

Presentation by Richard Howitt, Chief Executive of the International Integrated Reporting Council (IIRC), to the Annual Conference of the South Africa Integrated Reporting Committee, 27 July 2017, Johannesburg Stock Exchange.

Good morning.

This is indeed my first visit to South Africa since taking up post as the Chief Executive of the International Integrated Reporting Council last November.

It is a privilege to be on stage with Mervyn in his native South Africa and - for those that don't know me - I want to assure you that I have been part of this great integrated reporting movement over many years. Working alongside Mervyn and many others.

I am fully aware of the global significance of South Africa for the growth of integrated reporting. South Africa is its birthplace.

And I want to start by assuring you: not only that I will continue to acknowledge and nurture the role of South Africa in the global coalition for integrated reporting. But to promise you too that I remain true to the principles, the philosophy, the vision for integrated reporting - which has been cradled here but which is growing throughout the world.

I'd like to thank the Integrated Reporting Committee of South Africa and Leigh, yourself personally, for the leadership you've given and the drive you will give to the growth of integrated reporting here.

I'd like to thank our hosts the JSE. The listing requirement for integrated reporting was itself a first in the world. And the discussions we have had this week and your support for today's event, both attest to the leadership which you continue to offer to integrated reporting in South Africa.

I know you are committed to mid-cap companies becoming better aligned with the international framework, and that can indeed become one important aim for the future strategy of integrated reporting in this country, which today's discussions can inform and refresh.

Friends.

I started work as IIRC Chief Executive on 1 November 2016, a date that I know will resonate with you. By happy coincidence, it was of course also the day that the King IV Report on Corporate Governance for South Africa was released.

Let me add to what has already been said about King IV, by emphasising how important good corporate governance has become a key driver of integrated reporting globally. It is now recommended as a global principle of corporate governance by ICGN and its adoption has been advanced by the incorporation of integrated reporting in corporate governance codes from Japan to the Philippines, from Malaysia to here in South Africa.

King IV is the first outcomes-based corporate governance code in the world and the first that maps directly and explicitly the six capitals in the International Integrated Reporting Framework.

For integrated reporting here in South Africa, it extends the scope to herald a new phase, which should see a new trend towards the adoption of integrated reporting by state-owned entities, municipalities, by small business, private companies, pension funds and by NGOs.

Just as there is integration of the multi-capital view of the world, there must be its application - to all forms of organisation, public and private, large and small.

But my purpose today isn't just to encourage and support the further development of integrated reporting in South Africa, but to help you understand how its growth here is part of an extraordinary global movement which is changing the face of business in the world.

Today, I can announce that Integrated Reporting is practiced in over 60 countries, including in every G20 country. It is adopted in every BRICS economy and in 20 of 27 European Union countries.

Over 300 integrated reporting companies in Japan. The Paris financial market has a target for its top 40 listed companies to all be integrated reporters in three years. A group of the 30 biggest listed companies committed together to integrated reporting in Malaysia.

In the United Kingdom, the financial regulator announced that the UK strategic report is consistent with integrated reporting.

In the United States IIRC has appointed a senior programme lead in the former Financial Comptroller at Microsoft.

The progress in the BRICS countries has indeed been staggering.

Earlier this year, the Indian securities regulator SEBI made a recommendation for the top 500 listed companies to do integrated reporting.

Integrated reporting is part of the stock exchange listing rules in Brazil, as well as South Africa. The Brazilian Integrated Reporting Commission has some 500 members.

Integrated reporting has been adopted by the Chinese Ministry of Finance, and will be developed through their five year plan.

The Independent Directors Association in Russia recently hosted IIRC for a global

presentation to Director Institutes, now chaired by IoDSA. I'd like to thank the South African IoD for the help they are giving to press the case for integrated reporting with Director Institutes around the world.

I do not think it is a coincidence that South Africa and the other BRICS economies have become such a 'hot spot' for the growth of integrated reporting.

Integrated reporting has been an integral part of the development of your capital markets, which is itself a key driver for your future emergence as leading players in the global economy.

For your companies, the adoption of integrated reporting is a fast-track route to international recognition, enabling easier access to trade and investment opportunities.

And I know how much this is needed in South Africa today.

Internationally, integrated reporting is adopted by the largest corporations in the world such as Tata, HSBC and Unilever, as well as significant public sector organizations including the World Bank. It is also adopted by smaller and mid-sized companies looking to access growth capital or communicate with broader stakeholders to build trust and confidence.

We estimate today that over 1,600 organizations are producing integrated reports, but many more will be starting to do integrated thinking which, in time, will evolve their reporting.

Let me outline some of the other areas of global progress, which IIRC is currently driving.

We support an international business network of nearly 200 globally facing companies.

Run specialist networks for financial institutions, technology companies, public sector organisations.

A pipeline of research supported by our own academic network, shows that integrated reporting is providing better returns to capital, and a lower cost of capital to the business.

We provide technical feedback to market and analysis of the practice of integrated reporting, showing continuous improvement in the quality of reporting.

Indeed, I have been briefed by our friends in EY South Africa that, without revealing the results for next week's awards ceremony, once again here in South Africa this year, there has been further clear improvement by the leading companies in the quality of your integrated reporting.

At IIRC, we have begun a global training programme, one which we hope to see offered in the near future here in South Africa.

The IIRC has successfully convened the Corporate Reporting Dialogue, bringing together the eight major financial and non-financial standard-setters with the overall aim of integration. And that has succeeded in getting a common response from all the frameworks to the Financial Stability Board Task Force on Climate-related financial disclosure.

