

INTEGRATED REPORTING - THE SOUTH AFRICAN EXPERIENCE

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CONTEXT

- King Report on Governance (King 111) part of stock exchange listing requirements
- King 111 requires integrated approach to strategy, which should be reported on & makes it clear that
 - Board is responsible
 - Audit committee has oversight responsibilities
- Companies with y/e after 31/3/2010 required to produce integrated report i.t.o.King 111
 - or explain why not
- Revised Companies Act 2008 effective 2011
 - allows companies to distribute abridged AFS



SOUTH AFRICAN CONTEXT

- Early IFRS adopters
- Powerful regulators – stock exchange and auditors
 - Consistency versus exercising judgment tensions
- South African annual reports historically are very long
 - SA Average length financials 151 pages (ave 91)
 - SA Average length narrative 185 pages (ave 113)

Black Sun research 2011

- Significant socio-economic & environmental issues
- Stock Exchange (JSE) ranked by WEF in 2011 as 1st of 142 in regulation of security exchanges



INTEGRATED REPORTING ENVIRONMENT

- Lack of definitive guidance
 - Timing of publication of local & international draft guidance,
 - Available guidance explains principles not detail
- Perceived tension between King III requirements & Integrated reporting DPs
- What do investors want? (See analyst presentations)
- What will competitors and others disclose?

CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA - (CRISA)

- Applies to institutional investors as asset owners & their service providers
- CRISA & Pension Fund Act Reg 28 requires trustees to consider any factor that could influence long-term sustainability of investment
- Voluntary code
- Provides guidance on how to apply the requirements in King 111 & UN Principles Responsible Investing

SOME OF RESEARCH DONE

- E&Y Excellence in Integrated Reporting
 - Subjective assessment quality 100 largest listed
 - 2011 financial year ends – top 10 unranked
- Deloitte publications “Integrated Reporting – Navigating your way to a truly Integrated Report”
 - 3rd report monitoring what companies disclosing – detailed. Shows trends.
- IRC research (SA committee) – 100 largest companies 2011 done, 2012 research planned.

UNCERTAINTIES FOR PREPARERS

1. Should financial statements be included?
2. Is integrated report prepared for investors only or all stakeholders?
 - Does it differ if long-term investor?
3. How to determine materiality?
 - Material to company not stakeholder?
4. Is the Integrated Report the high level summary only or all the reports? (King 111 refers to “summarised integrated report”)

