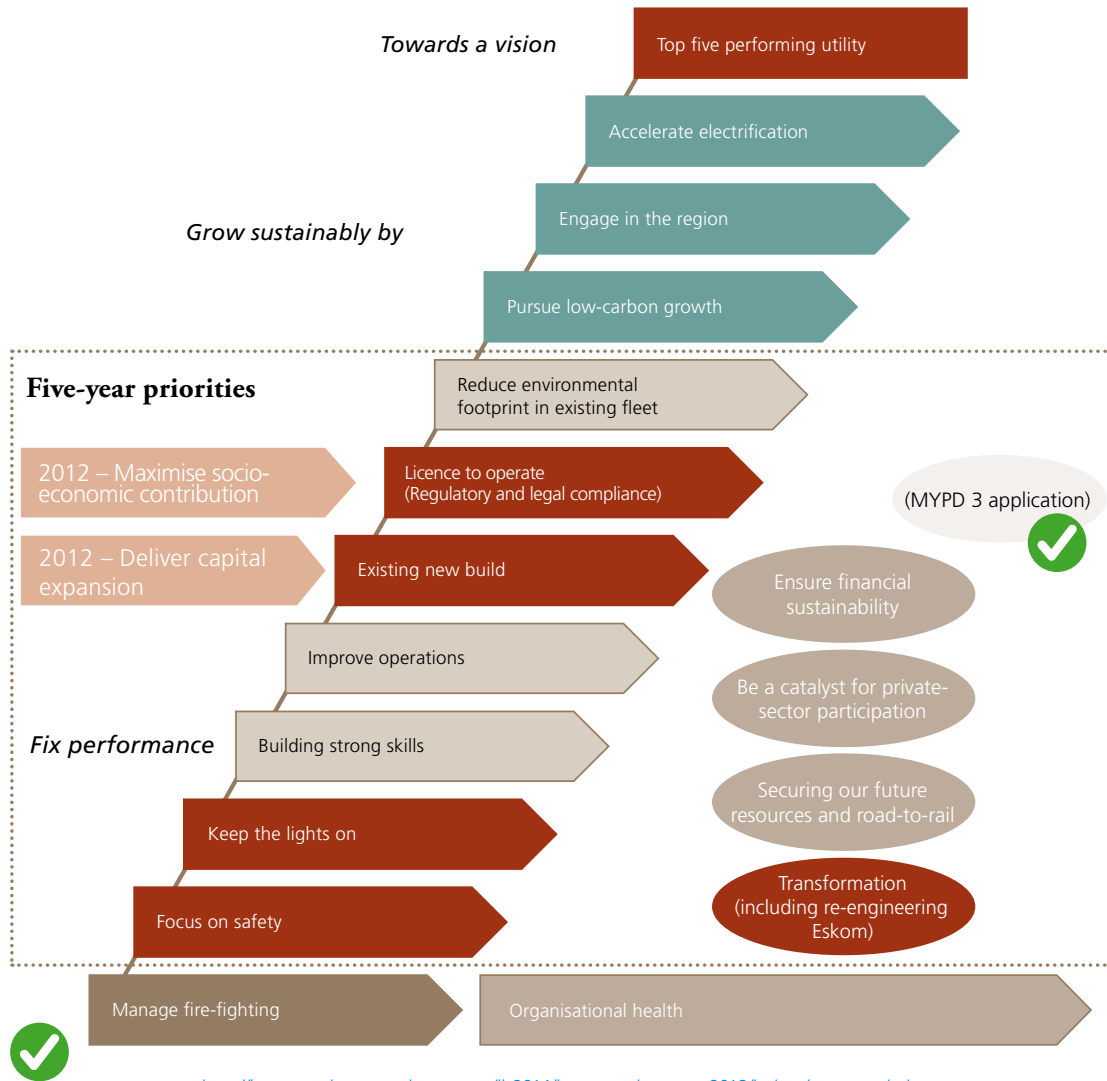
Break-even platinum price (cash cost plus maintenance capital expenditure)



Source: JPMorgan Cazenove (as at 22 January 2014)

<http://www.bafokengplatinum.co.za/im/files/reports/2013/RBP-annual-report-2013.pdf>

**Eskom SOC Limited (2013) – shows future priorities**



**KEY PERFORMANCE INDICATORS (KPI)**

KPIs (and other quantitative indicators) are a useful tool to aid comparability and tracking performance against past results and current and future targets.

