

INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA

# ACHIEVING BALANCE IN THE INTEGRATED REPORT: AN INFORMATION PAPER

INTEGRATED REPORTING  
COMMITTEE OF  
SOUTH AFRICA

  
NETWORK

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ISBN 978-0-6399597-1-9

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# FOREWORD

The level of trust between organizations, either public or private, and their stakeholders may well be at one of its low points in history. The pervasive call for transparent, credible and quality reporting, as a critical component of accountability and stakeholder engagement, is timely and vital to rebuilding trust.

Reporting that focuses on positive information with the understatement or omission of negative information is perceived to be a less than transparent reflection of the organization's performance and outcomes. Stakeholders may rightly say that the reporting is unbalanced.

In striving to achieve balanced reporting the organization needs to, firstly, critically reflect on whether its current reporting is a true picture of performance and outcomes, secondly, re-new the commitment to balanced reporting by those charged with governance, and thirdly, ensure it has the processes and systems in place to produce the quality and balance in reporting that is expected.

The *King IV Report on Corporate Governance™ for South Africa 2016*<sup>1</sup> (King IV) is clear on the duty of those charged with governance to ensure that the reports released by the organization enable stakeholders to make informed assessments of performance as well as short-, medium- and long-term prospects. The *International <IR> Framework*<sup>2</sup> (<IR> Framework) sets out Guiding Principles and Content Elements which, when diligently applied, support balance in the integrated report.

Balanced reporting is not a choice. It is a part of the governing body's duty of accountability. It is an imperative in rebuilding trust and legitimacy between organizations and their stakeholders and is integral to ethical and effective leadership by the governing body.



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Chairman Emeritus of the International Integrated Reporting Council (IIRC)

December 2018

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2 Available at [www.integratedreportingsa.org](http://www.integratedreportingsa.org) or [www.integratedreporting.org](http://www.integratedreporting.org)

## PURPOSE OF THIS PAPER

The Integrated Reporting Committee (IRC) of South Africa has developed this Information Paper (Paper) to assist organizations achieve the balance in reporting that is essential to the credibility and usefulness of their integrated reports.

The Paper aims to assist those preparing integrated reports, as well as executives and members of the governing body who are responsible for guiding and approving integrated reports and hence play a critical role in ensuring that reports are balanced. Further, the Paper will be helpful to the users of reports to enhance their understanding and expectations of what balanced reporting means and how it can be achieved.

The Paper sets out to:

- Highlight the critical role of the governing body
- Consider the meaning of balanced reporting
- Identify the benefits, challenges and weaknesses
- Consider the guidance of the <IR> Framework
- Suggest key considerations in achieving balanced reporting with illustrative examples from the reports of South African organizations

The Paper includes reference to King IV, which is the South African corporate governance code released in November 2016, and the <IR> Framework released by the International Integrated Reporting Council (IIRC) in December 2013. The <IR> Framework has been endorsed by the IRC of South Africa as guidance on good practice on how to prepare an integrated report. Excerpts from King IV and the <IR> Framework are stated in italics in this Paper.

While this Paper suggests key considerations for achieving balanced reporting, it does not purport to be an exhaustive checklist and recognises that the due process, judgement and integrity of the organization's leadership ultimately determines whether their integrated report provides a balanced view of the organization's value creation process.

It should be noted that this Paper is issued for informational purposes; guidance is offered by King IV and the <IR> Framework.

The <IR> Framework uses the term *those charged with governance*, while King IV refers to *members of the governing body*. Both terms are used interchangeably in the Paper.

# THE ROLE OF LEADERSHIP AND GOVERNANCE

The governing body is responsible for the organization's strategic direction and actions - and for its reporting. It is the duty of those charged with governance to ensure that the information reported presents a true and fair reflection of the affairs of the organization.

Balanced and transparent reporting is a part of the duty of accountability that members of the governing body have to the organization, and through it, to the organization's stakeholders.

There is an inherent expectation that the governing body sets an ethical philosophy and approach to transparency throughout the organization, and which carries through to reporting. The governing body sets the tone on transparency: the unambiguous and truthful exercise of accountability.

King IV<sup>3</sup> acknowledges this by requiring, in its Principle 5, that the governing body *should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organization's performance and its short-, medium- and long-term prospects*<sup>4</sup>. King IV's definition of performance is wide encompassing both the performance against strategic objectives and the positive and negative effects on the capitals.

To achieve Principle 5, King IV offers a number of recommended practices that can be implemented by the governing body, namely<sup>5</sup>:

- Assume responsibility for reporting by setting the direction for how it should be approached and conducted;
- Approve management's determination of the reporting frameworks used, taking into account legal requirements, the intended audience and the purpose of each report;
- Oversee that reports comply with legal requirements and/or meet the information needs of material stakeholders;
- Oversee that the organization issues an integrated report at least annually;
- Approve management's bases for determining materiality for the purpose of deciding which information should be included in reports;
- Ensure the integrity of reports through oversight of the assurance of external reports; and
- Ensure that external reports, including the integrated report and annual financial statements, appear on the organization's website or on other platforms appropriate for access by stakeholders.

3 King IV states that there are four desired outcomes of governance, namely: ethical culture, good performance, effective control and legitimacy. There are 16 Principles to apply in pursuit of these outcomes. Each Principle has a number of recommended practices to implement to give effect to the Principle.

4 King IV, Principle 5, page 48

5 Paraphrased from King IV, Principle 5, page 48

Further, the <IR> Framework requires a statement of responsibility from those charged with governance to be included in the integrated report, acknowledging:

- *their responsibility to ensure the integrity of the integrated report;*
- *that they have applied their collective mind to the preparation and presentation of the integrated report; and*
- *their opinion or conclusion about whether the integrated report is presented in accordance with the Framework.<sup>6</sup>*

The inclusion of the statement of responsibility in the integrated report implies that those charged with governance have a sound basis for acknowledging the integrity of the report and are comfortable that there has been thorough application of the <IR> Framework's requirements. The governing body relies on the organization's capability for balanced reporting through credible information systems and the monitoring and management processes. Ultimately, though, it is the judgement of those charged with governance as to whether or not balanced reporting has been achieved.

<sup>6</sup> International <IR> Framework, 1G Responsibility for an integrated report, page 9. The <IR> Framework offers alternative disclosure (to be used for a limited time only) where such statement is not included in the report.



## WHAT BALANCED REPORTING MEANS

The <IR> Framework states: *A balanced integrated report has no bias in the selection or presentation of information. Information in the report is not slanted, weighted, emphasized, de-emphasized, combined, offset or otherwise manipulated to change the probability that it will be received either favourably or unfavourably.*<sup>7</sup>

In its essence, a balanced integrated report is a complete report: it contains all material information to understanding the organization's value creation process and this information is presented fairly and without bias. Completeness encompasses forward-looking information over the short-, medium- and long-term and the six capitals used and affected in the value creation process. Completeness helps to avoid perceptions that the report is not balanced.

Recent academic research has revealed three important variables in the quality and balance of integrated reports:

- Balance between good and bad news.
- A mix between forward-looking and non-forward looking information.
- Balance between qualitative and quantitative information.<sup>8</sup>

These points are explored in the Key considerations section in this Paper.

Other emerging themes from academic research also have relevance:

- Corporate reports often convey "bureaucratic" approaches.<sup>9</sup>
- Reports need to be more "authentic" to multiple stakeholders.<sup>9</sup>
- Transparency and credibility are the building blocks to more authentic reports.<sup>10</sup>
- Corporate reporters often do not have robust reporting processes and systems in place.<sup>11</sup>
- The majority of executives do not place a high level of confidence on the non-financial information captured internally within the organization.<sup>12</sup>
- There is a "perceived" bias in corporate reports, from the perspective of analysts.<sup>13</sup>

7 International <IR> Framework, Guiding Principles, 3F Reliability and completeness, Balance, page 21

8 Adapted from Melloni G., 2015. Intellectual capital disclosure in integrated reporting: an impression management analysis. *Journal of Intellectual Capital*, 16(3), pp.661-680

9 Adapted from Scott B., 2018. Searching for authenticity. Available at <https://auditfutures.net/articles/searching-for-authenticity>.

10 Adapted from GRI, 2015. G4 Inside out - Balanced reporting. Available at <https://www.globalreporting.org/information/news-and-press-center/Pages/G4-INSIDE-OUT---BALANCED-REPORTING-.aspx>.

