ACHIEVING BALANCE IN THE INTEGRATED REPORT: AN INFORMATION PAPER
<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Foreword</td>
</tr>
<tr>
<td>2</td>
<td>Purpose of this Paper</td>
</tr>
<tr>
<td>3</td>
<td>The role of leadership and governance</td>
</tr>
<tr>
<td>5</td>
<td>What balanced reporting means</td>
</tr>
<tr>
<td>6</td>
<td>Benefits of balanced reporting</td>
</tr>
<tr>
<td>7</td>
<td>Challenges and weaknesses</td>
</tr>
<tr>
<td>8</td>
<td>The International &lt;IR&gt; Framework</td>
</tr>
<tr>
<td>10</td>
<td>Other frameworks</td>
</tr>
<tr>
<td>11</td>
<td>Key considerations and illustrative examples</td>
</tr>
<tr>
<td>22</td>
<td>Acknowledgments</td>
</tr>
<tr>
<td>23</td>
<td>About the IRC of South Africa</td>
</tr>
</tbody>
</table>
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 (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™ 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.

Professor Mervyn E. King SC
Chairman of the Integrated Reporting Committee (IRC) of South Africa
Chairman Emeritus of the International Integrated Reporting Council (IIRC)

December 2018

---

1 Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved. Available at http://www.iodsa.co.za/?page=AboutKingIV

2 Available at www.integratedreportingsa.org or www.integratedreporting.org
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 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 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. 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:

- 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.6

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.

---

6 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.
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.  

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.

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

---

7 International <IR> Framework, Guiding Principles, 3F Reliability and completeness, Balance, page 21
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\(^\text{14}\) 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.

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

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Contributing factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of commitment to transparency and accountability</td>
<td>Insufficient governance processes and systems</td>
</tr>
<tr>
<td></td>
<td>Doubts about the relevance of integrated thinking and integrated reporting</td>
</tr>
<tr>
<td></td>
<td>Managerial attitude not supporting an integrated approach to reporting and biased to</td>
</tr>
<tr>
<td></td>
<td>short-term financial performance</td>
</tr>
<tr>
<td>Inadequate processes and systems to support complete and</td>
<td>Lack of capacity or resources to manage data</td>
</tr>
<tr>
<td>balanced reporting</td>
<td>Incomplete or insufficient processes for the determination of material matters</td>
</tr>
<tr>
<td></td>
<td>resulting in difficulty in determining if and when information is material</td>
</tr>
<tr>
<td></td>
<td>Inappropriate approaches to assurance (combined assurance)</td>
</tr>
<tr>
<td>Uncertainty about what to report</td>
<td>Lack of understanding of the requirements of integrated reporting as per King IV</td>
</tr>
<tr>
<td></td>
<td>and the &lt;IR&gt; Framework</td>
</tr>
<tr>
<td></td>
<td>Insufficient consideration given to the impact of societal and environmental factors</td>
</tr>
<tr>
<td>Concerns about potential negative consequences of reporting</td>
<td>Fear that reporting will lead to additional scrutiny by regulators</td>
</tr>
<tr>
<td>sub-optimal information</td>
<td>Fear that bad news could result in reputational damage and lower sales</td>
</tr>
<tr>
<td></td>
<td>Perceived threat of litigation based on negative information</td>
</tr>
<tr>
<td>Over-reliance on consultants</td>
<td>Limited managerial participation in the preparation of the report and poor oversight</td>
</tr>
<tr>
<td></td>
<td>of interpretation</td>
</tr>
</tbody>
</table>

**Weaknesses in reports**

- Predominance of good news over bad news and ignoring negative outcomes
- Insufficient reflection of the six capitals in inputs and outcomes
- Lack of disclosure of the trade-offs between the six capitals in the business model and strategic decisions
- Insufficient consideration of negative outcomes as business risks to the organization
- Predominance of disclosure of short-term information with limited focus on medium- and long-term information
- Highlighting information that focuses on financial performance only
- Lack of alignment between strategy and the key performance indicators disclosed
- Incongruity in the selection and reflection of qualitative and quantitative information
- Ambiguous and vague forward-looking information

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

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 set out in the <IR> Framework. There are seven Guiding Principles 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.

16 Copyright December 2013 by the International Integrated Reporting Council (“the IIRC”). All rights reserved. Used with the permission of the IIRC.
17 International <IR> Framework, Content Elements, pp 24 - 29
18 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 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. 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. 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.

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

---

19 International Framework, Guiding Principles 3D Materiality, The materiality determination process, page 18
20 International Framework, Guiding Principles 3F Reliability and completeness, page 21
21 International Framework, Guiding Principles 3F Reliability and completeness, Balance, page 21
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:

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

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

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. 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.

---

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


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.

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.


![Planning and preparing the integrated report table](http://integratedreportingsa.org/preparing-an-integrated-report-a-starters-guide-updated/)
3 Integrated thinking

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.

4 A complete process for determining material matters

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.