New preparers often ask which of the many KPIs available to the organisation should be shown in the integrated report. The organisation’s core or strategic KPIs are an essential part of strategy development and will usually be set by the board to measure management’s achievement of strategic objectives and will ideally be linked to management’s remuneration. These KPIs should be featured in the integrated report.

Additional KPIs can be shown in the report, but be wary of falling into the trap of including too many – disclose what is the most useful to understanding the organisation’s ability to create value over time.


## PREPARING THE REPORT | CONTINUED

The table below can assist new preparers in deciding which KPIs to include in the integrated report where the organisation has previously not set KPIs or has only used financial KPIs.

1. THE ORGANISATION'S STRATEGY AND PRIORITIES	2. WHAT INFORMATION IS REQUIRED INTERNALLY?
<p>The following factors should be considered when setting KPIs to measure actual performance against strategic targets:</p> <ul style="list-style-type: none"> <li>• What are the organisation's strategies and priorities?</li> <li>• How does the board and executive team measure and monitor these?</li> <li>• Are they reflected in the remuneration packages of the senior management, including the chief executive officer, and is there an indication of how the leadership has performed against the strategies and priorities?</li> </ul>	<p>For new preparers it's important to consider the minimum information that will be required. It's easier to start on a small basis than to aim for the best in the industry (rather gradually improve on your reporting each year).</p> <p>The following factors should be considered when deciding what information to include:</p> <ul style="list-style-type: none"> <li>• What information does senior management require to make effective business decisions?</li> <li>• What information is needed to monitor achievement of strategies and priorities?</li> <li>• Benchmarking – what are peers doing (industry, geographic, etc)?</li> <li>• Best practice, for example King III, GRI, etc.</li> </ul>
3. WHAT INFORMATION IS REQUIRED EXTERNALLY?	4. WHAT INFORMATION IS CURRENTLY AVAILABLE?
<p>In considering the needs of readers the following factors should be taken into account:</p> <ul style="list-style-type: none"> <li>• What information is typically requested?</li> <li>• Regulatory requirements, including laws, regulations, governance standards, etc.</li> <li>• Industry-specific information (for example, water usage and carbon emissions) relevant to all organisations in the industry</li> <li>• Geography – the information that is required when operating in a geographic jurisdiction</li> </ul>	<p>It's important to consider what information is already available:</p> <ul style="list-style-type: none"> <li>• What financial and non-financial information is available?</li> <li>• What is the information used for and how often is it compiled (monthly reporting/incentive schemes/regulatory requirements, etc.)?</li> <li>• What information has historically been provided in annual reports?</li> <li>• Is it internal or external information?</li> <li>• How reliable is the information?</li> </ul>
5. DO AN INFORMATION GAP ANALYSIS	
<p>Once a gap analysis is performed using information that already exists in the organisation and what is required, decide on how quickly you can bridge the gaps – the most critical KPIs/information should obviously be addressed first. (The priority will be informed by the six capitals and the material matters identified for inclusion in the integrated report.) Putting the proper processes in place to ensure quality information takes time (even a number of years) – rather focus on quality not quantity of information. (Refer to page 40 for pointers on the information systems behind KPIs.)</p>	

Some experienced reporters have found that the use of a KPI register – either in the form of a spreadsheet, Word document, or more complex databases – containing all relevant information, such as the KPI owner, definition, measurement method, actual performance, targets, etc. – has improved the quality of the integrated reporting process. These reporters often ask their assurance providers to assure the important KPIs.