11 Adapted from McNally M-A., Cerbone D., Maroun W. Exploring the challenges of preparing an integrated report. *Meditari Accountancy Research*, Vol. 25 Issue: 4, pp.481-504 as part of a special issue on integrated reporting. Available at <https://doi.org/10.1108/MEDAR-10-2016-0085> and journal <https://www.emeraldinsight.com/toc/medar/25/4>

12 Adapted from Black Sun, 2016. Purpose beyond Profit. Available at [http://integratedreporting.org/wp-content/uploads/2018/02/Profit\\_Purpose.pdf](http://integratedreporting.org/wp-content/uploads/2018/02/Profit_Purpose.pdf)

13 Adapted from Abhayawansa S. and Abeysekera I., 2009. Intellectual capital disclosure from sell-side analyst perspective. *Journal of Intellectual Capital*, 10(2), pp.294-306.

## BENEFITS OF BALANCED REPORTING

Balanced reporting, and the legitimacy and credibility it brings, affords many benefits to the organization, including:

**Enhanced trust and reputation** – Balanced reporting offers comfort to stakeholders that the leadership is accountable, takes ownership of negative outcomes and reflects a willingness to engage on important matters. Stakeholders may already be aware of the organization's negative outcomes and by not disclosing complete information the perception may arise that the truth is being obscured. Disclosing relevant information, completely and transparently, enables improved understanding and informed decision-making by users, which develops trust. The global Edelman Trust Barometer<sup>14</sup> report found that the most important expectation that respondents have of CEOs was to build the trust of stakeholders in their company.

**Accurate narrative** – Disclosure that includes negative information allows the organization to ensure that the public narrative has context and is accurate by communicating the nature of the issues, their impact and mitigating actions taken. Proactive transparency can avoid inappropriate or inaccurate interpretations by stakeholders and the potential fall-out that could result from this.

**Information obtained through the process could be useful** – The organization that is self-critical in its reporting can gain insights into weaknesses in its business model, systems and processes.

**An open and transparent organizational culture** – Balanced and transparent disclosure is not only beneficial to external stakeholders, it can foster an open and transparent organizational culture and assist in promoting employee engagement and productivity.

**A consistent message** – Aligning the external narrative with the internal narrative eliminates multiple perspectives that could confuse and may even call into question the integrity and capability of the organization.

**Reflects enlightened, strategically-focused leadership** – Balanced reporting can show stakeholders that management is aware of the entire spectrum of risks and outcomes facing the business and that there are plans in place to mitigate and/or ameliorate them. It also provides information on whether or not the past responses to risks and outcomes were optimal.

<sup>14</sup> Edelman, 2018. *Edelman Trust Barometer*. Available at <https://www.edelman.com/trust-barometer>.



# CHALLENGES AND WEAKNESSES

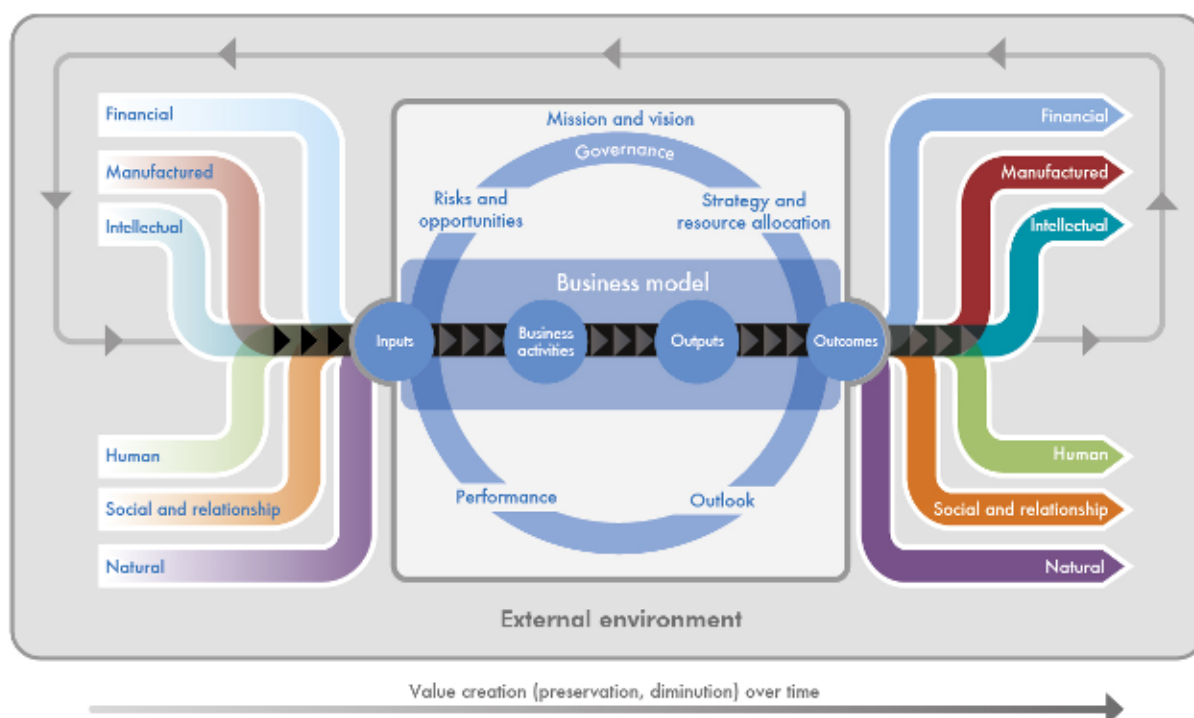
The following are the challenges cited and the weaknesses observed in achieving balance in integrated reports.

Challenge	Contributing factors
<b>Lack of commitment to transparency and accountability</b>	<ul style="list-style-type: none"> <li>Insufficient governance processes and systems</li> <li>Doubts about the relevance of integrated thinking and integrated reporting<sup>15</sup></li> <li>Managerial attitude not supporting an integrated approach to reporting<sup>15</sup> and biased to short-term financial performance</li> </ul>
<b>Inadequate processes and systems to support complete and balanced reporting<sup>15</sup></b>	<ul style="list-style-type: none"> <li>Lack of capacity or resources to manage data</li> <li>Incomplete or insufficient processes for the determination of material matters resulting in difficulty in determining if and when information is material<sup>15</sup></li> <li>Inappropriate approaches to assurance (combined assurance)<sup>15</sup></li> </ul>
<b>Uncertainty about what to report<sup>15</sup></b>	<ul style="list-style-type: none"> <li>Lack of understanding of the requirements of integrated reporting as per King IV and the &lt;IR&gt; Framework</li> <li>Insufficient consideration given to the impact of societal and environmental factors<sup>15</sup></li> </ul>
<b>Concerns about potential negative consequences of reporting sub-optimal information</b>	<ul style="list-style-type: none"> <li>Fear that reporting will lead to additional scrutiny by regulators<sup>15</sup></li> <li>Fear that bad news could result in reputational damage and lower sales</li> <li>Perceived threat of litigation based on negative information<sup>15</sup></li> </ul>
<b>Over-reliance on consultants</b>	<ul style="list-style-type: none"> <li>Limited managerial participation in the preparation of the report and poor oversight of interpretation<sup>15</sup></li> </ul>
<b>Weaknesses in reports</b>	
<b>Predominance of good news over bad news and ignoring negative outcomes</b>	
<b>Insufficient reflection of the six capitals in inputs and outcomes</b>	
<b>Lack of disclosure of the trade-offs between the six capitals in the business model and strategic decisions</b>	
<b>Insufficient consideration of negative outcomes as business risks to the organization</b>	
<b>Predominance of disclosure of short-term information with limited focus on medium- and long-term information</b>	
<b>Highlighting information that focuses on financial performance only</b>	
<b>Lack of alignment between strategy and the key performance indicators disclosed</b>	
<b>Incongruity in the selection and reflection of qualitative and quantitative information</b>	
<b>Ambiguous and vague forward-looking information</b>	

<sup>15</sup> Adapted from McNally, M.-A., Cerbone, D. and Maroun, W., 2017. Exploring the challenges of preparing an integrated report. *Meditari Accountancy Research*, 25(4), pp.481-504. Available at <https://doi.org/10.1108/MEDAR-10-2016-0085> and journal <https://www.emeraldinsight.com/toc/medar/25/4>

# THE <IR> FRAMEWORK

The <IR> Framework's principles-based approach affords reporting flexibility by recognising the unique value creation process of each organization, while facilitating comparability among organizations through the disclosure of relevant information.