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 and on our interactive report site barclaysafrica2017ar.co.za. Comments or queries regarding these documents can be sent to groupinvestorrelations@barclaysafrica.com or groupsecretariat@barclaysafrica.com.

<table>
<thead>
<tr>
<th>Document</th>
<th>Scope and boundary</th>
<th>Reporting standards/frameworks</th>
<th>Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 CORE (Global Reporting Initiative) Report</td>
<td>BBEEE applies to our South African operations.</td>
<td>Companies Act No 71 of 2008 of South Africa.</td>
<td>Compliance, internal audit and legal reviews.</td>
</tr>
<tr>
<td>2017 King IV review</td>
<td></td>
<td>ISE Listings Requirements</td>
<td>External audit opinion on financial information and external assurance on select indicators.</td>
</tr>
<tr>
<td>2017 breast-based block economic empowerment (BBBEE) report</td>
<td></td>
<td>King IV Report on Corporate Governance for South Africa, 2016 (King IV)</td>
<td>Independent BBBEE verification.</td>
</tr>
<tr>
<td>Notice of annual general meeting 2018</td>
<td></td>
<td>Amended Financial Sector Code</td>
<td>Board approval, signed by the Disclosure, Social and Ethics, and Directors’ Affairs Committees.</td>
</tr>
</tbody>
</table>

### Financial risk and capital management disclosures

- Summarised consolidated and separate financial statements
- Annual consolidated and separate financial statements
- Pillar 3 risk and capital management report
- Financial results booklet and investor presentation
- Barclays Africa including subsidiaries, associates and joint ventures.
- Note 49.3 of the annual financial statements provides a list of material subsidiaries and consolidated structured entities.
- International Financial Reporting Standards (IFRS)
- Companies Act of South Africa
- Banks Act, No 94 of 1990
- ISE Listings Requirements
- King IV

### Important shareholder dates

- 1 March 2018: 2017 full year results announcement and 2017 final dividend declaration.
- 16 April 2018: Final dividend payment.
- 1 August 2018: 2018 interim results announcement and interim dividend declaration.
- 17 September 2018: Interim dividend payment.
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 to our business model and our chosen strategy. Through this report we provide the context for what we have determined 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.

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;
- informative, 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 *). 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: https://www.absa.africa/content/dam/absafrica/2017-integrated-report.pdf

https://www.absa.africa/content/dam/absafrica/2017-integrated-report.pdf
6

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

<table>
<thead>
<tr>
<th>Key Considerations and Illustrative Examples continued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017 PERFORMANCE DASHBOARD AND 2018 TARGETS</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>ACTUAL</strong></td>
</tr>
<tr>
<td>Normalised return on group equity value</td>
</tr>
<tr>
<td>Normalised return on IFRS equity</td>
</tr>
<tr>
<td>Shareholder Investment Portfolio performance</td>
</tr>
<tr>
<td>Risk appetite</td>
</tr>
<tr>
<td>Individual Arrangements new business margin</td>
</tr>
<tr>
<td>Combined policyholder persistency performance</td>
</tr>
<tr>
<td>South African voluntary staff turnover</td>
</tr>
<tr>
<td>Liberty Group Limited CAR cover</td>
</tr>
<tr>
<td>B-BBEE contributor level</td>
</tr>
<tr>
<td>Corporate social investment spend (South Africa)</td>
</tr>
</tbody>
</table>

1. Excluding planned business restructuring

---

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.

THE NEEDS AND EXPECTATIONS OF OUR STAKEHOLDERS

As a financial services provider we are deeply influenced, in the environments in which we operate, by the needs, interests and expectations of our stakeholders. By providing for their needs and meeting their expectations, we create value for both our stakeholders and Nedbank.

STAFF

31 807 employees, 21 005 employees in SA businesses, 2 802 employees in non-SA businesses, 43.7% female, 56.3% male, 70.5% black, 21.5% white.

24.4% of 29 years of age. 22.2% are tenures of more than 10 years. Staff turnover of 10.4%.

CLIENTS

72 million clients, individual members of society, non-wealth level clients for high-net-worth clientele.

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 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.

15 self-drive analysts.

REGULATORS

SARB – responsible for banking regulation and supervision in SA.

FSCA – responsible for overseeing the financial services industry.

NCR – responsible for the regulation of the countries in which we operate.

Society

Citizens of the countries in which we operate, comprising the non-governmental organizations and suppliers.

The environment in which these citizens depend for their wellbeing.

Creating value in a sustainable manner through our strategy

- Comprehensive transformation, effective performance management and regulation.
- Developing an effective environment and stakeholder expectations.
- Employment is a very important society, in which our companies seek to achieve sustainable development.
- Safeguarding and managing our workforce.

Creating value for our stakeholders

Our staff are key to making Nedbank a great place to bank and work. Exceptional and skilled staff, together with efficient and value-creating systems and processes, are the foundation of our reputation for excellence in client service.

Clients earn a high degree of confidence in the entire business in which we operate.