The organisation should also identify its key risk indicators (KRIs) reflecting the key risks and challenges faced by the organisation and these should be linked to the KPIs. KPIs and KRIs can reflect the significant non-financial and financial aspects of the organisation. In many cases these are closely linked to each other: non-financial aspects can have a significant financial impact and vice versa. An exercise undertaken by the organisation can show that many of the organisation’s KPIs and KRIs fall under both financial and non-financial aspects.<sup>31</sup>

 The Framework offers a useful list of the common characteristics of suitable quantitative indicators (KPIs):

- *Relevant to the circumstances of the organization*
- *Consistent with indicators used internally by those charged with governance*
- *Connected (e.g. they display connectivity between financial and other information)*
- *Focused on the matters identified by the organization’s materiality determination process*
- *Presented with the corresponding targets, forecasts or projections for two or more future periods*
- *Presented for multiple periods (e.g. three or more periods) to provide an appreciation of trends*
- *Presented against previously reported targets, forecasts or projections for the purpose of accountability*
- *Consistent with generally accepted industry or regional benchmarks to provide a basis for comparison*
- *Reported consistently over successive periods, regardless of whether the resulting trends and comparisons are favourable or unfavourable*
- *Presented with qualitative information to provide context and improve meaningfulness*<sup>32</sup>

<sup>31</sup> Mervyn King and Leigh Roberts, *Integrate Doing Business in the 21st Century*, Juta and Company Ltd, 2013, an exercise for the board on pages 56 and 57

<sup>32</sup> *The International <IR> Framework*, paragraph 4.53

Here are examples of how organisations have reported KPIs in their integrated reports:

**Sasol Limited (2013)**

<p><b>KPI: Greenhouse gas emissions intensity</b></p> <p>To reduce our emissions intensity by 15% in all our operations off a 2005 baseline by 2020, measured as tons CO<sub>2</sub> equivalent per ton production.</p>	<p><b>Target</b> <b>2,47 by</b> <b>2020</b></p>	<p><b>Actual</b> <b>2013</b></p>	<p>Actual 2012<sup>1</sup></p>	<p>Actual 2011<sup>1</sup></p>
		<p><b>2,98</b></p>	<p>2,83</p>	<p>2,75</p>

**Performance against the KPI**

The South African Department of Environmental Affairs (DEA) is planning to implement the 2011 National Climate Change Response White Paper. During 2013, Sasol undertook a rigorous review of our greenhouse gas (GHG) data. We improved methodologies for calculating our GHG emissions and included smaller sources of emissions previously omitted. We also implemented a measurement, reporting and verification standard for the group. This comprehensive GHG data review concluded that the GHG emissions were lower than reported since 2000. As a result, Sasol's global emissions for the past decade were approximately five million tons per annum less than previously reported. This decrease is primarily due to a restatement of the methane emissions associated with our Secunda facility.

Using our recently revised reporting methodology, our group GHG emissions (measured in CO<sub>2</sub> equivalent) decreased to 70,7 million tons (Mt) for 2013, from 72,2 Mt in 2012. Our group GHG emissions intensity (tons CO<sub>2</sub> equivalent per ton production) has increased to 2,98 in 2013, from 2,83 in 2012. The increase in intensity is primarily a result of a reduction in the overall group production levels due to

**Greenhouse gas emissions intensity**  
(tons CO<sub>2</sub> equivalent per ton production)

Year	Intensity
08	2.5
09	2.7
10	2.7
11	2.5
12	2.83
13	2.98

<sup>1</sup> Due to a change in our reporting methodology, the greenhouse gas emissions intensity has been restated from 2000 to 2012.

major shutdowns at Natref and ORYX GTL during the year. Notwithstanding this, our GHG intensity target still remains achievable.

[http://www.sasol.com/sites/default/files/publications/integrated\\_reports/downloads/Sasol%20IR%202013lores.pdf](http://www.sasol.com/sites/default/files/publications/integrated_reports/downloads/Sasol%20IR%202013lores.pdf)

**Truworths International Limited (2013)**

**Financial targets**

Financial and operating targets are published annually to provide shareholders with a guide as to the Group's performance objectives for the future financial period. Targets and performance are benchmarked against JSE-listed local competitors and best-in-class global listed fashion retailers. Targets are reviewed annually based on actual performance and the outlook for the period ahead. An analysis of the performance relative to the 2013 reporting period targets is covered throughout this Integrated Annual Report.