**Figure 1: An organization's value creation process<sup>16</sup>**

Figure 1 shows the organization's value creation process in transforming the inputs it draws from the six capitals into outputs (its products, services and waste) and outcomes (the resulting effects on the six capitals) over time. The integrated report explains this process by providing the information requested in each of the eight Content Elements<sup>17</sup> set out in the <IR> Framework. There are seven Guiding Principles<sup>18</sup> in the <IR> Framework which provide a guideline on the type of information suitable for disclosure in the report, as well as how it is presented.

All of the Guiding Principles are relevant to achieving balanced reporting. They are listed below giving their particular relevance to balanced reporting (refer to the <IR> Framework for explanation of the Guiding Principles):

**Strategic focus and future orientation** – Information in the report offers insight into strategy and how it relates to the organization's ability to create value in the short-, medium- and long-term, and also to the use and effects on the capitals. It informs on how the organization balances short-, medium- and long-term interests. There is also a need for balance between historical and forward-looking information.

<sup>16</sup> Copyright December 2013 by the International Integrated Reporting Council ("the IIRC"). All rights reserved. Used with the permission of the IIRC.

<sup>17</sup> International <IR> Framework, Content Elements, pp 24 - 29

<sup>18</sup> International <IR> Framework, Guiding Principles, pp 16 - 23

**Connectivity of information** – Information that is connected, rather than isolated, is an essential part of balanced reporting. It means showing the connections between past, present and future, and the inter-dependence between capitals illuminating the trade-offs.

**Stakeholder relationships** – The nature and quality of the organization's relationships with its stakeholders is relevant information. The quality of these relationships is material to the organization's value creation process in the future; balanced reporting discloses the favourable and unfavourable relationships. Similarly, disclosure is required of how the stakeholders' needs, interests and expectations are being met, or not, by the organization.

**Materiality** – This principle provides a basis for determining which matters to disclose in the report based on their substantive effect on the organization's value creation process. The <IR> Framework stipulates that the materiality determination process *applies to both positive and negative matters, including risks and opportunities, and favourable and unfavourable performance or prospects*<sup>19</sup>. Other aspects important to materiality are the boundary of the report (considering matters that may be material to the organization but stem from external stakeholders and entities) and completeness (the report includes all material information).

**Conciseness** – Applying the Guiding Principles results in a concise but complete report containing information on matters material to the organization's value creation process. An overly concise report could see material information omitted, while a report that is lengthy, poorly structured and containing detailed or duplicated information can detract from achieving a balanced report.

**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>. In this principle, balance is referred to in the context of both reliable information (balance and freedom from material error) and how information is selected and presented. About the latter, it is stated: *Information in the report is not slanted, weighted, emphasized, de-emphasized, combined, offset or otherwise manipulated to change the probability that it will be received either favourably or unfavourably*<sup>21</sup>.

**Consistency and comparability** – Balance is relevant to explaining significant inconsistencies from past to present, and if applicable, to the future.

19 International <IR> Framework, Guiding Principles 3D Materiality, The materiality determination process, page 18

20 International <IR> Framework, Guiding Principles 3F Reliability and completeness, page 21

21 International <IR> Framework, Guiding Principles 3F Reliability and completeness, Balance, page 21

## OTHER FRAMEWORKS

Preparers need to be cognisant of regulatory reporting requirements and the guidance provided in other adopted frameworks when considering the information to disclose to achieve balanced reporting.

In South Africa, applicable regulatory and other frameworks include but are not limited to:

Regulatory frameworks	Voluntary frameworks
Companies Act, 2008	King IV Report on Corporate Governance for South Africa 2016 (King IV)
JSE Listings Requirements (which incorporate reporting against King IV)	GRI Standards
International Financial Reporting Standards (IFRS)	International Organization for Standardization (ISO) Standards
Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA)	CDP questionnaires on climate change, forests and water security
Sector or activity specific regulation (e.g. Banks Act, environmental legislation etc.)	Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
	Sustainable Development Goals (SDGs)

Similar regulatory frameworks will exist in other countries and have relevance to reporting.

To achieve consistent and balanced reporting across all regulatory and adopted frameworks organizations often set policies to guide their reporting protocols. These policies cover aspects such as materiality, timing, extent and medium of reporting - all of which may have different parameters across different frameworks.

Attention needs to be given to situations where achieving a balanced integrated report may trigger regulatory reporting compliance requirements (e.g. reporting price-sensitive information or forecasts may trigger disclosure in line with the JSE Listings Requirements).

Regulatory requirements or the threat of litigation may also discourage balanced reporting (e.g. a potential breach of law could trigger regulatory investigation or penalties). Organizations may receive legal advice that could delay or diffuse transparent and timely reporting. These dilemmas will require careful consideration and judgment by those charged with governance.

The <IR> Framework addresses situations where organizations may not be able to meet disclosure requirements due to the following issues:

- *The unavailability of reliable information or specific legal prohibitions results in an inability to disclose material information*
- *Disclosure of material information would cause significant competitive harm.<sup>22</sup>*

Should the information be unavailable or legally prohibited, the <IR> Framework requires alternative disclosure, namely: the nature of information omitted, reason for omission, and the steps taken to obtain the information and the expected time-frame.<sup>23</sup> If information is omitted for competitive reasons, the <IR> Framework suggests describing the essence of the material matter without disclosing the specific information that might cause competitive harm<sup>24</sup>.

<sup>22</sup> International <IR> Framework, 1F Application of the Framework, 1.17, page 8

<sup>23</sup> International <IR> Framework, 1F Application of the Framework, 1.18, page 8

<sup>24</sup> International <IR> Framework, 3.51 Competitive advantage, page 22



# KEY CONSIDERATIONS AND ILLUSTRATIVE EXAMPLES

The key considerations listed below may assist organizations in achieving balanced reporting.

It should be noted that balanced reporting refers to the report as a whole; the excerpts from integrated reports in this section have been chosen as illustrations of points under discussion and should be seen in this context. The links to the reports on the organizations' websites can be accessed for more information.

Other Information Papers released by the IRC offer useful key considerations pertinent to specific areas, namely: *Disclosure of Governance Information in the Integrated Report* (<http://integratedreportingsa.org/reporting-on-governance-information/>), *Disclosure of Performance against Strategic Objectives* (<http://integratedreportingsa.org/reporting-on-performance/>) and *Reporting on Outcomes* (<http://integratedreportingsa.org/reporting-on-outcomes/>).

1

## A commitment to responsible leadership

Responsible leadership and accountable governance are at the heart of balanced reporting. Those charged with governance need to take ownership and accountability for balanced reporting by the organization. The governing body sets the tone in ensuring transparency.

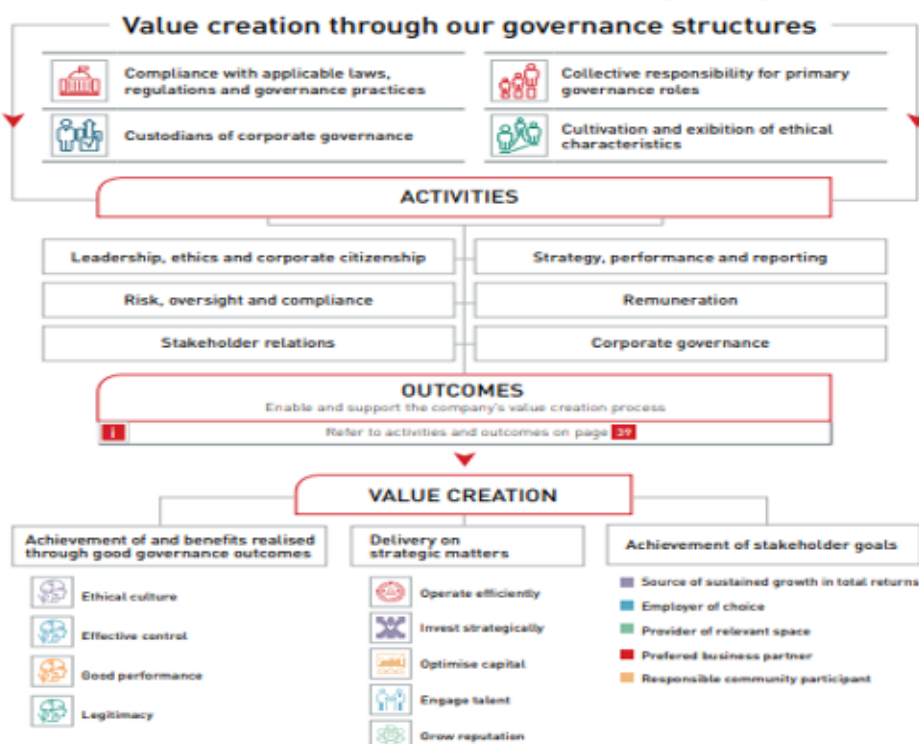
Obtaining buy-in from the governing body ensures that there is proper direction, involvement and oversight over the integrated reporting process.

