

MEDIA RELEASE

King unveils world-first integrated reporting guidelines

JSE's 400 listed companies could replace traditional annual report with integrated report

Johannesburg, Tuesday, 25 January 2011 - A world-first integrated reporting guidance document was unveiled by Professor Mervyn King in Johannesburg today.

The document offers direction to the 400 companies listed on the JSE; companies that are obliged to produce an integrated report for their current financial years.

The Discussion Paper has the backing of a wide range of industry and professional groups in South Africa, including:

- Association for Savings & Investment South Africa (ASISA)
- Banking Association South Africa (BASA)
- Business Unity South Africa (BUSA)
- Chartered Secretaries Southern Africa (CSSA)
- Institute of Directors in Southern Africa (IoDSA)
- Johannesburg Stock Exchange Ltd (JSE)
- The South African Institute of Chartered Accountants (SAICA)

The guidance views the integrated report as the organisation's primary report, replacing the traditional annual report.

The Discussion Paper has been widely anticipated, not only locally but also internationally as part of the growing move to persuade organisations to report on their total performance and not just their financial performance.

"We are entering a new era in corporate reporting," said King, chairman of the Integrated Reporting Committee (IRC) and the King Committee.

King emphasised that the old form of annual report focusing primarily on financial information and the short-term horizon was no longer adequate to meet the needs of investors and other stakeholders. It was for this reason that the King Committee recommended – in the *King Report on Governance for South Africa 2009* (King III) – that organisations issue integrated reports, connecting material financial and sustainability information. Stakeholders could then make an informed assessment of the

long-term sustainability of a business and how the sustainability issues pertinent to the business have been incorporated into its strategic direction.

In February 2010, the JSE, through its Listings Requirements, made it compulsory for all listed companies to comply with King III, including the requirement for a company to produce an integrated report for its financial year starting on and after 1 March 2010, or to explain why it was not doing so.

“The problem is that no specific guideline or standard defining the content of an integrated report for listed companies exists in South Africa or elsewhere in the world,” said King.

To address this need the IRC in South Africa was formed in May 2010 and invited King to become its first chairman.

Globally, the International Integrated Reporting Committee (IIRC) was formed in July 2010. It aims to issue an international discussion paper later this year and include integrated reporting on the agenda of the G20 meeting in November this year. Integrated reporting will also be on the agenda of the World Federation of Exchanges meeting in October and is being discussed at the World Economic Forum in Davos on 27 January 2011.

King said that because of the urgent need for guidance in South Africa, the local committee could not wait for the international discussion paper to be issued. South Africa’s IRC would liaise closely with the IIRC to ensure alignment. King also serves as the IIRC’s deputy chairman.

He explained that an integrated report should provide stakeholders with a meaningful and concise overview of the organisation. “An integrated report is not simply bolting the sustainability report to the financial report. It incorporates, in clear language, material information from these and other sources to enable stakeholders to evaluate an organisation’s performance and to make an informed assessment about its ability to create and sustain value.”

Integrated reporting, he added, forced companies to look at longer term horizons and at external factors such as economic, social and environmental impacts. “I believe this will lead to a fundamental shift in the way companies and directors act and organise themselves.”

“As companies integrate and connect the financial, economic, social, and environmental aspects into their businesses, they are likely to become more innovative and competitive and recognise new business opportunities. Integrated reporting is an

evolution of corporate reporting. It is an idea 'whose time has come' because of the crises of our time – the global financial crisis, climate change and ecological overshoot.”

Integrated reporting offered significant benefits for investors and other stakeholders as it was a more transparent form of reporting, said King. “The capital markets in this country should also benefit from the improved presentation of corporate information, greater transparency, and more innovative strategy. A responsible investment code for financial institutions (*Code for Responsible Investing* by Institutional Investors in South Africa) will be released shortly and will require the institutional investor to make an informed assessment about the sustainability of the company’s business before acquiring its equity. This cannot be done by reading the financial statements alone.”

The company itself should benefit from issuing an integrated report. The benefits could include a lower cost of capital, enhanced brand value and consumer loyalty, and greater trust and reputation among stakeholders.

The new Companies Act, not yet effective, allows for summaries of financial statements, in place of lengthy annual financial statements, to be provided to shareholders (although the full annual financial statements must still be available). The Act also permits the electronic distribution of this and other financial information. An integrated report could include the summarized financial statements required by the Act, thereby affording significant cost savings to the company.

“I have no doubt that all these factors will translate into significant benefits for companies that embrace integrated reporting.”

King said that the 400 companies listed on the JSE would be among the global frontrunners in issuing integrated reports.

He stressed that the guidance offered in the Discussion Paper could be used by any organisation, not only listed companies.

The Discussion Paper is open for public comment until 25 April 2011 and can be downloaded from www.sustainabilitysa.org

MEDIA CONTACTS:

Timothy Schultz Project Director: Communication Tel: +27 (0) 11 621 6713 Cell: +27 (0) 792251070 Email: tims@saica.co.za	Bontle Tsikwe Corporate Communications Coordinator Tel: +27 (0) 11 621 6712 Email: bontlet@saica.co.za
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NOTE TO EDITORS

About the Integrated Reporting Committee (IRC) of South Africa

The IRC was formed in May 2010 under the chairmanship of Professor Mervyn King to develop and promote guidance on good practice in integrated reporting. The organisational members are:

- Association for Savings & Investment South Africa (ASISA)
- Banking Association South Africa (BASA)
- Business Unity South Africa (BUSA)
- Chartered Secretaries Southern Africa (CSSA)
- Institute of Directors in Southern Africa (IoDSA)
- Johannesburg Stock Exchange Ltd (JSE)
- The South African Institute of Chartered Accountants (SAICA)

The IRC commissioned a Working Group comprising of a range of financial and sustainability practitioners to develop proposals for South Africa.

Website

The Discussion Paper can be downloaded from www.sustainabilitysa.org

Comment

Public comments can be emailed to ircomments@saica.co.za by 25 April 2010.