Target		Target 2014	Actual 2013	Target 2013	Actual 2012	Local benchmark*	International benchmark**
Gross margin <sup>1</sup>	(%)	54 – 57	56.6	54 – 57	56.7	42.1	59.6
Operating margin <sup>2</sup>	(%)	33 – 36	34.5	33 – 36	36.1	19.8	19.0
Return on equity <sup>3</sup> ***	(%)	38 – 42	39	40 – 45	40	39	34
Return on assets <sup>3</sup> ***	(%)	44 – 48	46	44 – 48	46	32	31
Inventory turn <sup>3</sup>	(times)	5.5 – 6.5	5.4	6.0 – 6.5	5.7	4.6	3.6
Asset turnover <sup>3</sup>	(times)	1.2 – 1.5	1.3	1.2 – 1.5	1.3	1.8	1.6

\* Based on the average ratios for comparable JSE-listed apparel retailers for the 2013 period.  
 \*\* Based on the average ratios for global fashion retailers, H&M and Inditex, for the 2012 period.  
 \*\*\* Targets are materially influenced by high retained earnings and high cash holdings.

**Assumptions**

- Combination of clearance of merchandise, sales mix and tight inventory management.
- Based on the assumed gross margin and managing operating expense growth below sales growth.
- Combination of returns achieved in 2013 and execution of capital management strategies.

**Revised targets**

- Return on equity target range has been revised from 40% – 45% to 38% – 42% to align with recent trading conditions.
- Inventory turn target range has been expanded from 6.0 times – 6.5 times to 5.5 times – 6.5 times to take into account the increase in sourcing imports and the resultant increase in goods in transit at period-end.

[http://www.truworths.co.za/annualreport2013/downloads\\_files/Truworths\\_IAR13-1.pdf](http://www.truworths.co.za/annualreport2013/downloads_files/Truworths_IAR13-1.pdf)



## WEBSITE

In addition to the integrated report organisations often use their website to provide stakeholders with additional, more detailed information. For example, the organisation may report on a division at a high level in its integrated report, but some key stakeholders may want a more detailed performance breakdown – this could be included on the website in the form of a supporting report, factsheet, or statistical tables. The integrated report should make clear reference as to where readers can find the additional information.

All information published on the website or other supporting documents should follow the same governance process as the integrated report.

### Here is how an organisation explains the information available on its website in the introductory pages of its integrated report:

We continue to publish abridged financial statements in the Integrated Annual Report. The audited annual financial statements are available on our website and copies are available to shareholders on request.

We are also making increasing use of our website to provide supplementary information to shareholders. The following content is accessible online at [www.truworths.co.za](http://www.truworths.co.za) under the investor relations tab:

- Integrated Annual Report
- Annual Financial Statements
- Ten-year Review, Ratios, Share Statistics and Definitions
- Corporate Governance Report
- Application of King III Principles
- Corporate Social Investment Report

*Truworths International Limited, Integrated Annual Report 2013, <http://www.truworths.co.za/annualreport2013/commitment.html>*

## RELIABILITY AND ASSURANCE

### RELIABLE INFORMATION

Preparing an integrated report is considerably easier if reliable information is timeously available. Most organisations will have financial, technical and operational information and are strict in how this is measured, presented, and assured. The same, however, cannot always be

said for non-financial (environmental, social and governance) information. Hence, the aim is to get the non-financial information systems on a par with the mature financial information systems.

Defining and embedding the necessary non-financial data collection and information systems is a critical step in integrated reporting. It requires an investment in financial and human resources. Obtaining reliable information also doesn't happen overnight; it can take a few years to develop and improve. A team (or individuals in smaller organisations) should be appointed to implement and be accountable. A cost benefit analysis may be needed to evaluate the implementation where resources are limited. Implementation can be staggered across reporting periods and, as far as possible, should build on the reporting structures and systems already in place.

The improvement of data collection and information systems is continuous and is aided by regular reporting (the more you do and the more you review, the more gaps you see). Improvements can lead to time and cost savings, and to better internal and external reporting which in turn benefits decision-making and integrated thinking in the organisation.

When determining the accuracy and completeness of non-financial information for inclusion in the integrated report the following questions should be asked:

- Are there standardised processes for compiling the information?
- Is the process for calculating and/or compiling the information manual or automated?
- What level of management review takes place and is the information assured (internally and/or externally)?
- Are those responsible for preparing the information appropriately trained?
- Is there personal accountability for the information?
- What other internal controls are in place to ensure the accuracy of information?