**Redefine Properties Integrated Report 2017:** Highlights that its leadership is the custodian of corporate governance in delivering value creation. This is reflected in the structure and content of the report.

### Board effectiveness – demonstrating leadership and accountability as custodians of corporate governance

The board leads the company with **integrity** and **competence** and in a manner that is **responsible, accountable, fair and transparent**, so as to ensure leadership that results in the achievement of the company's strategic objectives and positive outcomes over time. The board assumes collective responsibility for **strategy, policy, oversight and accountability** and has adopted a stakeholder-inclusive approach in the execution of its governance role and responsibilities. The board understands that a well-governed company inspires the confidence of stakeholders and lowers the cost of capitals, and that inclusive and integrated governance, that aspires to sustainability, is good for society and the economy.

The decisions and actions taken by the board in directing the company, shape and determine its prospects and longer-term viability and ensure that the company subscribes to full compliance with applicable laws, regulations and governance practices.





## Planning and processes for credible reporting

Proper planning and co-ordination of reporting processes and content are enabled by:

- Internal integrated reporting practiced throughout the year, not just for the integrated report.
- Developing policies and practices that guide and define the approach taken to achieve balanced reporting and dealing with conflicts, uncertainties and deficiencies.
- Ensuring appropriate resources, priority, processes and systems are in place to produce quality information in an integrated manner.

While the report is the voice of the governing body and it has final approval of its content, the preparation of the report falls within executive responsibilities. This can be under the domain of the CEO, CFO, Strategy director, Investor Relations or other executive as best suits the circumstances of the organization.

The table below outlines the planning and preparation process for an integrated report and is taken from the IRC's *Preparing an Integrated Report: A Starter's Guide (Updated)* (<http://integratedreportingsa.org/preparing-an-integrated-report-a-starters-guide-updated/>)

## Planning and preparing the integrated report

<p><b>The governing body has ultimate accountability...</b> (page 16)</p>	<p>It is essential that the organization's leadership buys in and participates in its integrated report. The governing body owns the report – it gives final approval of the report, and the material matters therein, and oversees its preparation.</p>
<p><b>The reporting process does not have to be complicated...</b> (page 14)</p>	<p>There is no one-size-fits-all integrated report or integrated reporting process. The reporting process is scalable and may require effort in proportion to the size and structure of the organization – the process need not be complicated.</p> <p>However, the need for responsibility and early and thorough planning cannot be emphasised enough. The governing body may designate a senior executive responsible for the preparation of the report.</p>
<p><b>Determining materiality is one of the cornerstones of an effective report...</b> (page 21)</p>	<p>Applying materiality means that the organization reports on all the matters that substantively affect its ability to create value. Material matters cover all aspects of the organization – strategy, governance, performance, prospects, and the six capitals. The integrated report discloses the process for determining materiality and the governing body approves the process and identified material matters.</p>
<p><b>Reliable information is important for the integrity and credibility of the report...</b> (page 17)</p>	<p>Collecting non-financial data and translating it into an accessible format can be challenging at first. In practising integrated reporting, organizations become better at collecting and integrating this data, which can improve their business operations and decision making.</p> <p>The governing body determines the assurance approach for the report, which often includes internal and/or external assurance.</p>
<p><b>Aim to produce a frank and balanced report...</b></p>	<p>The integrated report should be transparent, accessible and understandable. A good integrated report is clear, concise, easy to understand and uncluttered by detailed information or information that is not material. The report is the organization's value creation story; additional and detailed information can be housed in supplementary reports, fact sheets or the website.</p> <p>The integrated report should be balanced and transparent, reflecting both good and poor performance and outcomes. Users have said that unbalanced reporting damages an organization's credibility.</p>
<p>The integrated report should not be seen as yet another compliance burden. It is a good communication tool that also offers many internal benefits for the organization.</p> <p>Integrated reporting is a journey. It is unlikely that the organization will meet all objectives for its integrated report in the first year, but reporting will improve as the organization remains committed to the journey.</p>	

The more that integrated thinking is embedded in the organization the greater the integration and connectivity in its report. The completeness afforded by integrated thinking assists in achieving balanced reporting.

Integrated thinking can be broadly described as the organization's consideration of the six capitals - from uses to effects (outcomes) - in its business model, strategy, risks and opportunities, decision-making and other business activities. Integrated thinking happens at three levels: the governing body, executives and senior management, and staff members.

Proper attention to the materiality determination process - ensuring the completeness of the process and covering the angles of time and six capitals - will help to ensure that all material information is included in the report presenting a balanced picture of the organization.

The governing body will approve the materiality determination process (because of its importance to the report's completeness and balance), as well as the final matters determined for inclusion in the report.

**Anglo American Platinum Integrated Report 2017:** The materiality determination process is succinctly described offering insight into the issues and perspectives considered. The disclosed material matters are stated with context, explanation of their impact, and cross-references to more detailed information.

## OUR MATERIAL ISSUES

In terms of the IIRC framework, an integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term. Our established materiality process aims to ensure

that societal, environmental and economic issues that present risks and opportunities to Amplats are identified, while considering issues of salient concern to external stakeholders.