- Respecting staff for the work undertaken.
- Grouping our responsibilities to ensure we grow.
- Managing talent and retaining human resources.
- Providing a safe environment for our staff.
- Managing and managing our workforce.

For more details on how we comply with various regulatory bodies, please refer to pages 63 to 73.

For illustrative examples, refer to pages 63 to 73.

Integrated Reporting Committee (IRC) of South Africa
Managing the risk of the book

Performance against objectives and targets in 2017

<table>
<thead>
<tr>
<th>OBJECTIVES AND PLANS FOR 2018</th>
<th>PERFORMANCE AGAINST OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop predictive models and strategies across the account portfolio to respond to the changing economic and trading environment.</td>
<td>• New models developed and implemented. • Existing models revised and utilised. • New strategies developed and implemented.</td>
</tr>
<tr>
<td>Continue to invest in technology to unlock the value in the transformation and overall customer experience.</td>
<td>• Conventional development in progress. • XSPS omni-channel platforms launched in second half of the financial period.</td>
</tr>
<tr>
<td>Conserve development of new collections and launches.</td>
<td>• Extensive business requirement analysis completed. • Project will move into development phase during the 2018 financial year.</td>
</tr>
<tr>
<td>Further improve processes and systems to collect affordability assessment documentation.</td>
<td>• Ongoing improvements to head office and in-store processes. • Enhanced decision processes.</td>
</tr>
<tr>
<td>Launch a loyalty programme for both account and cash customers.</td>
<td>• Truworths (TruRoyalty) and Identity (iDream) loyalty programmes launched in second half of the financial period. • Extensive business requirements analysis completed.</td>
</tr>
<tr>
<td>Relaunch in-country with broader distribution, online and mobile capability and enhanced customer experience.</td>
<td>• Truworths a customer platform to be launched in Q4 of the 2017 calendar period, including digital website and mobile store. • Identity online store launched in August 2017 with judgment pending.</td>
</tr>
<tr>
<td>OBJECTIVES FOR 2017</td>
<td>PERFORMANCE AGAINST TARGET</td>
</tr>
<tr>
<td>Maintain the number of active customer accounts.</td>
<td>• Active customer accounts increased by 9% to 2.5 million, exceeding target of 2.38 million. • Truworths increased market share of active accounts. • Frequency of shopping and changed at account customers increased by 9%.</td>
</tr>
</tbody>
</table>
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.


Performance against main objectives

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Operational strategies</th>
<th>Performance target for FY2017</th>
<th>Performance against strategy and KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relentlessly drive the safety of our people</td>
<td>Zero fatalities</td>
<td>LTIFR: 20% improvement on FY2016</td>
<td>Regrettably, nine employee fatalities were recorded during the year. LTIFR improved 8.8% from the previous year to 5.92 per million man-hours worked (including contractors) (2016: 6.49). Despite a strong focus on site 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.</td>
</tr>
<tr>
<td>Consistently deliver production targets</td>
<td>&gt;1.5 million platinum ounces</td>
<td></td>
<td>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 performances from most operations, despite suboptimal performances from Marula and the Impala Rustenburg, and supplemented by record tolling throughput at Impala Refinery Services (IRS).</td>
</tr>
<tr>
<td>Improve efficiencies through operational excellence</td>
<td>Cost per platinum ounce (R/Pt oz)</td>
<td></td>
<td>Unit costs contained at a 4.4% increase from the previous year to R22 691 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.</td>
</tr>
<tr>
<td>Cash conservation</td>
<td>Capital &lt;R4.4 billion</td>
<td></td>
<td>Capital expenditure of R3.43 billion (2016: R3.56 billion). Capital expenditure was maintained at similar levels to the previous year due to the deferment of ongoing capital in a low price environment and 17.9 months remaining on low-cost care and maintenance. R1.1 billion was spent on the two development shafts, 16 and 20.</td>
</tr>
<tr>
<td>Maintain our licence to operate</td>
<td>Rustenburg SO2 at &lt;16tpd Build a further 300 employee houses in Rustenburg Complete high school at Platinum Village</td>
<td></td>
<td>SO2 emissions at Rustenburg at 16.3tpd. Direct SO2 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 the new 2017 school year. Group social development expenditure amounted to R402m.</td>
</tr>
</tbody>
</table>
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.

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.

Leigh Roberts (Chairman)  Fay Hoosain  Lindwe Monthshiwagae
Mohamed Adam  Claire Hoy  Corli le Roux
Adrian Bertrand  Karin Ireton  Lelanie Sherman
Larissa Clark  Wasfie Ismail  Shameela Soobramoney
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

The following IRC publications are available on our website
www.integratedreportingsa.org

- Preparing an Integrated Report: A Starter’s Guide (Updated)
- 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.
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.

For membership enquiries please contact the CEO, Leigh Roberts leigh@integratedreportingsa.org, Business Development, Michiel Engelbrecht michiel@integratedreportingsa.org or Secretariat, Sandy van Esch sandy@integratedreportingsa.org.