Experienced South African reporters found that implementing the following internal process improvements increased the reliability and comparability of their non-financial KPIs:

- Have documented processes for the compilation of KPI information, including:
  - Detailed definition
  - Method of measurement
  - Method of calculation (automated/manual/combination)
  - Source of information (i.e. what system or report is used and is it internally/externally gathered?)
  - Risks associated with compiling the information (i.e. what can go wrong)
  - Controls in place to safeguard the information and address identified risks
  - Who is responsible and accountable for both the compilation and approval of the information?
- The documented processes are formally approved, stored in a central database, and are easily accessible
- There is regular review (mostly annually) to ensure information is still relevant and complete
- Individuals involved are appropriately trained
- Internal audit reviews the process of how information is compiled and assists in identifying gaps and risks
- Automation of data is always ideal, but will depend on the cost benefit analysis and available resources, and can take some time to implement

Experienced South African reporters found the following helpful when designing, implementing and improving their process of collecting the non-financial information to be included in their integrated reports:

- Compile a detailed list of the data and information required – whether or not it’s currently available, where and how often it’s currently reported, is it manual or automated, is it internally or externally required (for example by a regulator), who is responsible, etc. A matrix format is useful for planning the process as well as monitoring progress when collecting the information
- For data and information that is required but not yet available:
  - Prioritise the missing information to determine what is the most important (informed by the identified material matters and any external requirements)
  - Determine what data collection and information systems need to be developed and how the organisation will collect the data (manual/automated/combination)
  - Be realistic in planning when the information will be available and over how many reporting periods this will be developed (start with the most important)
  - Regularly monitor development of the processes (preferably through the integrated reporting team)
- Centrally collect the information to be included in the integrated report:
  - Ideally, have one central team collecting the information (both financial and non-financial). This can be achieved by different departments (finance, human resources, procurement, sustainability, operating units, subsidiaries, etc.) submitting pre-defined templates with the required information (both figures and narrative) to the central team
  - Linking the processes with the existing software systems used to capture operational and financial information is helpful. If resources don’t permit this, spreadsheets or other documents can be used as templates. The templates should be defined upfront of the integrated report planning process and articulate the requirements of the report writing team to ensure the submissions are complete. The templates should be able to be assured so that it’s clear who prepared and approved the submissions
- Aligning internal and external reporting:
  - Regular reporting will assist in improving the data collection and information process throughout the year and lead to more accurate information annually
  - Including integrated reporting requirements in the monthly or quarterly reporting to senior management, executives and the board assist in developing the story for the integrated report, and in building a history of performance (making it easier for reviewers to spot anomalies). It also improves internal reporting for integrated decision-making
- Internal audit reviews of the data collection and information process can assist in identifying gaps – closing the gaps and addressing the risks is part of continuous improvement
- Detailed management reviews should take place throughout the process and there should be an audit trail of these reviews (i.e. in the form of signatures, sign-off templates, etc.). The reviews should ensure the information is calculated in terms of the approved KPI definitions

## ASSURANCE

The organisation’s board may seek a level of oversight from various sources to ensure the reliability of information in the integrated report. It may seek assurance over the integrated reporting process and/or specified material information, and/or KPIs in the report. This is often referred to as the assurance approach and should be put in place as part of the governance process for the report.

In determining the assurance approach the board may consider assurance already obtained on financial and non-financial information, as well as the evidence processes supporting other information. The board may require relevant reports from internal auditors, external auditors, and other external assurance providers such as assurance reports on sustainability KPIs and ISO certification. For example, the organisation might appoint an independent external party to provide

assurance over the reliability of the lost time injury rate disclosed in the integrated report, but may rely on management representations over the commitments to improve safety – together these two aspects may provide assurance to the board regarding the reliability of the overall safety information disclosed.

It’s important that the assurance approach is considered early in the integrated reporting planning process as it affects costs and timelines. It should also be appreciated that establishing the assurance process is a journey; but a necessary one to enhance the credibility of the organisation’s integrated report. The report should show what information has been assured, by whom, and the standards or guidance used.

Assurance of the integrated report is currently being discussed internationally with much debate on the form and extent of external assurance.

Here is an example of how audit approach is disclosed in an integrated report:

### The Foschini Group Limited (2014)

#### INDEPENDENT ASSURANCE

We obtained independent assurance on the following aspects of our integrated report.