PILLARS OF VALUE	MATERIAL ISSUES AND RELATED CONSIDERATIONS	KEY IMPACT	READ MORE	INTERNAL MATTERIALITY
SAFETY AND HEALTH	<b>HEALTH AND SAFETY</b> <ul style="list-style-type: none"> <li>Employee safety and health</li> <li>Community safety and health</li> <li>Working conditions to attract and retain skilled labour</li> </ul> <b>MARKET CONDITIONS</b> <p><b>SUPPLY</b></p> <ul style="list-style-type: none"> <li>Supply chain disruptions to restrict timely flow of production process</li> <li>Raw materials availability</li> <li>Transport and capital equipment costs</li> <li>Labour cost management</li> <li>Supply chain risk management</li> <li>Supply chain risk management</li> </ul> <p><b>DEMAND</b></p> <ul style="list-style-type: none"> <li>Raw material demand to increase and expand, possibly in industrial sectors</li> <li>European light-duty vehicle demand to decline, but absolute demand growing, as demand for heavy-duty vehicle</li> <li>Disruption of demand by uncertainty, but largely in hybrid electric that require PEMs in the near term</li> <li>Overall growth in demand, but can be offset by growth along with growth in US and India</li> <li>Market demand also focused on creating demand for new products, demand in emerging markets, new and/or local suppliers and services</li> </ul>	<p>If health and safety conditions affect morale and productivity, our ability to attract, retain, and develop talent will be impacted by limited mobility.</p> <p>Changing global market conditions affect our sales and future, our position in the market. This may impact our ability to attract and retain talent. Strategic initiatives to attract and retain talent are critical to our success. Our ability to attract and retain talent is critical to our success.</p> <p>Strategically expanding our portfolio is a global imperative for business development. This is a key to our success. Our ability to attract and retain talent is critical to our success.</p> <p>Strategic expansion and innovation at all levels is a key to our success. Our ability to attract and retain talent is critical to our success.</p>	<p>Supplier environmental issues. See page 144.</p> <p>External market. See page 10.</p> <p>Financial disclosure report. See page 45.</p> <p>Financial disclosure report. See page 45.</p> <p>Financial disclosure report. See page 45.</p>	<p>The issues assessing matters that directly affect the company's (1) business, (2) operations, (3) financial performance and (4) operational management level.</p> <p>Material issues identified as addressed in the reporting period. When affecting input costs, material supply, customer demand, product safety, worker health, safety and health, or direct environmental impact, internal material issues tend to be well known by the company through stakeholder engagement, guidance from consultants and advisors, or structural management strategy processes. This analysis supplements the awareness of outcomes from the risk assessment process for risk identification and prioritization, and adopted a materiality process to identify trends, business opportunities and emerging social trends.</p>
RETURN/INVESTMENT	<b>REORGANIZED PORTFOLIO</b> <ul style="list-style-type: none"> <li>Global changes in demand from 2015 including, major shift in demand</li> <li>Anglo American's portfolio (non-ferrous metals, precious metals, industrial minerals, and other high-tech minerals), improved operational efficiency</li> <li>Investing in, and developing, with new metals (industrial minerals and precious metals)</li> <li>System of care and maintenance</li> </ul> <b>CAPITAL ALLOCATION</b> <ul style="list-style-type: none"> <li>Return on capital</li> <li>Capital structure</li> <li>Debt structure</li> <li>Equity structure</li> <li>Return on capital</li> </ul>	<p>Product impact</p> <ul style="list-style-type: none"> <li>Product safety</li> <li>Product quality</li> <li>Product safety</li> <li>Product quality</li> <li>Product safety</li> <li>Product quality</li> </ul>	<p>Financial disclosure report. See page 45.</p> <p>Financial disclosure report. See page 45.</p> <p>Financial disclosure report. See page 45.</p>	<p>Financial disclosure report. See page 45.</p> <p>Financial disclosure report. See page 45.</p> <p>Financial disclosure report. See page 45.</p>
ENVIRONMENTAL	<b>ETHICS, INTEGRITY AND REPUTATION</b> <ul style="list-style-type: none"> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> </ul>	<p>Business ethics</p> <ul style="list-style-type: none"> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> </ul>	<p>Business ethics</p> <ul style="list-style-type: none"> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> </ul>	<p>Business ethics</p> <ul style="list-style-type: none"> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> <li>Business ethics</li> </ul>
POLITICAL AND REGULATORY ENVIRONMENT	<b>POLITICAL AND REGULATORY ENVIRONMENT</b> <ul style="list-style-type: none"> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> </ul>	<p>Government</p> <ul style="list-style-type: none"> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> </ul>	<p>Government</p> <ul style="list-style-type: none"> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> </ul>	<p>Government</p> <ul style="list-style-type: none"> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> <li>Government</li> </ul>
SOCIO-POLITICAL	<b>SOCIO-ECONOMIC CONDITIONS</b> <ul style="list-style-type: none"> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> </ul>	<p>Development</p> <ul style="list-style-type: none"> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> </ul>	<p>Development</p> <ul style="list-style-type: none"> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> </ul>	<p>Development</p> <ul style="list-style-type: none"> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> <li>Development</li> </ul>
STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS	<b>STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS</b> <ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> </ul>	<p>Stakeholder engagement</p> <ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> </ul>	<p>Stakeholder engagement</p> <ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> </ul>	<p>Stakeholder engagement</p> <ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Stakeholder engagement</li> </ul>
RETURN/INVESTMENT, SAFETY AND HEALTH, PEOPLE	<b>MODERNIZATION</b> <ul style="list-style-type: none"> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> </ul>	<p>Modernization</p> <ul style="list-style-type: none"> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> </ul>	<p>Modernization</p> <ul style="list-style-type: none"> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> </ul>	<p>Modernization</p> <ul style="list-style-type: none"> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> <li>Modernization</li> </ul>
ENVIRONMENT	<b>ENVIRONMENT</b> <ul style="list-style-type: none"> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> </ul>	<p>Environment</p> <ul style="list-style-type: none"> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> </ul>	<p>Environment</p> <ul style="list-style-type: none"> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> </ul>	<p>Environment</p> <ul style="list-style-type: none"> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> </ul>

<https://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Platinum/annual-report-2017/anglo-platinum-integrated-report-2017.pdf>

## A well-considered assurance process

Scoping the assurance process to include the completeness and quality of information of the report, as well as the effective application of the <IR> Framework's requirements, can support achievement of a balanced report.

**Barclays Africa Group 2017 Integrated Report:** An overview of the assurance approach applied to the various reports in the corporate reporting suite is given, as well as comprehensive description of the assurance process relating to the integrated report.

## Our reporting suite

This integrated report is our primary report to shareholders and other stakeholders and is supplemented by the disclosures outlined below including documents published as part of our annual results announcement on 1 March 2018.



All of the reports listed below are available on [barclaysafrica.com](http://barclaysafrica.com) and on our interactive report site [barclaysafrica2017ar.co.za](http://barclaysafrica2017ar.co.za). Comments or queries regarding these documents can be sent to [groupinvestorrelations@barclaysafrica.com](mailto:groupinvestorrelations@barclaysafrica.com) or [groupsecretariat@barclaysafrica.com](mailto:groupsecretariat@barclaysafrica.com)

Document	Scope and boundary	Reporting standards/frameworks	Assurance
<b>Integrated report and environmental, social and governance disclosures</b>			
<ul style="list-style-type: none"> <li>2017 Integrated Report</li> <li>2017 GRI (Global Reporting Initiative) report</li> <li>2017 King IV review</li> <li>2017 Broad-based black economic empowerment (BBBEE) report</li> <li>Notice of annual general meeting 2018</li> </ul>	<ul style="list-style-type: none"> <li>Barclays Africa, including key banking and insurance subsidiaries</li> <li>BBBEE applies to our South African operations</li> </ul>	<ul style="list-style-type: none"> <li>International Integrated Reporting Council's (IIRC's) Integrated Reporting &lt;IR&gt; Framework</li> <li>Companies Act No 71 of 2008 of South Africa</li> <li>JSE Listings Requirements</li> <li>King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)</li> <li>Amended Financial Sector Code</li> <li>GRI G4 Standard, Financial Sector Supplement and the Greenhouse Gas Protocol</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls and management attestations</li> <li>Compliance, internal audit and legal reviews</li> <li>External audit opinion on financial information, and external assurance on select indicators</li> <li>Independent BBBEE verification</li> <li>Board approval, assisted by the Disclosure, Social and Ethics, and Directors' Affairs Committees</li> </ul>
<b>Financial, risk and capital management disclosures</b>			
<ul style="list-style-type: none"> <li>Summarised consolidated and separate financial statements</li> <li>Annual consolidated and separate financial statements</li> <li>Pillar 3 risk and capital management report</li> <li>Financial results booklet and investor presentation</li> </ul>	<ul style="list-style-type: none"> <li>Barclays Africa including subsidiaries, associates and joint ventures</li> <li>Note 49.3 of the annual financial statements provides a list of material subsidiaries and consolidated structured entities</li> </ul>	<ul style="list-style-type: none"> <li>International Financial Reporting Standards (IFRS)</li> <li>Companies Act of South Africa</li> <li>Banks Act, No 94 of 1990</li> <li>JSE Listings Requirements</li> <li>King IV</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls and management assurance</li> <li>Compliance and internal audit and legal reviews</li> <li>Board approval, assisted by the Group Audit and Compliance, and Group Risk and Capital Management Committees</li> <li>External audit opinion (within the consolidated and separate financial statements)</li> </ul>

## Important shareholder dates

1 March 2018	2017 full year results announcement and 2017 final dividend declaration
16 April 2018	Final dividend payment
15 May 2018	Annual general meeting
1 August 2018 <sup>1</sup>	2018 interim results announcement and interim dividend declaration
17 September 2018 <sup>1</sup>	Interim dividend payment

<sup>1</sup> Subject to change.

## Materiality

We include information in the integrated report based on the principle of materiality. Material matters are those which have influenced, or could influence, our ability to create value over the short, medium and long term as we pursue our ambition to have a positive impact on society and deliver shareholder value.

Our ability to create value is impacted by a multitude of factors ranging from the operating environment and our responses to the risks and opportunities [5] to our business model and our chosen strategy [6]. Through this report we provide the context for what we have deemed our material matters and how we are managing and governing our responses. Our Balanced Scorecard provides a suitable framework for reporting back on our performance and is presented along with our risk, governance and remuneration structures which support value creation. Our material matters have remained fundamentally the same as in 2016 with the Separation being a material matter extending across all elements of our Balanced Scorecard.

Company	Customer & Client	Colleague	Citizenship	Conduct
Sustainably growing revenue and delivering appropriate shareholder returns while managing the risks arising from the operating environment as well as the Separation.	Understanding customers' and clients' needs while ensuring trust and safety and providing relevant customer and client value propositions through a balanced distribution model that is engineered for the future.	Maintaining a diverse workforce of capable, committed and motivated employees with distributed leadership who are focused on and empowered to deliver on our strategic architecture.	Having a positive impact on society by investing in education, small and medium business development and financial inclusion, while responsibly managing our environmental impact.	Driving ethical behaviour and delivering appropriate products and services compliant with the regulatory requirements and our social licence to operate.

## Our Values

Our Values – Respect, Integrity, Service, Excellence and Stewardship – define the way we think, work and act.