FINANCIAL STATEMENTS

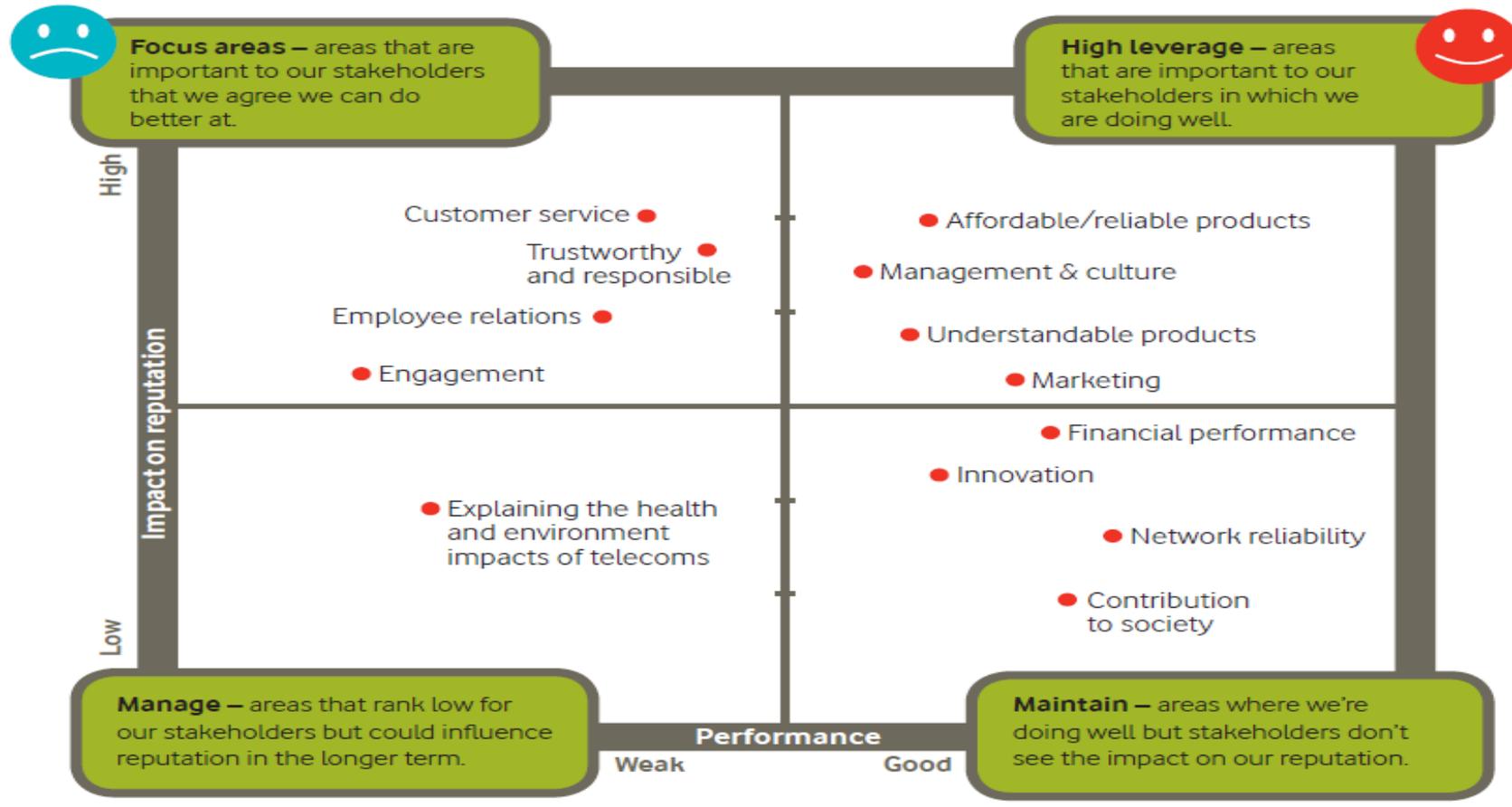
- Companies required to make full IFRS financials (AFS) available but can distribute abridged
- Required to distribute financial statements prepared to IAS 34
 - Local IR draft guidance requires inclusion in IR
- 82% of companies included full IFRS in 2011
- 3 % had one page, other 15% form of abridged
- Legislation unclear in 2011
- 2012 likely to be considerably less full AFS

STAKEHOLDERS

- 57% of reports made it clear that considered needs of other stakeholders in reporting
- BUT none made it clear that the integrated report was specifically aimed at stakeholders other than investors
 - Most silent
 - Few referred to investors specifically

STAKEHOLDER PERCEPTIONS Vodacom p13

Stakeholder perceptions of our performance against key reputation value drivers

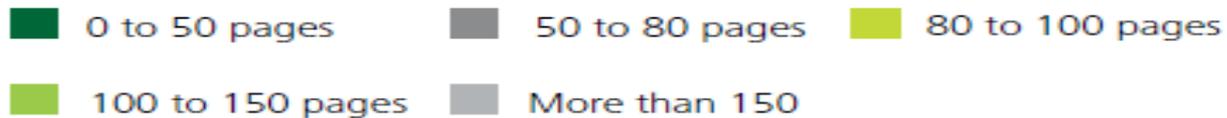
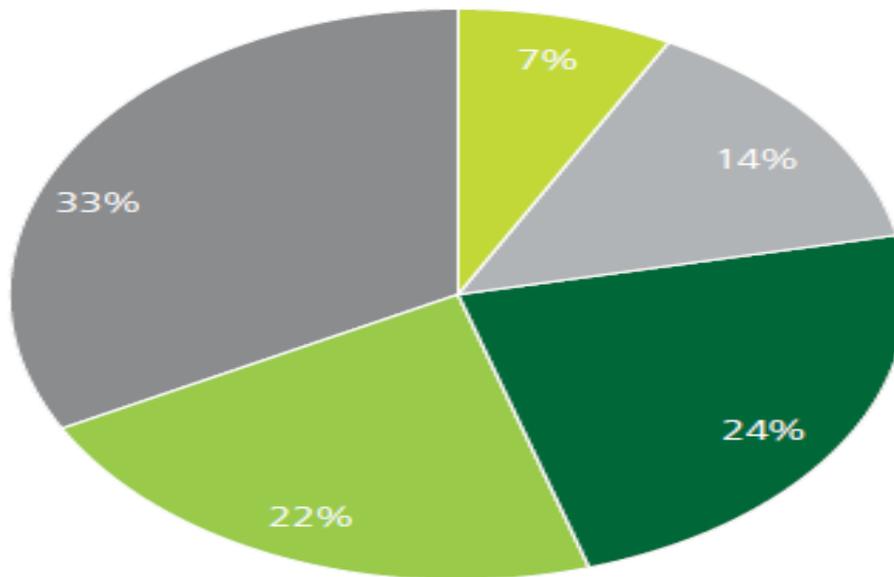


MATERIALITY

- Still a major challenge
 - Excessive detail
 - Disclosure of issues that not relevant
 - Eg carbon emissions for financial institutions
 - Disclosure of issues that relevant to a particular stakeholder but not the company BUT
- Many companies have high level summaries
- Increasing use of online information

DELOITTE RESEARCH– Aug 2012 pg27

How many pages are the document (excluding the full set of financial statements if included)?



OVERALL IMPRESSIONS 2011 REPORTS

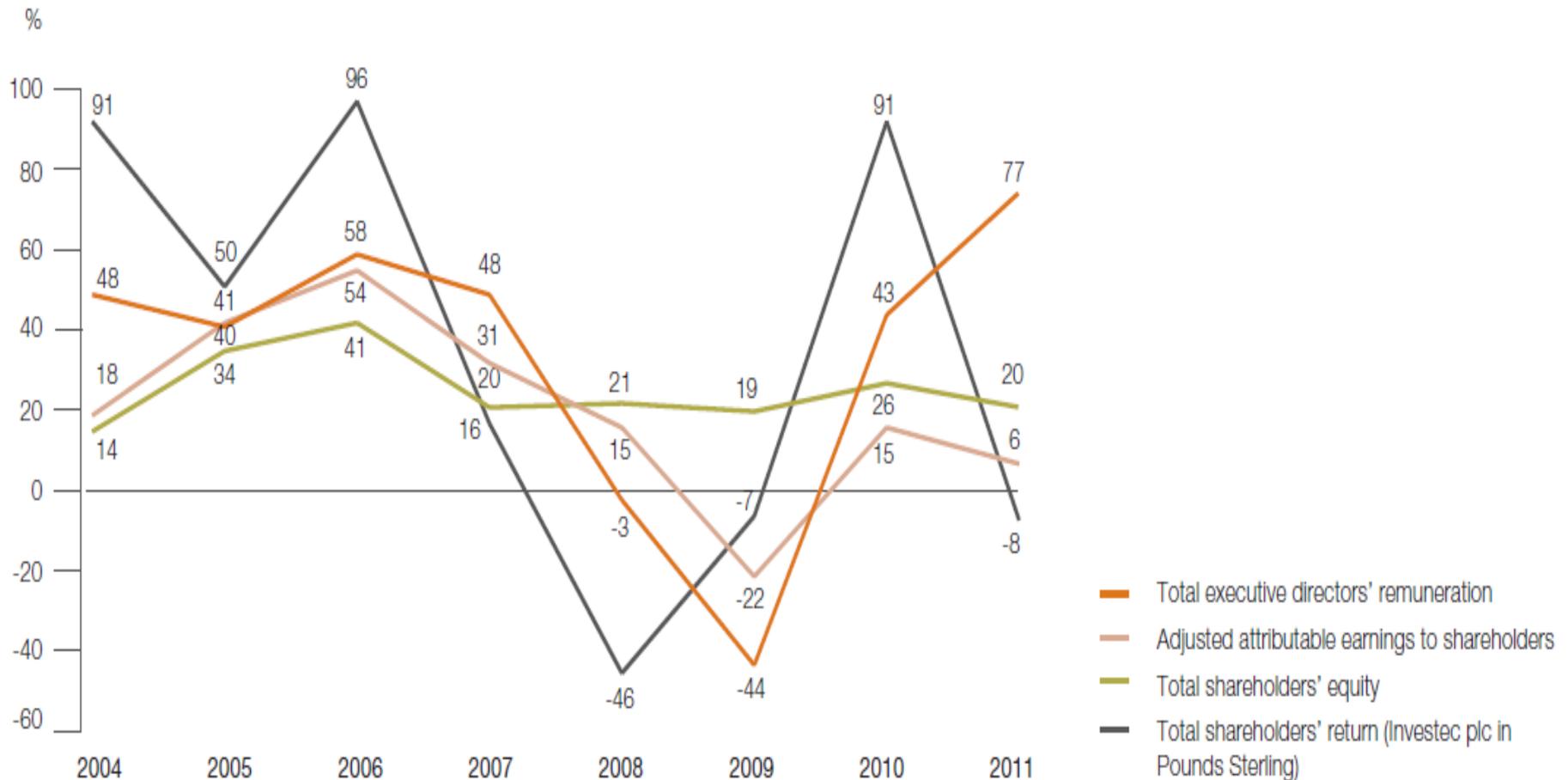
- Many good aspects, no perfect report
- Lack of detailed guidance led to diversity
- Many companies taken “wait and see” approach
 - Changed title to integrated report
 - Combined sustainability report into annual report
 - Added some “non-financial” indicators
 - Give appearance of being prepared by different teams and co-ordinated by investor relations

WHAT GOOD REPORTS DID

- Had consistent story/structure throughout
- Emphasised good and bad news equally
- Made information accessible
 - Clear structure to report
 - Used graphic presentations,
 - Online information clearly identified
- Had high level summary with material info
- Linked stakeholder engagements, risks, strategy, performance, and remuneration

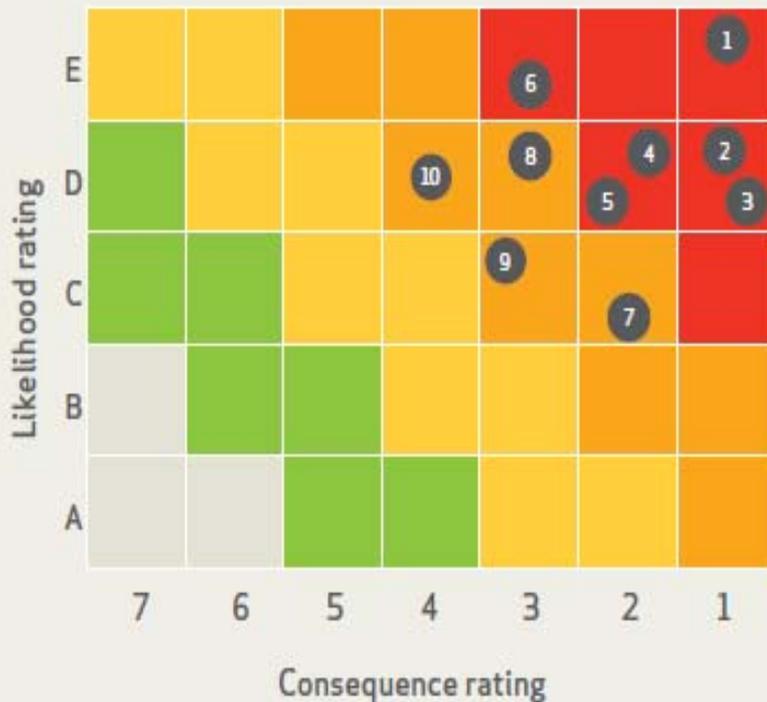
REMUNERATION IN CONTEXT Investec pg 264

Percentage change in executive directors' remuneration vs other key performance related variables



Indication of risk severity – Transnet p68

Group Top 10 strategic risks – Residual risks heat map



- Priority I risk – GCE and Board level
- Priority II risk – Operating divisions' CEO's level
- Priority III risk – General Managers' level
- Priority IV risk – Managers' level
- Priority V risk – Employees' level

WHAT GOOD REPORTS DID cont

- Emphasised that directors endorsed the report (many companies only in detailed notes)
- Highlighted progress on integrated reporting journey
 - What planning to do or include in the future
 - What is independently assured
 - currently &
 - planned for the future

INTEGRATED REPORTING JOURNEY— WBHO

p2

WHAT WE DID

- We identified our material issues
- We identified our key performance indicators
- We set interim targets

WHAT IS STILL TO DO

- Further develop the management information system to facilitate collection of a wider range of data against which to measure the group
- Measure actual results against a broader spectrum of performance indicators
- Adjust targets if necessary
- Improve stakeholder engagement
- Obtain assurance for our report

Data is measured according to specific indicators throughout the report, particularly with reference to tables and graphs. We have chosen to report the safety, health and environmental data of our Australian operations separately, as their operating environment and legal compliance requirements differ to our operations managed from South Africa.

As we continue on our journey we will be consulting our stakeholders and getting their input into what they would like us to report on. We also plan to seek assurance for our report in the future.



Independent Assurance – PPC p104

Combined assurance

This table summarises key business processes/measures and their associated assurance provider:

Business process	Output from assurance	Status	Provider
Financial Financial reporting	Zero audit findings.	Audited.	Deloitte & Touche
Environmental Direct consumption by primary energy source.	Verified consumption.	Assured.	Deloitte & Touche
Indirect consumption by primary source.	Verified consumption.	Assured.	Deloitte & Touche
Total direct and indirect greenhouse gas emissions.	Confirmed GHG emissions.	Assured.	Deloitte & Touche
Significant fines, sanctions for non-compliance with environmental laws and regulations.	Statement.	Assured.	Deloitte & Touche
Environmental management systems.	ISO 14001 – 10 operations.	Certified.	Dekra
People Workforce analysis.	Verified.	Assured	Deloitte & Touche
HIV/Aids.	National standards.	All SA cement and lime	SANS 16000:2007



WHAT GOOD REPORTS DID cont

- Highlighted changes/judgements & referred to detailed standing data in details or online
 - Corporate governance
 - Accounting policies
- Provided useful information to make future projections
 - Waterfall graphs on profit movements
 - Sensitivity analyses

EMPHASISE CHANGES — RB Plat 2011 p21

Progress with regard to the application of King III in 2011

RBPlat applies the principles of King III. In 2011 we have made progress with the significant areas of partial compliance with King III reported in our 2010 annual report. These include:

Areas addressed in 2011

Code of Ethics

We now have a Code of Ethics in place which has been endorsed by the Board, which will be implemented during 2012. A formal ethics hotline, administered by KPMG, has also been established.

Governing stakeholder relationships and corporate citizenship

A stakeholder engagement framework has been adopted by the Board and is being implemented.

Legal compliance policy and framework

A legal compliance policy and framework were endorsed by the Board in 2011 and are being implemented alongside the risk management process.

Remuneration philosophy

Our remuneration philosophy has been endorsed by the Board and is included in this report.

Board evaluation

A board evaluation process was conducted which assessed the Board, its committees, retiring directors and Chairman in terms of its economic, environmental and social performance. A formal development and corrective plan will follow in 2012.

Review of internal audit

As internal audit is outsourced to KPMG, an independent review has not been performed. However, an internal quality review was conducted and the audit processes and plan have been considered by the Audit and Risk Committee.

Written assessment of the effectiveness of the Group's internal controls

A written assessment of the effectiveness of the Group's internal controls has been finalised by the internal auditors and was considered by the Audit and Risk Committee and the Board. No material matters were raised.

Risk management framework

The Audit and Risk Committee and the Board have endorsed a risk management

policy and framework which is now being implemented.

Some remaining significant areas of partial application

Alternative dispute resolution

A framework and policy are still to be developed. We expect to address this during 2012.

Governance of IT

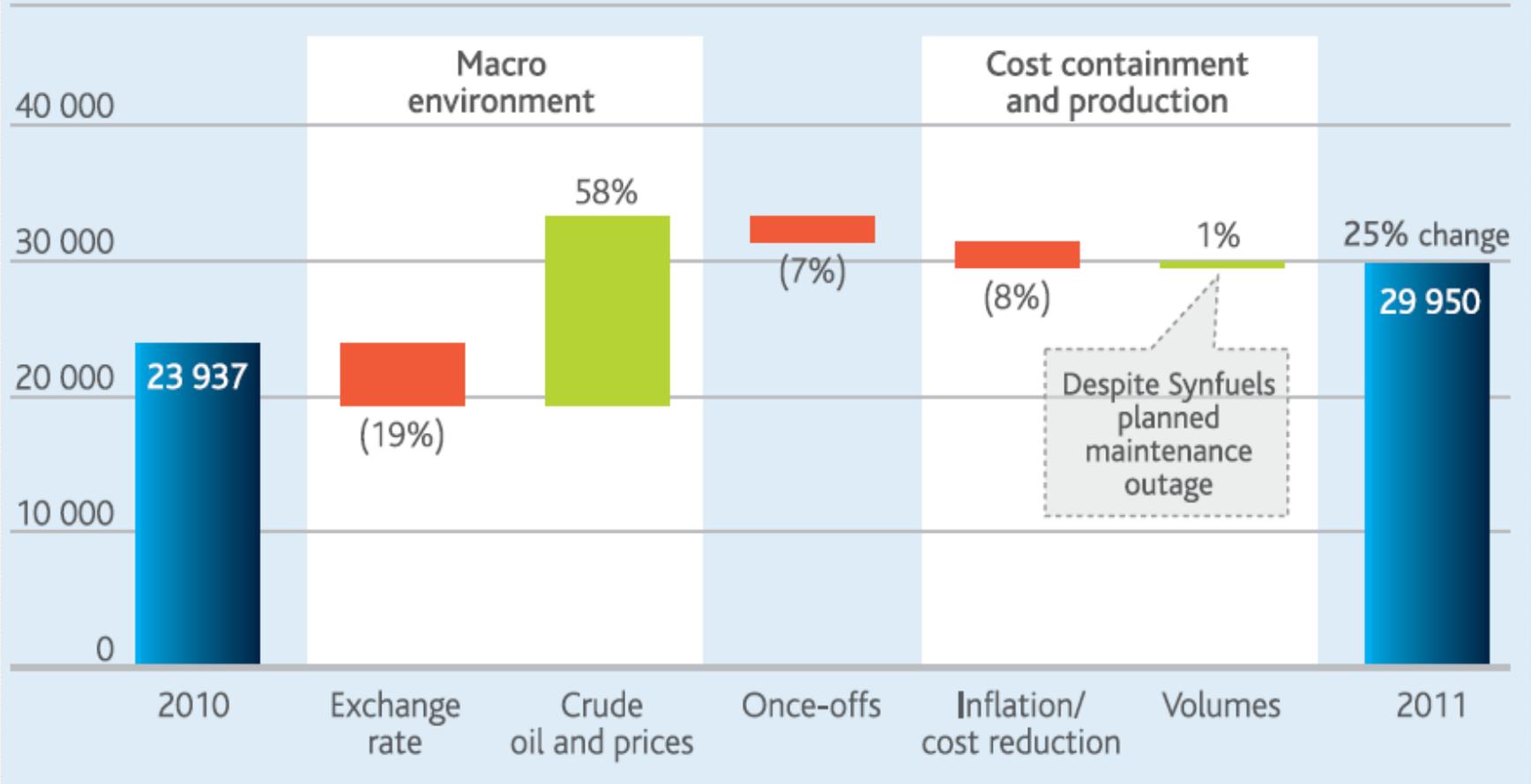
The IT strategy and governance framework is still under review and will form a holistic ICT migration project, which is under way and due to be finalised in 2012.

Adoption of a succession plan of the Chairman, CEO and senior management

Succession planning is still under consideration by the Board and will be finalised in the third quarter of 2012.

PROFIT RECONCILIATION – Sasol p54

Operating profit – price volume variance analysis (R million)



SENSITIVITY ANALYSIS— Sappi p51

Sensitivities	Change	SFPE	SFPNA	SA	Group
		€ million	US\$ million	ZAR million	US\$ million
Net selling prices	1%	27	13	127	68
Variable costs	1%	16	8	66	39
Sales volume	1%	9	5	50	25
Fixed costs	1%	6	5	44	19
Oil price	US\$1	3	2	4	6
Pulp prices	US\$10	(6)	2	35	(1)
Wood prices	1%	2	2	3	6
ZAR/US\$	10 cents	—	—	63	9
Euro/US\$	10 cents	—	3	—	3

PROFIT SENSITIVITY - Std bank p23

Impact of economic factors on key financial ratios

Key financial ratio	Economic factor impacting key financial ratio	Impact on 2011	Expected impact on 2012
Growth in loans and advances	Debt-to-disposable income level	▲	▲
	GDP growth	▲	▲
	Interest rates	▲	▲
Net interest margin	Interest rates	▶	▲
Credit loss ratio	Number of insolvencies and liquidations	▲	▲
	Collateral values	▲	▼
	Debt-to-disposable income level	▲	▲
Growth in non-interest revenue	<ul style="list-style-type: none"> - Growth in fee and commission revenue - Growth in trading revenue 	GDP growth and inflation	▲
		Market trading volumes	▲
		Market price volatility	▼
Growth in operating expenses	<ul style="list-style-type: none"> GDP growth Inflation rate 	▼	▼
		▼	▶
Effective tax rate	Corporate tax rates	▶	▲
Impact of translating income from operations outside South Africa into rand	Average rand exchange rate	▶	▲
Growth in long-term insurance revenue	<ul style="list-style-type: none"> Equity market performance Persistency of policy revenue Debt-to-disposable income level 	▶	▲
		▲	▲
		▲	▲
Growth in ordinary shareholders' equity in operations outside South Africa	Closing rand exchange rate	▶	▲

Communicating targets – Nedbank p23

DEEP GREEN ASPIRATION: TO BECOME A GREAT PLACE TO INVEST

Metric	2011		Medium-to-long-term target	2012 outlook vs 2011	
ROE (excl goodwill)	15,3%	X	5% above monthly weighted COE	Improving, remaining below target.	X
Diluted HEPS growth	25,4%	✓	≥ CPIX + GDP growth + 5%	Above the target level.	✓
Credit loss ratio	1,14%	X	0,60% – 1,00%	Improving, into upper end of target.	✓
NIR/expenses	81,5%	X	> 85%	Improving, remaining below target.	X
Efficiency ratio	56,6%	X	< 50%	Improving, remaining below target.	X
Core Tier 1 CAR	11,0%		Basel II basis: 7,5% – 9,0%	Strengthening, remaining above Basel II target range.	
Tier 1 CAR	12,6%		8,5% – 10,0%		
Total CAR	15,3%	✓	11,5% – 13,0%		✓
Economic capital		✓	Internal Capital Adequacy Assessment Process (ICAAP) A debt rating (including 10% capital buffer)		✓
Dividend cover	2,26 times	✓	2,25 to 2,75 times (under review pending dividend tax change)		✓

'NON-FINANCIAL' GOALS - Vodacom p5

We also made good progress on our strategic priorities.

Priority	2013 goal	2011 performance	Reference
Grow passionate promoters by dramatically improving the customer experience	No 1 in NPS in all our markets across all customer touchpoints 	No 1 overall in all countries where Net Promoter Score ('NPS') is measured. 	
Actively create an environment for our people to excel and grow	>80% in the Engagement index from our People Survey 	73% Engagement index score, dropped from 77% last year. 	
Put the power of the internet in people's hands	25m data customers across our footprint 	10.2 million data customers, up 39.4% on prior year. 	

NOT GOOD PRACTICE – WINDOW DRESSING

- Combined unconnected information is not integrated
- Signs are:
 - Generic descriptions, with no or limited hard data
 - Measures provided not relevant to value & future of business
 - Risks not linked to strategy & KPIs
 - No independent assurance of non-financial information
 - Does not influence ‘at risk’ element of directors’ remuneration
 - No clear indication that Board endorsed entire report