Business process assured	Output from assurance	Status	Assurance provider
<b>Financial</b>			
Annual financial statements	External audit report	Audited	KPMG Inc.
<b>Empowerment</b>			
BBBEE credentials	BBBEE scorecard	Assured	Empowerdex
<b>Human resources</b>			
Employee satisfaction	Supaloud survey	Independently verified	Pure Survey

[http://www.financial-tfglimited.co.za/ar\\_2014/downloads/tfg\\_ar2014.pdf](http://www.financial-tfglimited.co.za/ar_2014/downloads/tfg_ar2014.pdf)

### WRITING AND COMPILING THE REPORT

When writing and compiling the integrated report the aim should be to produce a frank and balanced report, which:

- Is engaging and easy to read (uses simple language and avoids jargon)
- Has visual elements to make information more succinct, accessible and comparable (info graphics, graphs, tables, flowcharts, etc.)
- Facilitates comparison with peers in the industry, as well as the organisation's past performance year-on-year
- Is focused on the organisation's material matters (avoid having "fluff" in the report)
- Is balanced in that it includes important positive and negative information on the organisation and its performance
- Is balanced between historic performance and future outlook

Avoid boilerplate disclosures and don't make this a tick box exercise. Be innovative and tell your organisation's story using the guidance provided by the Framework.

The report's introductory pages (including the content index) are important as they can set the overall tone – they should contain information on the report's boundary, reference the Framework, the organisation's assurance approach, identified material matters and how they were arrived at, explain the use of icons, and the board's endorsement of the report.

**Experienced South African reporters have found the following useful in writing and compiling their integrated reports:**

- Connectivity of information is improved if the report is structured around the organisation’s strategic objectives or important capitals
- Develop a report skeleton:
  - By referring to the content elements and agreed structure of the report (strategic objectives, capitals, etc.)
  - Some organisations have standard disclosures (such as chairman’s report, chief executive officer’s report and regulatory reporting requirements) that they prefer to include in their integrated report and these should be built into the skeleton early in the process
  - Having a report skeleton assists in focusing on the information to collate and include, as well as monitoring the progress of the report as the skeleton is fleshed out with the details
  - It also assists in making sure that the structure of the report works – if compiled early enough there is time to change it if it doesn’t work
- Use icons to link information and improve connectivity in the report:
  - For example, icons can reflect the strategic objectives and be used throughout the report to connect content back to strategy
  - Icons can also be used to indicate whether the performance achieved versus strategic objectives and targets was good, bad or on par
- Be creative and innovative with graphics – it can make the report more informative, clearer and avoids reams of words. Research reporting trends and look at the reports of organisations recognised for excellent reporting
- Write the integrated report in accordance with a theme and style:
  - By establishing a theme for the report upfront the reporting team can determine the key messages early. This guides the writing process and assists when the executive and board review the report to ensure that it conveys these messages
  - The readers of the report should be considered as this can determine the style of writing
- A gap analysis at the beginning of the reporting period will provide an idea of the gaps to bridge in the current year’s report. By having clear, realistic objectives (that take resource availability into account) the major weaknesses in last year’s report can be addressed for continuous improvement
- Consideration could be given to producing not only an annual integrated report but also an interim one or disclosure of integrated information more frequently than annually – if appropriate and resources permit

Here are examples of two methods used by organisations to structure their integrated reports:

Eskom Holdings SOC Limited (2014) – according to strategic objectives (also shows connectivity through use of icons)



### Navigation icons

-  Becoming a high-performance organisation
-  Leading and partnering to keep the lights on
-  Reducing Eskom's environmental footprint and pursuing low-carbon growth
-  Securing future resource requirements
-  Implementing coal haulage and the road-to-rail migration plan
-  Pursuing private-sector participation
-  Transformation (including the business productivity programme)
-  Ensuring Eskom's financial sustainability

*The navigation icons above are used throughout the report to link stakeholder concerns, material items, performance and key performance indicators to strategic objectives*

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[http://integratedreport.eskom.co.za/index\\_integrated.php](http://integratedreport.eskom.co.za/index_integrated.php)



Royal Bafokeng Platinum Limited (2013) – according to the six capitals

*I am privileged to have led the Board of RBPlat through its first four years of operation, to have overseen the initial development of its strategies and the unfolding of these strategies to create a sustainable business.*