## Assurance

Our external reports contain a range of information which is governed by a diverse set of regulations, frameworks and codes. Processes and systems are not equally mature across the reports. For integrated reports specifically:

- disclosures are evolving alongside integrated reporting practices;
- management applies significant judgement in deciding what information to report;
- interpretive, abstract, qualitative or forward-looking information is subjective, which limits the extent of assurance; and
- among other technical challenges, the difficulty in developing suitable criteria and the related records, systems and controls currently inhibit a complete assurance of the content of integrated reports.

Our internal controls, management assurance, and compliance and internal audit reviews support the accuracy of our integrated report. We obtained external assurance on select indicators, and the external auditors have reviewed this report to ensure no information or statements contradict the audited annual financial statements.

We appointed PricewaterhouseCoopers Inc. (PwC) and Ernst & Young Inc. (EY) to undertake a limited assurance engagement on selected key performance indicators set out in our Balanced Scorecard (marked with a <sup>LA</sup>). The external assurance report issued by PwC and EY that contains their unmodified conclusion, and refers to the basis of measurement for these indicators, is available at [barclaysafrica.co/2017ar.co.za](http://barclaysafrica.co/2017ar.co.za).

EY and KPMG Inc. have audited the Group's annual financial statements and have issued an unmodified opinion on these financial statements which are presented in accordance with IFRS.

Empowerdex has verified the BBBEE performance for our South African operations [4] (marked with a <sup>V</sup>). They have confirmed a Level 2 BBBEE rating.

## Board approval

Assisted by our Disclosure Committee, our Board accepts ultimate responsibility for the integrity and completeness of this integrated report. It is our directors' opinion that this report presents a fair and balanced view of our integrated performance. We believe this report shows we are creating sustainable value and prosperity for our stakeholders.

The Board approved this report on 12 March 2018.

Icons used in this report				

<https://www.absa.africa/content/dam/africa/absafrica/pdf/results/annual/2017-integrated-report.pdf>



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## Inclusion, and unbiased reflection, of good and bad news

Reports often focus on the organization's good news. Users are looking for transparency and candour, as well as the commitment and strategies to address the challenges faced by the organization.

Highlighting both the good and bad performance together and upfront in the report - rather than only giving positive, and usually financial, performance - can give users comfort that the report's content will be balanced.

Care is necessary that a focus on positive outcomes or shared value for stakeholders doesn't result in understatement or omission of negative outcomes on the six capitals as this will affect the report's balance.



Acknowledging errors or misjudgements in the report can illustrate accountability and assist in gaining the confidence of stakeholders. Users may be particularly interested in what the organization is doing to manage the situation going forward.

Disclosing the organization's performance in the year offers a more complete picture if it is connected to the targets and KPIs set by the governing body to measure achievement, and how this performance is linked to executives' incentive remuneration pay-outs and calculations.

**Liberty Holdings Integrated Report 2017:** A dashboard shows performance against targets and includes targets for the year ahead. Icons are a visual aid to ascertain the balance of successes against challenges.



## 2017 PERFORMANCE DASHBOARD AND 2018 TARGETS

		2017		2018	
		ACTUAL	TARGET	ACHIEVEMENT	TARGET
 INVESTORS	Normalised return on group equity value	1,1% <sup>A</sup>	Cost of equity 12,1%		> 12,0%
	Normalised return on IFRS equity	12,3%	GDP + CPI + 9% to 10%		Between 15% to 18%
	Shareholder Investment Portfolio performance	Below benchmark	Board approved benchmark reference		Board approved benchmark reference
	Risk appetite	Achieved	Manage within risk appetite		Manage within risk appetite
	Individual Arrangements new business margin	0,5% <sup>A</sup>	Between 1,5% to 2,0%		Between 1,0% to 1,5%
 CUSTOMERS	Combined policyholder persistency performance	Below actuarial assumption	Actuarial assumption		Actuarial assumption
 OUR PEOPLE	South African voluntary staff turnover	14,1% <sup>L</sup>	< 14% <sup>1</sup>		< 14%
 REGULATORS	Liberty Group Limited CAR cover	2,92 times <sup>A</sup>	> 1,5 times		> 1,5 times
 COMMUNITIES	B-BBEE contributor level	2 <sup>V</sup>	2		2
	Corporate social investment spend (South Africa)	R41,3m <sup>L</sup>	1% of adjusted net operating profit after tax		1% of adjusted net operating profit after tax

<sup>1</sup> Excluding planned business restructure

 Fully achieved  Not achieved

<https://www.libertyholdings.co.za/investor/Pages/liberty-holdings-limited-integrated-report-2017.aspx>

Key considerations and illustrative examples  
*continued*

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## Showing the response to the needs of stakeholders

Responding to stakeholders and showing how their needs, interests and expectations have influenced strategy and risks is relevant information to users in their assessment of the organization's value creation process.

**Nedbank Group Integrated Report 2017:** Shows the reliance on various stakeholders, listing their needs and expectations with the company's response.

CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

## THE NEEDS AND EXPECTATIONS OF OUR STAKEHOLDERS

As a financial services provider we are deeply connected to the environment we operate in and the societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. By providing for their needs and meeting their expectations, we create value for both our stakeholders and Nedbank.



### STAFF

31 887 employees.  
29 685 employees in SA businesses.  
1 902 employees in non-SA businesses.  
42,1% female, 57,9% male.  
78,5% black, 21,5% white.

24,1% under 29 years of age.  
22,2% with a tenure of more than 10 years.  
Staff turnover of 10,6%.



### CLIENTS

7,9 million clients.  
Individuals from children to seniors and from entry-level clients to high-net-worth individuals.

Various legal entities, such as trusts, non-governmental entities and associations, small businesses, large corporates and the public sector.



### SHAREHOLDERS

Ordinary and preference shareholders, bondholders and prospective investors.

Retail investors, asset management and retirement funds in SA and increasingly in international markets that invest in Nedbank equity and preference shares as well as funding instruments.

Two credit rating agencies: Moody's and Standard & Poor's  
13 sell-side analysts.



### REGULATORS

**SARB** – responsible for banking regulation and supervision in SA.  
**FSC** – responsible for overseeing the SA non-banking financial services industry.  
**NCR** – responsible for the regulation for the SA credit industry.

Other SARBs, foreign revenue authorities, various government departments and Chapter 9 institutions, including the Department of Trade and Industry (DET), Department of Labour, National Treasury, Financial Intelligence Centre (FIC) and the JSE.

We also comply with various regulatory bodies outside SA, including central banks and local financial services regulators of countries in which we have representation or operations.



### SOCIETY

Society represents citizens of the countries in which we operate, comprising individual members of society, non-governmental organisations and suppliers.

The environment on which these citizens depend for their wellbeing.

### Their needs and expectations

- Competitive remuneration, effective performance management and recognition.
- Challenging work with opportunities to make a difference.
- Career development and advancement opportunities.
- Employment at a company with a strong brand that is recognised as a good employer.
- An empowering, diverse and enabling environment that embraces diversity and inclusivity.

- Innovative solutions and services, including lending, deposit-taking, transportation and delivery services, global markets, wealth management, asset management and insurance.
- Convenient access to banking (channel of choice), increasingly through digital channels.
- Excellent client service.
- Value-for-money banking that is competitive and transparent in pricing.
- Responsible banking services and solutions, and a trusted financial partner.

- Shareholder value creation through share price appreciation and an effective and sustainable dividend system, enabled by:
  - Growth in net asset value.
  - Sustainable financial returns, with ROE exceeding CSE.
  - Attractive and sustainable growth strategy.
  - Sound balance sheet to protect against downside risk.
  - Strong and experienced management.
  - Transparent reporting and disclosure.
  - Sound governance.

- Compliance with all legal and regulatory requirements.
- Being a responsible taxpayer in all jurisdictions where we conduct business.
- Active participation and contribution to industry and regulatory working groups.

- Nedbank providing access to expert advice, products and solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communities.
- Nedbank partnering on common social and environmental issues.
- Nedbank using its resources to promote social, environmental and other common agendas to build a thriving society.
- Embracing transformation through delivery in line with SDEEE legislation.

### Creating value for our stakeholders

Our staff are key to making Nedbank a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, offer value to our clients. Staff, as part of society, contribute materially to the communities in which they live and work.

#### Value is created through:

- Employing citizens in the jurisdictions in which we operate.
- Resourcing staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to embrace technological changes, further their careers and improve our services and products.
- Transforming to an inclusive society through employment equity and gender equality.
- Motivating and engaging our workforce.

