THE IMPACT OF INTEGRATED REPORTING

IFAC ANNUAL SEMINAR – A FUNDAMENTAL SHIFT IN CORPORATE REPORTING

Presented by Graham Terry
Senior Executive: Strategy and Thought Leadership
Components of Market Value

S&P 500

- Physical and financial assets
- Other assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Physical and Financial Assets</th>
<th>Other Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>83</td>
<td>17</td>
</tr>
<tr>
<td>1985</td>
<td>68</td>
<td>32</td>
</tr>
<tr>
<td>1995</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>2005</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>2009</td>
<td>19</td>
<td>81</td>
</tr>
</tbody>
</table>

Increasing length and complexity

Prudential annual report pages - 1850-2008

Source: Investis research - PwC
“Corporate reporting ... has got too big, too cumbersome and incomprehensible ...”

Source: Tomorrow’s Corporate Reporting : A Critical System at Risk – CIMA and PwC
King III

South Africa
Integrated Reporting Framework
What is integrated reporting?

Integrated Reporting combines the most material elements of information currently reported in separate reporting strands - (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole, and importantly:

• shows the connectivity between them; and

• explains how they affect the ability of an organization to create and sustain value in the short, medium and long term.
Integrated Thinking
Some trends

- Wait and see approach
- Shorter reports better
- Recognition of other stakeholders
- Explaining business model
- Improved financial reporting
- Linkage to sustainability
- Improved disclosure around value added and resources consumed
- Improved disclosure on risks
78% of companies used the term Annual Integrated Report

IRC Research
Conducted by - College of Accounting, University of Cape Town
60% of Boards endorse Integrated Reports
57% of reports - to be read by stakeholders other than investors
17% shorter than 100 pages
International Position
- UNEP FI
- Academics
- Financial Stability Board
- World Bank
- International Organisation of Securities Commissions
- Government representatives
- WWF
- UNCTAD

- Accountancy profession
- Global Reporting Initiative
- Global Compact
- IASB/FASB
- Global Companies
- WBCSD
- Transparency International
- Stock exchanges
Pilot programme
Examples Database
Assurance improves credibility of Report
Thank You