The Corporate Reporting Dialogue is beginning some work on identifying how the Sustainable Development Goals are a common foundation to all the different frameworks.

We've got a proposal under active consideration by the IASB, to update its practice statement on management commentary to reflect even greater alignment with integrated reporting.

Earlier this year too, we launched a global feedback exercise on the <IR> framework, organising focus groups in nineteen countries including South Africa, with a view to moving towards producing a number of practice guidance notes to assist with implementation.

I also commend the guidance regularly produced by the Integrated Reporting Committee of South Africa, including its most recent document on the issue of governance itself.

So there really is a lot of momentum behind integrated reporting.

Here in South Africa, we have some excellent case studies of its adoption, from the small, family-owned sports clothing business Impahla, to the private equity financial services company Strate.

Mining companies like Gold Fields are working with us to integrate the business and human rights agenda - and I acknowledge the presence of Caroline Rees from the UN Guiding Principles Reporting Framework here today - and mining company AngloGold Ashanti, who are using integrated reporting to link executive remuneration to the company's integrated strategy.

And, as Mervyn often points out, it is the integrated thinking that changes the behaviour inside corporations, aligns the decision-making of the Board and management, including their KPIs, and which brings greater strategic sense to the allocation of resources.

This isn't just about the reporting but how integrated thinking which flows from it, benefits management of the firm and the business strategy.

The SAICA study showed: over 70% of executives and non-executive directors in South Africa felt that decision-making, both at management and board levels, had improved as a result of integrated thinking being embraced.

And it isn't just that integrated reporting is sweeping the world, but that it is doing so because the world itself is changing in a way which fundamentally changes how markets operate.

I understand that there are specific challenges in South Africa on good corporate governance, on unemployment and inequality, on what the King IV code itself describes as the need for ethical leadership.

My message is that these problems may be specific to South Africa, but that they are also common challenges in the world.

What we see are resource imbalances that will create, if unchecked, economic, social and environmental havoc in the years to come.

It's why Integrated Reporting, as the market-led response of business and our entire capital markets system is so pertinent – and essential. Because it is the measurement and management, incentives and behaviours, and outcomes that must change if we are to achieve harmony between the multiple resources our economy uses to create value – and value, not just today, but over a long-term horizon.

Last night I had the privilege of walking with you Mervyn in Nelson Mandela Square, a few yards from here. A little under a decade ago, I had the privilege of standing in the crowd at Nelson Mandela's 90th birthday celebration in London. And all of us then and now recall how in his most famous statement from his trial, how Mandela cherished the ideal of a South Africa (I quote) "in which all peoples live in harmony."

Why are we here this morning?

Because today, across the world, we are seeking to create a new harmony.

A harmony between peoples.

And a harmony too between human beings and all the multiple but finite resources of our world.

And a further challenge which we are seeing to that, across the world, is one of populations rising up against the economic status quo; especially in societies that have failed to reform capitalism or demonstrated an appetite for achieving broad based prosperity through public policy reforms.

One response to this, which the IIRC is happy to support, is the Inclusive Capitalism movement. This has at the core of its philosophy, the idea that we should harness the wealth creation potential of capitalism, but that its benefits should be shared more equitably.

Valuing non-financial drivers of performance is critical to achieving this vision. Moreover - and this is backed up by research from the International Monetary Fund - a more inclusive approach to the distribution of capital, actually improves the potential of an economy for economic growth.

I understand that there is a distinct approach in the integrated reporting movement here in South Africa, to support what is sometimes called 'shared value'.

Of course we need to better understand the relationship between value for the business and value for society.

But the idea which we are here today to develop, is that these can be and are intrinsically linked together.

This acceptance of 'integration' leading to long-term value creation as a core component of corporate governance and reporting, is becoming a feature of a number of influential studies and reports, from the Financial Stability Board, and the International Federation of Accountants, to UNCTAD within the United Nations system and to the European Union.

Each of these organizations is advocating for greater cohesion across the corporate reporting system.

And the vision of integrated reporting is indeed to change the corporate reporting system in the world, to make integrated reporting the global norm.

I believe that you are well on your way to achieving this, here in South Africa.

Of course, I want to use my visit to encourage you to go even further.

But I also want to support the efforts you are making through the Pan-African Federation of Accountants to support the growth of integrated reporting across the continent, through the setting up of equivalent committees to the one which is driving integrated reporting here in South Africa.

Indeed this very conference is currently being watched via live webstream by your and our partners in Botswana, Namibia, Mauritius, Nigeria, Morocco and Kenya.

I'd like to welcome all of you to the global integrated reporting movement.

Today we are not simply talking about growing integrated reporting in the world. But the talking that we are doing is itself part of engineering that growth.

But let me finish by coming back to South Africa itself and to all of you in this room.

Because you started first and have gone farthest, there is one more lesson which you are learning and which you can help teach all of us in the global coalition.

How to keep to the spirit of integrated reporting?

I heard about one company yesterday who'd apparently said: "We've done integrated reporting."

Yet In the Integrated Reporting Committee of South Africa, you know that this is not just about a producing a report in a given format, but about doing things differently, having a whole different mindset: managing, governing and communicating about the business in a wholly different way.

It can never be just about compliance.

It can never be 'business as usual.'

And as it involves integrated thinking, you can never stop thinking.

That is the spirit of this integrated reporting movement.

And I am sure here in South Africa, that you will keep the spirit alive.

Thank-you.

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