Clients remain our largest source of deposits, which enable us to fund lending activities. Doing more clients results in greater revenue growth, while sustainable banking practices and world-class risk management mitigate against bad debts.

#### Value is created through:

- Securing deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, sustainable development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing the previously untapped with access to affordable products.
- Providing financial education and advice.
- Developing innovative solutions that meet our clients' specific needs.

The financial capital we source from our equity and debt investors and our retained earnings enable business continuity and growth, including strategic investments.

#### Value is created through:

- Securing net asset value, returns, dividends and share price.
- Maintaining a strong balance sheet to protect against downside risk.

Regulation ensures a sound and stable banking system, which reduces systemic risk and promotes healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client confidence in Nedbank and reduce potential for reputational risk. We realise that the law we pay is an imperative for the economic and social development of the countries in which we operate. We have a responsibility to comply fully with the regulations of the countries in which we operate.

#### Value is created through:

- Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system and a thriving society.
- Participation in buying government and public sector bonds.
- Contributing meaningfully to government budgets through our debt tax contributions and taxes collected on behalf of SARB and foreign revenue authorities.

We embrace our role in society as an active contributor to building a thriving society and can only do this with engaged communities that have similar values.

#### Value is created through:

- Transforming economies and society positively through our lending and transactional activities, which are increasingly aligned with the SDGs.
- Playing a meaningful role in the broader society as a provider of goods and services.
- Making a difference through our partnerships and CSI activities.

<https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Nedbank%20Group%20Integrated%20Report.pdf>

## Forward-looking and historic information

Organizations may be reluctant to disclose forward-looking information on concern it may impede their competitive advantage or create high expectations. Users, however, require a reasonable amount of forward-looking information to assess the company's future value creation ability.

Forward-looking information that distinguishes between controllable and uncontrollable risks and challenges and which refers to the organization's strategy and past performance is relevant.

**Truworths International 2017 Integrated Report:** An infographic shows performance against objectives and targets, the challenges faced in the reporting year, and links to the risk outlook for the year ahead.

Truworths International  
INTEGRATED REPORT  
2017 / 21

### MATERIAL ISSUES, RISKS AND OPPORTUNITIES *continued*

The Group has changed its terminology from "book" to "account" when discussing non-cash and non-stock card customers. Management has adopted a more generic description of the financial product offering that now encompasses a loyalty programme, in order to distinguish the offering from bank credit used by customers in the form of debit and credit cards.

#### TRUWORTHS

## Managing the risk of the book

Performance against objectives and targets in 2017

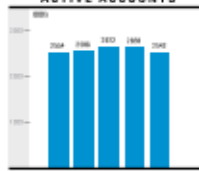
OBJECTIVES AND PLANS FOR 2017	PERFORMANCE AGAINST OBJECTIVES
Develop predictive models and strategies across the account portfolio to respond to the changing economic and trading environment.	<ul style="list-style-type: none"> <li>New models developed and implemented.</li> <li>Existing models rebuilt and implemented.</li> <li>New strategies developed and implemented.</li> <li>Strategy performance post-implementation is in line with expectations.</li> </ul>
Continue to invest in technology to unlock the value in the vast customer data available internally and externally.	<ul style="list-style-type: none"> <li>Improved big data solutions evaluated and proof-of-concepts in progress.</li> <li>New generation business intelligence tools evaluated.</li> </ul>
Commence development of new collections software.	<ul style="list-style-type: none"> <li>Extensive business requirements analysis completed.</li> <li>Project will move into development phase during the 2018 financial period.</li> </ul>
Further improve processes and systems to collect affordability assessment documentation.	<ul style="list-style-type: none"> <li>Marginal improvements have been made, but the reluctance and inability of customers to share this information remains the biggest obstacle.</li> </ul>
Launch a loyalty programme for both account and cash customers to offer personalised promotions and offers that increase purchase frequency and basket size.	<ul style="list-style-type: none"> <li>Truworths (Tru) loyalty and Identity (ID) loyalty programmes launched in second half of the financial period.</li> <li>Over 2 million non-account loyalty members.</li> </ul>
Relaunch e-commerce with enhanced functionality, order fulfilment, communication and payment capabilities to facilitate omni-channel retailing.	<ul style="list-style-type: none"> <li>Truworths e-commerce platform to be launched in first half of the 2018 financial period, including updated website and app store.</li> <li>Extensive catalogue of Truworths, Identity, Kidswear and Office Lingerie ranges to be available online.</li> </ul>

TARGETS FOR 2017	PERFORMANCE AGAINST TARGETS
Maintain number of active customer accounts.	<ul style="list-style-type: none"> <li>Active account base declined by 4% to 2.5 million owing to its part of the affordability assessment regulations.</li> <li>Truworths increased market share of active accounts.</li> <li>Year-on-year growth in new accounts opened in second half of financial period.</li> </ul>
Maintain the doubtful debt allowance at existing levels of around 12.5%.	<ul style="list-style-type: none"> <li>Doubtful debt allowance increased to 12.7% (2016: 12.3%).</li> </ul>
Improve frequency of purchase and basket size from cash and account customers.	<ul style="list-style-type: none"> <li>Frequency of shopping unchanged.</li> <li>Average basket value of active account customers increased by 3%.</li> <li>Average basket value of cash customers increased by 8%.</li> </ul>

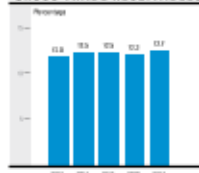
Challenges encountered in 2017

- Managing the impact of income verification requirement of the National Credit Regulator's affordability assessment regulations on account sales.
- Growing account sales and the active account base as disposable income declined in a deteriorating economic environment.

#### GROUP NUMBER OF ACTIVE ACCOUNTS



#### DOUBTFUL DEBT ALLOWANCE AS A % OF GROSS TRADE RECEIVABLES



Key risks and mitigation strategies for 2018

DESCRIPTION OF RISK	RISK MITIGATION
Inability to effectively manage account risk could result in increased bad debt, slower collections, limited new account growth and a reflection in the number of customers able to buy on account.	<ul style="list-style-type: none"> <li>Apply account granting processes consistently, using advanced analytics, scorecards and models.</li> <li>Review account management, collections and aquisition strategies regularly and refine to leverage new data and predictive models.</li> <li>Implement and maintain best-of-breed account management tools that accurately execute account policies, processes and strategies.</li> </ul>
National Credit Regulator's income verification requirements contained in the affordability assessment regulations are materially impacting account granting and, consequently, sales.	<ul style="list-style-type: none"> <li>Continue to improve profitability of account strategies by using better scorecards, more data and enhanced decision processes.</li> <li>Ongoing improvements in head office and in-store processes.</li> <li>Instituted legal proceedings together with two other JSE-listed retailers against National Credit Regulator and the Minister of Trade and Industry to challenge certain aspects of the regulations. Court case heard in August 2017 with judgment pending.</li> </ul>

Medium-term opportunities

- Offer integrated omni-channel retailing with a clear store versus online strategy.
- Increase the number of active account holders.

Objectives and plans for 2018

- Grow new account sales while maintaining new account quality standards.
- Improve sales from existing customers through account first management and customer reactivation.
- Improve collections through more effective use of call centre technology.
- Reduce cost of customer engagement through more efficient targeting and communication.
- Continue to review loyalty programmes based on customer experience.
- Launch online store.

Refer to Managing the risk of the book on page 22 for more detail.



Targets for 2018

- Increase the number of new accounts opened year-on-year
- Maintain the doubtful debt allowance at 12.7%
- Grow the number of loyalty members to above 6 million

[http://www.truworthsinternational.com/assets/investor/2017/Truworths\\_IAR2017\\_screen.pdf](http://www.truworthsinternational.com/assets/investor/2017/Truworths_IAR2017_screen.pdf)






## Qualitative and quantitative information

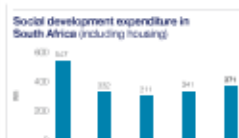
Reflecting and positioning both qualitative and quantitative information, in an integrated manner, provides context to the information disclosed.

Context can be enhanced by the inclusion of industry benchmarks and performance.