**P34**  
**LEADERSHIP REVIEW**



**P51**  
**MANUFACTURED CAPITAL**



**P41**  
**FINANCIAL CAPITAL**



**P65**  
**HUMAN CAPITAL**

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In a nutshell | Some background | Considerations

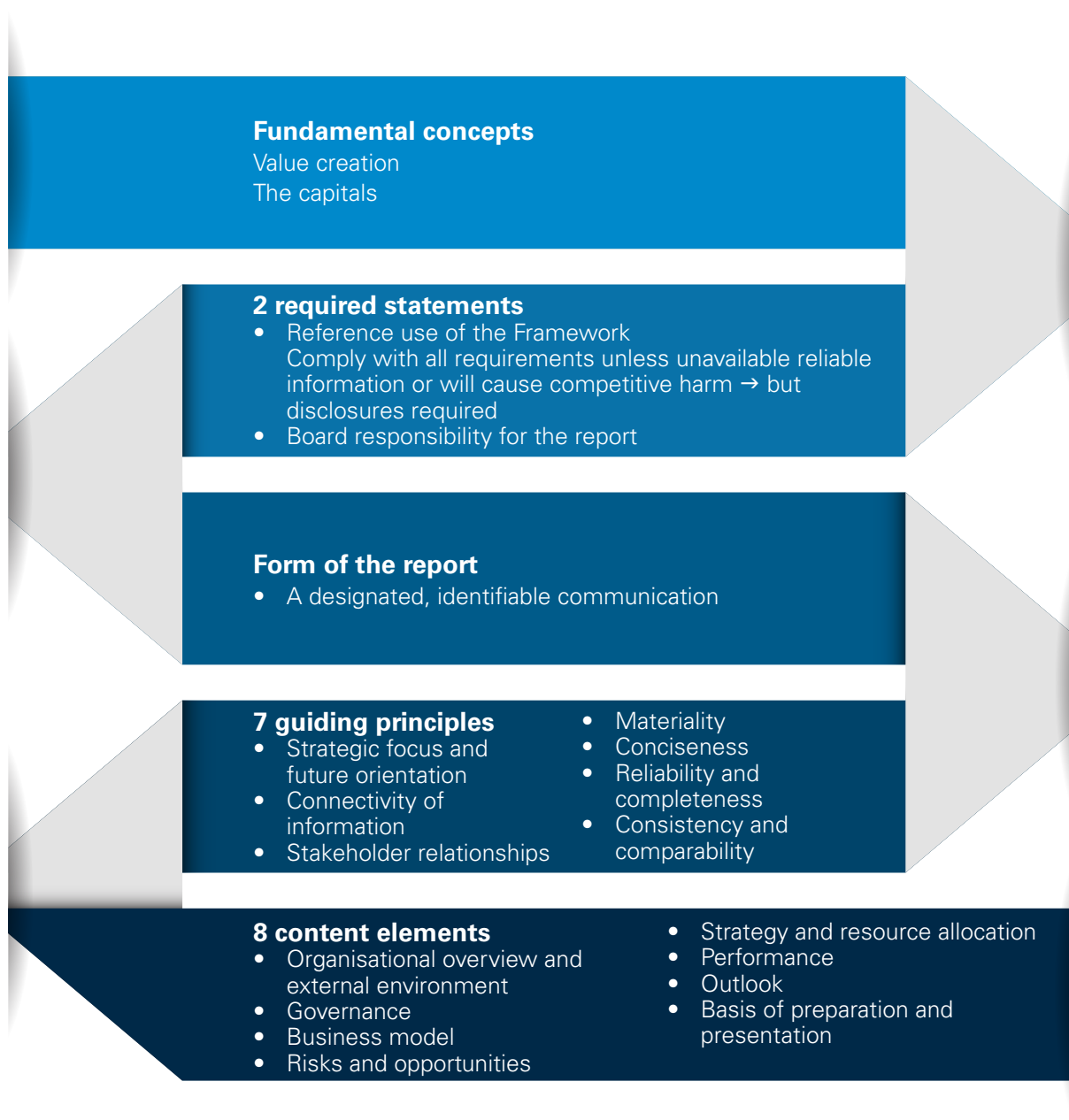
Preparing the report

Final thoughts

# FINAL THOUGHTS

Preparing an integrated report can be a relatively straightforward process if you follow the Framework and spend time on planning the preparation process. An integrated report is easier to prepare if integrated thinking is embedded to a degree in the organisation. If it's not, don't let this deter you from starting the integrated reporting journey – there is no doubt that the process of preparing the report helps to embed integrated thinking in the organisation.

