

Dealing with Materiality in your Integrated Report

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GRI/IIRC Corporate Leadership Group on <IR>

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Dealing with Materiality in your Integrated Report

Some perspectives on materiality – informed by:

- Twenty years advising companies on corporate sustainability reporting
- Seven years working with companies on integrated reporting
- Ongoing discussions in the IRC(SA) Working Group
- Contributions to the IIRC Technical Task Force on Materiality
- Three years convening the GRI/IIRC Corporate Leadership on <IR>



INTEGRATED REPORTING <IR>



Understanding materiality: Some core definitions

Statement of Common Principles of Materiality of the Corporate Reporting Dialogue

Material information is any information which is reasonably capable of **making a difference to the conclusions reasonable stakeholders may draw** when reviewing the related information. The definition of materiality focuses on the **material information needs of the primary stakeholders for the report** being issued.

The International Integrated Reporting Council (IIRC)

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



GRI Sustainability Reporting Standards

The report should cover 'topics' that reflect the organization's **significant economic, environmental and social impacts**; or substantively influence the assessments and **decisions of stakeholders**



Understanding materiality: Implications

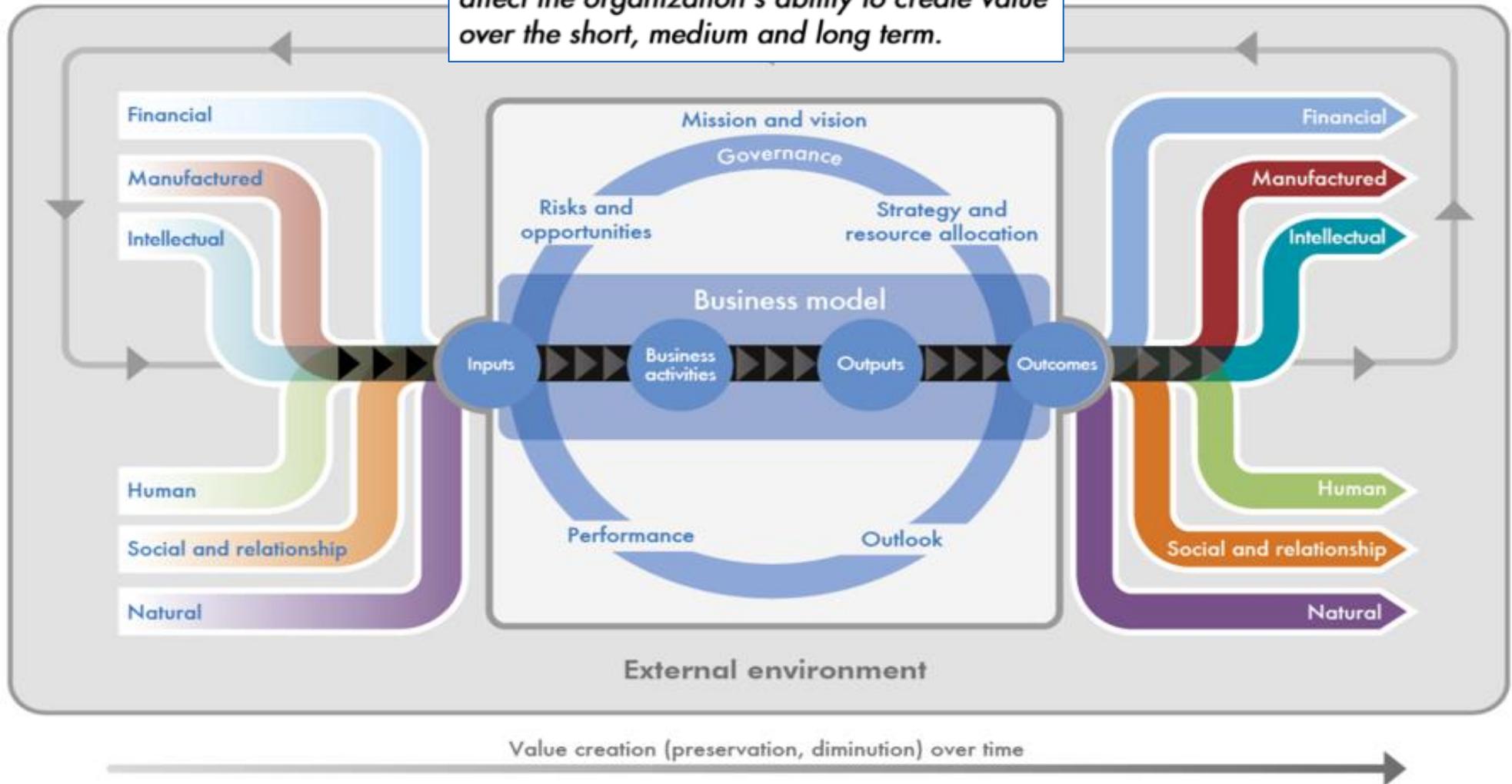
- The assessment of what is or is not 'material' is primarily **qualitative** and therefore **judgement** is both critical and necessary.
- The organisation's **management is ultimately responsible** for determining which information is material for the purposes of its targeted stakeholders. This assessment should reflect management's best interpretation of these stakeholder expectations at the time.
- The approach to materiality is a function of the intended **audience and purpose** of the specific report
 - The primary purpose of an **integrated report** is to explain to providers of financial capital how an organisation creates value over time
 - A **sustainability report** is aimed at addressing the interests of a broader range of stakeholders and also covers those economic, social and environmental impacts that might not have a substantive impact on value creation

Materiality and the Integrated Report: Reflecting on value creation

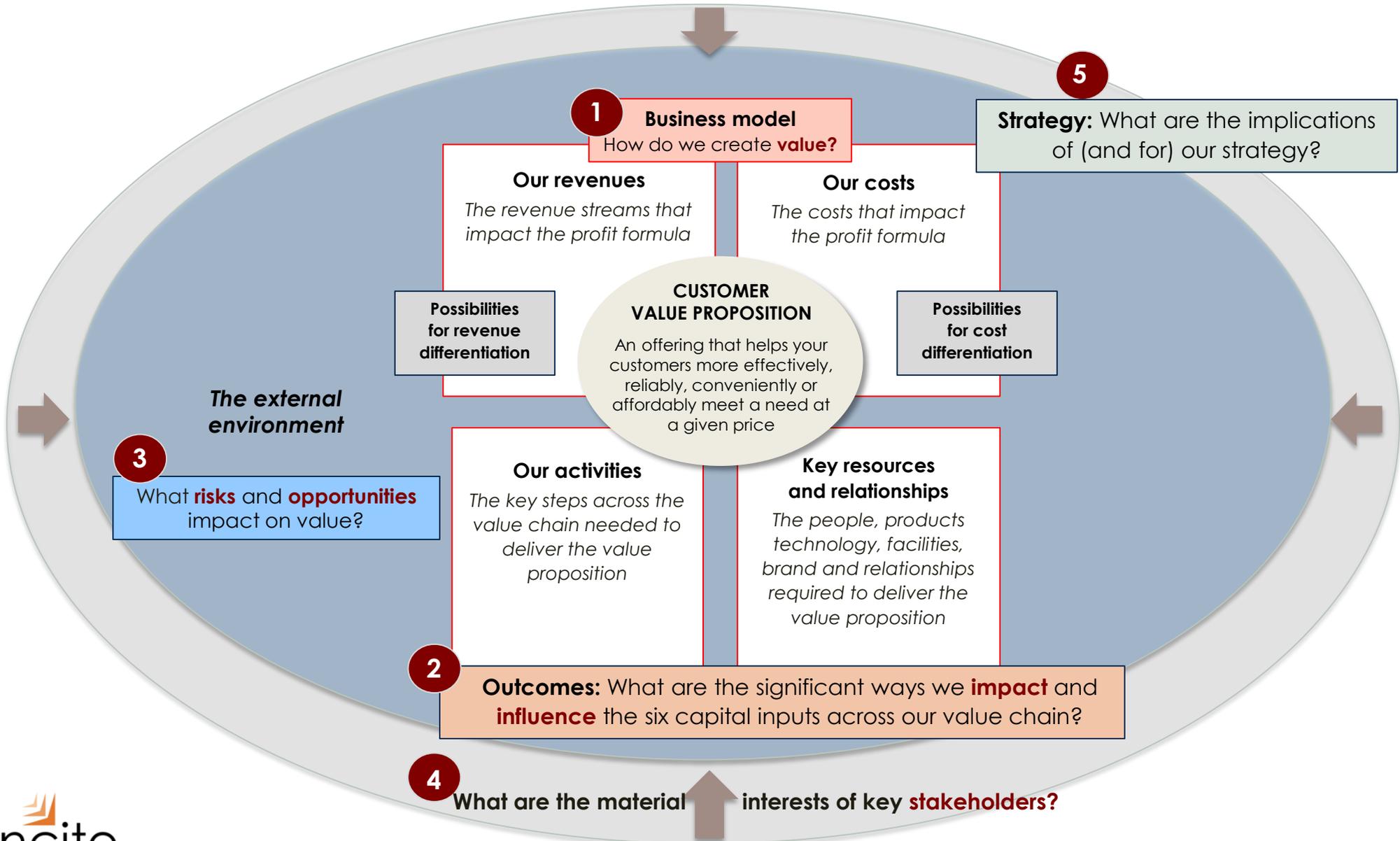
Materiality

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

Figure 2: The value creation process:



Identifying the material matters: Five key questions



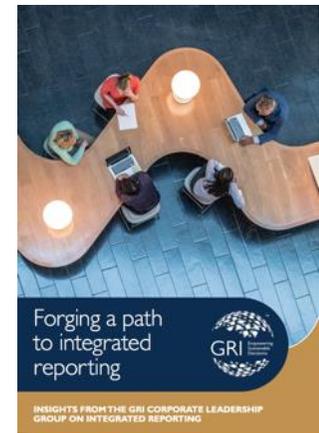
Identifying the material matters: Six suggested axioms

- 1 **Everything reported in the Integrated Report should be 'material'** – the report does not require a 'list' of material issues or focus areas
- 2 **The starting point for determining what's material is the business model** – not a generic checklist
- 3 **Materiality is influenced by strategy, context and performance** – hence it is useful to review the spectrum of issues each year
- 4 **Once the initial analysis has been done, materiality can be reviewed annually in a high-level discussion** – it need not be a lengthy, in-depth process
- 5 **Senior executives are best placed to pinpoint the issues that are material to the organisation's strategy, performance and context** – there needs to be some frank engagement with at least some of them
- 6 **The outcome of this process is a loosely-organised spectrum of 'material matters' that a long-term investor might expect to see addressed in the IR** – our role is to evaluate and prioritise these matters, and determine what should be presented and how best to do so (concisely)

Materiality and the Integrated Report: Some closing reflections

Recommendations from the GRI/IIRC Corporate Leadership Group on <IR>

- Ensure a **consistent understanding** of materiality from the start
- Have **clearly agreed process steps** for identifying and prioritizing material matters
- Ensure meaningful **involvement of executive** and senior management
- Use **multiple sources** to identify and prioritise material issues
 - Organisational **business model** – including its inputs, context and outcomes
 - Internal **risk assessment** process (and board minutes)
 - Internal and external **stakeholder** perspectives
 - **Benchmarking** against peers and relevant standards
 - Organisation's current and anticipated **strategy**
- Understand the relationship between materiality for the purpose of integrated reporting and **strategy development**
- Include appropriate **disclosure of the materiality process**



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Questions and discussion



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