**Implats Annual Integrated Report 2017:** Uses qualitative and quantitative information to explain performance.

### Performance against main objectives

Strategy	Operational strategies	Performance target for FY2017	Performance against strategy and KPIs
<p>Our strategy seeks to sustain optimal levels of safe production at the best possible cost thereby positioning Implats:</p> <ul style="list-style-type: none"> <li>• In the lower end of the cost curve</li> <li>• With strategic optionality</li> <li>• To benefit from future stronger PGM prices</li> <li>• To reward stakeholders</li> </ul>	 <p><b>Relentlessly drive the safety of our people</b></p>	<p>Zero fatalities</p> <p>LTIFR: 20% improvement on FY2016</p>	<p>Regrettably, nine employee fatalities were reported during the year. LTIFR improved 8.8% from the previous year to 5.82 per million man-hours worked (including contractors) (2016: 6.46). Despite a keen focus on safe operational performance, safety remains a significant challenge. Human behaviour has been identified as contributing to many safety incidents. Our focus is on ensuring effective leadership and responsible behaviour and driving a culture of personal accountability and interdependence.</p>
	 <p><b>Consistently deliver production targets</b></p>	<p>&gt;1.5 million platinum ounces</p>	<p>Refined platinum production of 1.53 million ounces. Group platinum production reached the highest output achieved in several years. This pleasing production result was driven by excellent performance from most operations, despite suboptimal performance from Marula and the Inyanga Placer Group, and supplemented by record tailing throughput at Implats Refinery Services (IRS).</p>
	 <p><b>Improve efficiencies through operational excellence</b></p>	<p>Cost per platinum ounce &lt;R21 200</p>	<p>Unit costs continued at a 4.4% increase from the previous year to R22 591 per platinum ounce impacted by lower mine-to-market volumes. Reduced operating costs has resulted in a savings of more than 1.0 billion over the last two years with further initiatives being pursued to keep costs below inflation.</p>
	 <p><b>Cash conservation</b></p>	<p>Capital &lt;R4.4 billion</p>	<p>Capital expenditure of R3.43 billion (2016: R3.55 billion). Capital expenditure was maintained at similar levels to the previous year due to the deferral of ongoing capital in a low price environment and 17 shaft remaining on low-cost care and maintenance. R1.1 billion was spent on the two development shafts, 16 and 20.</p>
	 <p><b>Maintain our licence to operate</b></p>	<p>Rustenburg SO<sub>2</sub> at &lt;16tpd</p> <p>Build a further 300 employee houses in Rustenburg</p> <p>Complete high school at Platinum Village</p>	<p>SO<sub>2</sub> emissions at Rustenburg at 16.3tpd. Direct SO<sub>2</sub> emissions were within the conditions of the Air Emission Licence at Rustenburg. Built 321 employee houses in Rustenburg. Completed both high and primary schools at Platinum Village in time for new 2017 school year. Group social development expenditure amounted to R422m.</p>



<http://implats-reports.co.za/reports/pdf/2017/implats-iar-2017.pdf>

## Risks and opportunities

A complete assessment of the material risks and opportunities facing the organization is relevant information and contributes to a balanced report.

The risk determination process will include the six capitals for completeness, as well as the opportunities identified. A risk heat map offers context by showing the possible impact of the risks and the likelihood of their occurrence. Risks and opportunities information will usefully show the links to strategic objectives, material matters, stakeholders' information and outlook.

**Royal Bafokeng Platinum Integrated Report 2017:** An infographic shows the risks and opportunities arising from various issues and highlights the opportunities related to certain risks.

### OUR CHANGING BUSINESS CONTEXT

A wide range of business, social, competitive, financial, political, regulatory and legislative issues impact our operating context. In this section of our report we:

- > review our global and local external environment and our internal environment
- > identify the issues that have implications for our business model, their impact/possible impact on value
- > provide you with a brief summary of our strategic response to these issues and guidance as to where you can read more about our response.

We have addressed the issues in our external environment throughout this report. The risks and opportunities our internal environment presents, and our response to these, are covered in detail elsewhere in this report. We have provided you with page references where you will find this information and an indication as to whether these issues are risks, opportunities or both for RBPlat, on the graphic below.





# ACKNOWLEDGMENTS

The IRC of South Africa thanks the members of the Working Group for their commitment and dedication in developing this Paper, especially the project leader Mark Hoffman and team members Pieter Conradie, Wasfie Ismail and Dirk Strydom.

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Pieter Conradie	Karen Koch	Dirk Strydom
Sandy van Esch	Yvette Lange	Graham Terry
Darren Gorton	Sven Lunsche	Stiaan Wandrag
Jonathon Hanks	Warren Maroun	Harshal Kana (observer)
Mark Hoffman	Thuto Masasa	Sabrina Paxton (observer)

The IRC thanks all those who kindly gave their time to give input to the Paper, especially Lisa French, Chief Technical Officer of the International Integrated Reporting Council (IIRC). It also thanks those who reviewed the Paper, including the IRC organizational, corporate and honorary members.

The IRC thanks Ince Ltd. for the design and typesetting of the Paper.

We hope you find this Paper useful and welcome your comments addressed to the IRC Secretariat, Sandy van Esch at [sandy@integratedreportingsa.org](mailto:sandy@integratedreportingsa.org)

## The following IRC publications are available on our website

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

- *Preparing an Integrated Report: A Starter's Guide (Updated)*
- *Disclosure of Governance Information in the Integrated Report: An Information Paper*
- *Disclosure of Performance against Strategic Objectives: An Information Paper*
- *Reporting on Outcomes: An Information Paper*
- *FAQ: The Audience of the Integrated Report*
- *FAQ: The Octopus Model*
- *FAQ: Using the Capitals in the Integrated Report*

Our website also offers the latest integrated reporting awards in South Africa, blogs, webcasts of our Annual Conferences, articles and academic research papers on integrated reporting in South Africa.

While every effort has been made to ensure the information published in this Paper is accurate at the date of publication, 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 reliance upon the information contained herein.

This Paper carries the IIRC's <IR> Networks logo. <IR> Networks are instrumental in increasing the pace and scale of integrated reporting, bringing together like-minded organizations to collaborate and drive insights and innovation in reporting. The <IR> Networks logo is used by Integrated Reporting network partners and participants where they have worked collectively on an area of research or report. Use of the logo does not necessarily mean the report reflects the views of the individual organizations in the network concerned or the International Integrated Reporting Council.

## ABOUT THE IRC OF SOUTH AFRICA

The IRC is a voluntary association in South Africa, not for gain, founded in May 2010.

The role of the IRC as a national body is to provide direction on matters relating to integrated reporting and integrated thinking in South Africa through technical information and guidance, conferences and other activities.

The IRC's Board, at December 2018, comprises: Professor Mervyn King (Chairman), Professor Suresh Kana (Deputy Chairman), Leigh Roberts (CEO), Graeme Brookes (JSE), Loshni Naidoo (SAICA), Parmi Natesan (IoDSA), Sunette Mulder (ASISA), Larissa Clark (EY) and Stephen Sadie (CSSA).

The IRC Working Group comprises individual experts engaged in the development and promotion of integrated reporting in South Africa.

The IRC has organizational members (professional and industry bodies), corporate members and honorary members. Its founding members are: Association for Savings and Investment SA (ASISA), Institute of Directors in Southern Africa (IoDSA), JSE Ltd and the South African Institute of Chartered Accountants (SAICA).

Our other organizational members are: Auditor-General of South Africa (AGSA), Banking Association South Africa (BASA), Chartered Institute of Management Accountants South Africa (CIMA SA), Chartered Secretaries Southern Africa (CSSA), Council of Retirement Funds for South Africa (Batseta), Financial Sector Conduct Authority (FSCA), Government Employees Pension Fund (GEPF), Institute of Internal Auditors of South Africa (IIASA) and the South African Institute of Professional Accountants (SAIPA).

In 2017 the IRC welcomed corporate members. Our 2018/19 corporate members are: Discovery Ltd, Ernst & Young (EY), Eskom Holdings SOC Ltd, Government Employees Medical Scheme (GEMS), Ince Ltd, Liberty Holdings Ltd, Magnific Corporate Reporting, Nampak Products Ltd, Nedbank Ltd, PwC, Redefine Properties Ltd, Royal Bafokeng Platinum Ltd, Sasfin Holdings Ltd and SNG Grant Thornton.

Our honorary members are: Professor Mervyn King, Dr Gavin Andersson, Ansie Ramalho, Leigh Roberts, Professor Bob Scholes, Professor Suresh Kana, Garth Coppin, Hester Hickey, Corli le Roux, Karin Ireton, Dirk Strydom, Sandy van Esch and Graham Terry.

The IRC thanks all its members for their continued support and commitment to integrated reporting.

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## IRC OF SA MEMBERS



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COMMITTEE OF  
SOUTH AFRICA**