An integrated report that complies with the Framework will meet the following (the bullet points refer to the 18 requirements of the Framework):



# USEFUL RESOURCES

DESCRIPTION	REFERENCE
<p>The key document to use is the International &lt;IR&gt; Framework</p> <p>The glossary of terms is on page 33, with a summary of the requirements on pages 34 and 35</p>	<p><a href="http://www.theiirc.org">http://www.theiirc.org</a></p>
<p>The <a href="http://www.integratedreportingsa.org">www.integratedreportingsa.org</a> website (previously named <a href="http://www.sustainabilitysa.org">www.sustainabilitysa.org</a>) has useful reference sources on integrated reporting, including recent surveys, research reports, and reporting awards</p>	<p><a href="http://www.integratedreportingsa.org/">http://www.integratedreportingsa.org/</a></p>
<p>The <a href="http://www.businessdaytv.co.za">www.businessdaytv.co.za</a> website has webcasts of the series <i>Integrated Reporting Made Simple III</i> and <i>Doing Business in the 21st Century</i></p>	<p><a href="http://www.businessdaytv.co.za/shows/">http://www.businessdaytv.co.za/shows/</a></p>
<p>Leading examples of aspects of integrated reports are on the IIRC website. And see the latest Black Sun research reports on the website, including <i>Realizing the Benefits: The impact of Integrated Reporting</i></p>	<p><a href="http://examples.theiirc.org/home">http://examples.theiirc.org/home</a></p>
<p>The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines is a useful source of sustainability information, KPIs and key risks</p>	<p><a href="https://www.globalreporting.org/reporting/g4/Pages/default.aspx">https://www.globalreporting.org/reporting/g4/Pages/default.aspx</a></p>
<p>Other sustainability sources may provide useful guidance on disclosure of sustainability information and KPIs</p>	<p>Including, but not limited to:</p> <ul style="list-style-type: none"> <li>• UN Global Compact principles</li> <li>• Criteria of the JSE Socially Responsible Investment (SRI) index</li> <li>• Carbon Disclosure Project (CDP) questionnaire</li> <li>• CDP Water Disclosure Project questionnaire</li> <li>• Greenhouse Gas (GHG) Protocol</li> <li>• Sustainability Accounting Standards Board (SASB) standards</li> <li>• ISO 26000 Social responsibility</li> <li>• AA1000 series on principles, assurance and stakeholder engagement</li> </ul> <p>Industry-specific requirements, guidance and voluntary initiatives can also be considered in setting the organisation's integrated reporting strategy. These include industry charters, supply chain approaches, etc.</p>
<p>Regulatory requirements</p>	<p>The regulatory requirements pertinent to where the organisation operates should be considered in the integrated reporting strategy. For example, local legislation governing companies and their activities, listing requirements, and other local standards, guidelines and frameworks.</p>

This table is not intended to be a comprehensive list.

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## ABOUT THE IRC OF SOUTH AFRICA

The IRC was formed in May 2010 under the chairmanship of Professor Mervyn King. Its objectives are to develop and promote guidance on good practice in integrated reporting in South Africa. The IRC has a Working Group comprising individual experts. For more information on the IRC and its Working Group see [www.integratedreportingsa.org](http://www.integratedreportingsa.org)

The members of the IRC are the: Association for Savings & Investment South Africa (ASISA), Banking Association South Africa (BASA), Batseta (Council of Retirement Funds for South Africa, previously known as the Principal Officers Association), Business Unity South Africa (BUSU), Chartered Secretaries Southern Africa (CSSA), Financial Services Board (FSB), Institute of Directors in Southern Africa (IoDSA), Institute of Internal Auditors (IIA), Government Employees Pension Fund (GEPF), Johannesburg Stock Exchange (JSE), SASBO, The South African Institute of Chartered Accountants (SAICA), Dr Gavin Andersson, Ansie Ramalho, Leigh Roberts and Professor Bob Scholes. SAICA serves as secretariat to the IRC.

GREY MATTER & FINCH



concept to context

INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA