INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA

DISCLOSURE OF PERFORMANCE AGAINST STRATEGIC OBJECTIVES

AN INFORMATION PAPER

INTEGRATED REPORTING COMMITTEE (IRC)

www.integratedreportingsa.org

CONTENTS

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FOREWORD

An underlying objective of the global drive to promote integrated reporting is to embed integrated thinking within mainstream business practice.

This drive – supported among others by the International Integrated Reporting Council, the King Code of Corporate Governance 2016 (King IV) and leading institutional investors – is informed by the belief that a greater uptake of integrated thinking and reporting will result in the more efficient and productive allocation of financial capital, enhance social and environmental sustainability, result in greater transparency and encourage greater levels of financial stability.

Guided by this objective, the purpose of an integrated report is to enable users to make an informed assessment about the organization's ability to create value over time. To make such an assessment users need to have a good understanding of the organization's business model, of the risks and opportunities associated with its external environment and of its strategic objectives and targets. It goes without saying that a review of its current and past performance is a part of this assessment. The organization's performance – in terms of its delivery against strategic objectives and its effects on the capitals – sheds light on the extent to which it is currently creating value and its ability to do so into the future. Further, the process the organization follows in striving to achieve its holistic strategic objectives will help it to embed integrated thinking as a mainstream business practice.

Meaningful disclosure of performance is essential to enable a critical assessment – both internally by the governing body and management and externally by stakeholders – of the extent to which the organization is achieving its strategic objectives.

Mervyn King

Professor Mervyn E. King SC

Chairman of the Integrated Reporting Committee (IRC) of South Africa
Chairman of the King Committee
Chairman of the International Integrated Reporting Council

PURPOSE OF THIS PAPER

The Integrated Reporting Committee (IRC) of South Africa has developed this Information Paper to assist organizations achieve better practice in disclosing performance against strategic objectives in the integrated report.

The Paper highlights the importance of providing a balanced disclosure of performance by applying the guiding principles of the *International <IR> Framework* (Framework), the challenges organizations may face, and key considerations with illustrative examples from the reports of South African organizations.

The Framework was issued by the International Integrated Reporting Council (IIRC) in 2013. It has been endorsed by the IRC of South Africa as guidance on good practice on how to prepare an integrated report.

This Paper aims to assist those preparing reports, but will be of use to executives and governing body members who are responsible for guiding and approving integrated reports. Users of reports will also benefit through an understanding of what should be disclosed.

Excerpts from the Framework are stated in italics in this Paper.

WHY DISCLOSURE OF PERFORMANCE AGAINST STRATEGIC OBJECTIVES IS IMPORTANT

An organization's strategic objectives and its strategy to achieve them provide the foundation of its short-, medium- and long-term trajectory. The ongoing monitoring of performance is crucial as the organization seeks to meet its strategic objectives.

A review of performance assesses the extent to which the organization is currently delivering and can indicate its potential to deliver in the future. This requires disclosure not only of conventional financial performance metrics, but also the effects (outcomes) on the six capitals (as listed in the Framework and shown in the graphic on page 6) that will inevitably affect the organization's financial performance over time.

Variances of performance against the strategic objectives will enable management to take remedial action and if necessary the governing body (the Board) to consider adjustments to strategy.

Importantly, performance against strategic objectives and the awareness and consideration of the outcomes on the capitals facilitates accountability. It has other relevance too in that the key performance indicators (KPIs) can serve as a trigger for executive and staff bonuses and incentives. Further, some performance measures may relate to regulatory or social licence requirements and serve as an indicator of compliance or non-compliance as well as other risks or opportunities.

CHALLENGES AND WEAKNESSES IN THE DISCLOSURE OF PERFORMANCE

The following reveals challenges cited by organizations and weaknesses noted in reports:

Determining KPIs that accurately reflect the achievement of strategic objectives.
Systems need to be established for reliable performance information on the five capitals other than financial.
Strategic objectives, targets and the strategy to achieve them are not clearly identifiable in reports.
Targets are disclosed for the short-term, but not the medium- and long-term.
The strategy to achieve the targets is stated in broad terms without a time frame.
There tends to be more focus on financial capital than the other five capitals.
The resource allocation plans (covering all the capitals needed to achieve strategy) are not often disclosed.
Performance has a direct connection to strategic objectives, yet this link can be missing in reports.
Including reams of performance KPIs obfuscates the key figures.
Variances in performance against the targets are not explained, nor is the impact on the organization and remedial action taken.
Trend analysis of past performance (say three or five years) is not provided despite the usefulness of this information.
Divisional performance is not clearly linked to the group's strategic objectives.
Performance is not linked to the outcomes on the capitals.

STRATEGIC OBJECTIVES, STRATEGY, KPIs AND TARGETS

While it is not the purpose of this Paper to discuss the strategic objectives of an organization, the information given here is intended to provide a context to the disclosure of performance.

An organization's strategic objectives are approved by the Board, normally with KPIs, targets and time frames to determine when and how they must be achieved. It is management's task to achieve the strategic objectives and targets within the set time frames and parameters.

The Framework's requirement on strategy is: *Where does the organization want to go and how does it intend to get there?* There are typically two parts to an organization's strategy:

- Strategic objectives – What the organization is trying to achieve in the short-, medium- and long-term, the targets set and how achievement will be measured.
- Strategy (strategic initiatives and plans) – How the organization is going to achieve its strategic objectives, and the resources (capitals) required and allocated to implement strategy.

KPIs are used as quantifiable metrics to measure the achievement of strategic objectives. KPIs are ideally written as a statement of intent that is specific, measurable, achievable, relevant and time bound. Some organizations find it helpful to view performance KPIs from the angle of both lead and lag indicators:

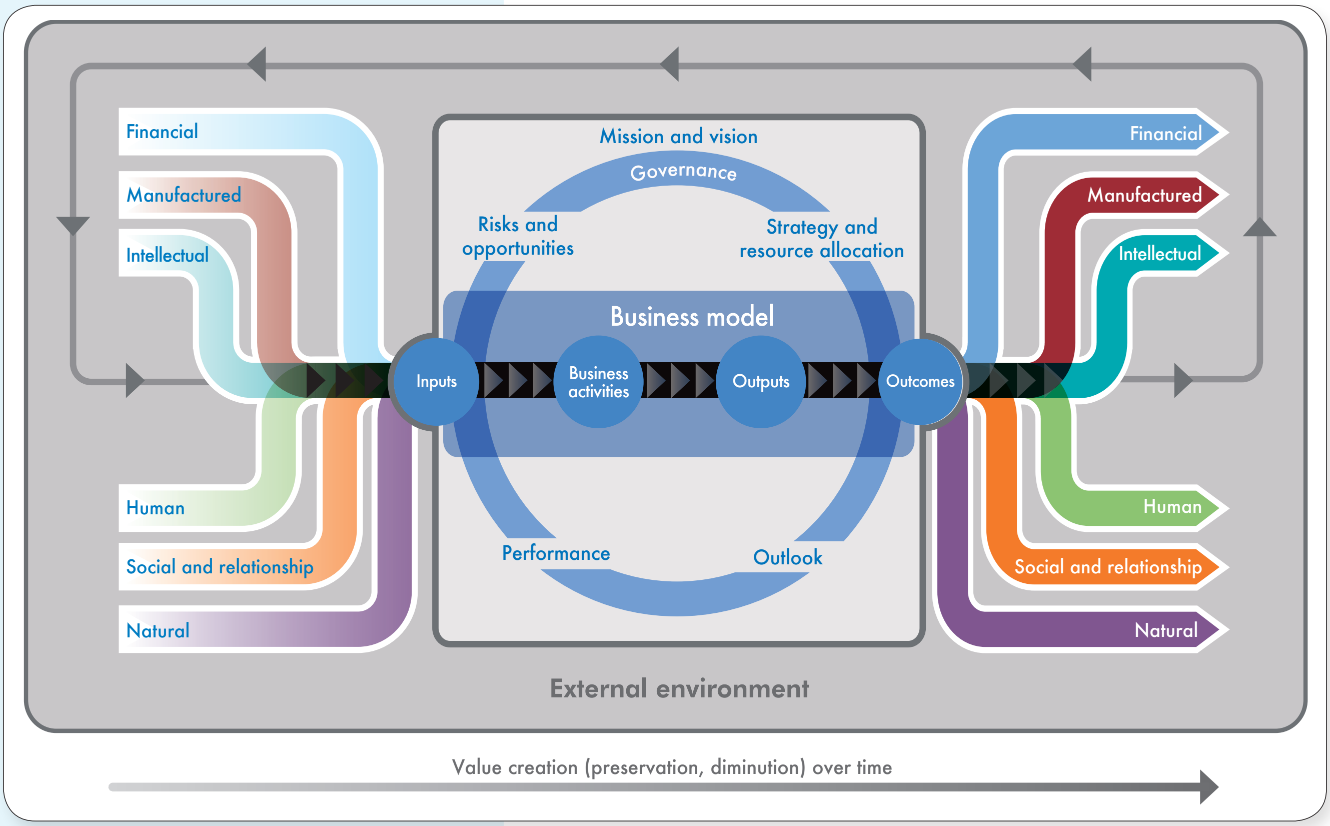
- Lead indicators – These indicators predict events. For example, KPIs that reflect the extent to which management has implemented strategic initiatives (such as the percentage of production plants retrofitted with zero effluent processes). These KPIs are usually within management's control.
- Lag indicators – These indicators follow events. For example, KPIs that reflect the results of strategy implementation (such as water consumption costs). They could have a combination of controllable factors (percentage of zero effluent plants) and uncontrollable factors (the tariff cost of water).

Performance measures on the capitals relate to how the capitals are used and affected. The KPIs will measure the positive outcomes and also the negative outcomes on the capitals given that an organization should be continually assessing and responding to the negative consequences of its outputs and business activities. Creating positive outcomes for the key capitals are often woven into the strategic objectives of an organization in accordance with the notion that the organization's ability to create value for itself depends on its ability to create value for others.

The report should disclose the organization's resource allocation plans required to implement its strategy – that is, the future adequacy and appropriateness of the capitals (e.g. sufficient funding and water availability for expansion plans).

There may be sensitivity among some organizations in disclosing their strategy in reports. This sensitivity should be balanced with the need for stakeholders to understand and assess the organization's ability to create value in the short-, medium- and long-term. Many organizations have successfully communicated strategy without revealing the underlying tactics being deployed.

THE INTERNATIONAL <IR> FRAMEWORK



Source: International <IR> Framework[1]

The Framework's seven Guiding Principles determine the information to be disclosed in the report. The following are particularly relevant to the disclosure of performance (refer to the Framework for full explanation):

- *Strategic focus and future orientation* – Strategic objectives and strategy set out the path chosen by an organization. Inadequate disclosure of strategic objectives and strategy flows through to the disclosure of performance.
- *Connectivity of information* – Performance disclosure has a direct link to strategic objectives. In turn, the strategic objectives are linked to the business model and the outcomes on the capitals. Strategic objectives are also linked to risks and opportunities, the external environment, remuneration policy and outlook. Performance information will also be linked to remuneration payments.
- *Materiality* – Materiality ensures that only the most significant and relevant information is included in the report, with detailed information housed in supplementary reports or on the website. The performance against strategic objectives will in all cases be material information.
- *Conciseness* – The report should be concise; hence, only the material KPIs will be included with concise explanations of performance variances.

- *Reliability and completeness* – Performance information needs to be balanced (that is, good, neutral or poor performance disclosure should be done in equal measures) and without material error. Organizations determine their own level of internal and external assurance on performance information. Some organizations have their key performance information externally assured because they say these figures are core to the business and its future. The Board should include a statement in the report acknowledging its responsibility for the integrity of the report, which includes performance information. Completeness ensures that both positive and negative performance is disclosed in the report, as well as the material positive and negative outcomes on the capitals.
- *Consistency and comparability* – If there have been any changes to strategic objectives, strategy or KPIs and targets these should be explained in the report.

The Framework lists eight Content Elements (information areas) that are connected to each other in telling the organization's value creation story in the report. Of particular relevance to performance disclosure are (refer to the Framework for full explanation):

- *Strategy and resource allocation – Where does the organization want to go and how does it intend to get there?*
- *Performance – To what extent has the organization achieved its strategic objectives for the period and what are the outcomes in terms of effects on the capitals?*
- *Outlook – What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?*

Discussion of these Content Elements is included in the next section.

KEY CONSIDERATIONS AND ILLUSTRATIVE EXAMPLES

The considerations listed below may be helpful to organizations when disclosing performance against strategic objectives.

The excerpts from integrated reports in this section have been chosen as illustrations of format or connectivity. The links to the reports on the organizations' websites can be accessed for more information on their content.

1

Showing connectivity between performance and strategic objectives

A tabular format is often used in reports to show the performance against strategic objectives, KPIs and targets. This format also facilitates links to risks, explanation of variances of performance, and outlook. Some organizations include a summary table of performance against strategic objectives upfront in the report to set the tone for the ensuing content.

Nedbank Group 2015 Integrated Report:

Links the financial KPIs to strategic focus areas, targets vs performance, the longer term targets, and outlook for the year ahead (the symbols in the table denote various capitals).

KPIs	MATERIAL MATTERS	STRATEGIC FOCUS AREAS	KPIs 2014	KPIs 2015	Performance against 2015 guidance	Medium-to-long-term targets	Outlook for 2016
Advances growth			5,8%	**11,2%**	✓	No guidance	Mid- to upper-single-digit growth
Deposit growth			8,4%	**11,1%**	No guidance	No guidance	No guidance
LCR			66,4%	**88,5%**	No guidance	> 100% by January 2019	Above the 70% regulatory requirement
Net interest margin			352 bps	**330 bps**	✓	No guidance	In line with the 2015 level of 3,30%
CLR			79 bps	**77 bps**	✓	Between 60 and 100 bps of average banking advances	Within target range
NIR (excluding fair-value adjustments) growth			4,9%	**7,1%**	✓	NIR-to-expense ratio: > 85%	Above mid-single-digit growth (excluding fair-value adjustments and prior to the first-time consolidation of Banco Único)
Operating expenses growth			9,4%	**6,4%**	✓	NIR-to-expense ratio: > 85%	Mid- to upper-single-digit growth (prior to the first-time consolidation of Banco Único)
MEDIUM-TO-LONG-TERM TARGETS							
ROE (excluding goodwill)			17,2%	**17,0%**	✓	5% above cost of ordinary shareholders' equity (to be reviewed during 2016)	Below target
DHEPS growth			13,0%	**8,5%**	✓	≥ consumer price index + GDP growth + 5%	Below 2015 growth and below target
Efficiency ratio			56,5%	**56,1%**	✓	50,0% to 53,0%	Above target
CET1 ratio			11,6%	**11,3%**	✓	10,5% to 12,5%	Within target range
Dividend cover			2,07 times	**2,06 times**	✓	1,75 to 2,25 times	Within target range

https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/investor-center/integrated-reporting/2015-integrated-report.html

2

Using quantitative and qualitative information in performance disclosure

Both quantitative and qualitative information are helpful when explaining performance. The quantitative information comprises the KPIs or other metrics used to measure performance against strategic objectives. The qualitative information can include:

Explanation of the KPIs – Why they have been selected to track performance, how they are calculated, the key drivers in their measurement etc.

Explanation of performance – With reasons for under- or over-performance against targets, the prior year's performance, industry benchmarks and trend analysis. Explanation will include the context, relevance and implications of the KPI data.

Discovery Integrated Annual Report 2015:

Gives quantitative and qualitative information in disclosing performance.

ABOUT DISCOVERY | **PERFORMANCE REVIEWS** | GOVERNANCE | FINANCIALS

INTEGRATED ANNUAL REPORT **2015**

Discovery Health

Discovery Health continued

Progress against our strategic objectives

In our 2014 report, we outlined our strategic objectives for the year ahead. In this section we report on progress against these objectives.

Build an integrated Discovery healthcare system that ensures superior quality of care, seamless patient journeys, and enhanced value for members

Discovery Health continues to offer members seamless access to the healthcare system, catering for the needs of a broad spectrum of clients. The complex nature of healthcare systems requires a collaborative approach by all stakeholders to address the growing challenges of rising costs and variable quality of care.

We have distilled these perspectives into Healthcare 2020, our vision to develop a healthcare system that focuses on the needs of patients and aims to ensure that the system delivers value for patients, resulting in the best quality of care at the lowest possible cost. The model centres on a cohesive system where healthcare professionals work in teams within integrated practice units and delivery systems, and are paid using innovative alternatives to current fee-for-service models, such as the value-based reimbursement model we are piloting with the health group Intercare. Health outcomes, costs and value are continually measured as the basis for improvement.

Create unique and outstanding service experiences for members at every touch point in the healthcare system

For patients with complex conditions, navigating the healthcare system as it is currently configured, can be a frustrating experience. Determining the correct pathway for treatment from the range of potential treatment options and providers, requires coordination by the patient, their family or caregivers, sometimes on the basis of inadequate information and in difficult circumstances.

During 2015, we undertook several initiatives designed to assist patients to navigate this complexity and to encourage greater awareness around the management of conditions.

Value-based approaches, such as the Discovery Health Care Coordination Programme, have been enhanced to support a simpler interface with the healthcare system for patients with specific needs.

Through Discovery HealthID, we are pioneering the use of technology to enable a more coordinated care approach by healthcare providers (see the case study on page 40). HealthID is a digital system that shares electronic patient records with health professionals, following patient consent. This enables an integrated perspective that can improve care and reduce wastage and unnecessary duplication of services.

We are also exploring the potential for a value-based reimbursement model through a pilot project with Intercare. This approach enables an improved focus on patient outcomes through risk-based contracts with healthcare providers that align incentives for quality of care, efficiency and effectiveness.

Alongside these innovations, we continue efforts to improve the quality of care in the private healthcare system. Acknowledging that, within this system, private healthcare patients typically receive care of a high standard with many islands of excellence, and some areas of poorer quality, our approach has been to draw attention to those service providers who excel in their fields and to support a more consistent experience across all service providers.

Greater transparency throughout our healthcare system is, according to general belief, not ethically correct. However, there is evidence that it will lead to improved outcomes, fewer errors, more satisfied patients, and lower healthcare costs. The mechanisms for these improvements are several and include the ability of transparency to support accountability, stimulate improvements in quality and safety, promote trust and ethical behaviour, and facilitate patient choice.

In pursuit of greater transparency, consumer choice and improving quality of care, Discovery Health will, in collaboration with stakeholders, release the results of our patient experience survey – Discovery PASS. This survey, started in 2010, measures the experience of members of client schemes during hospital admissions.*

* *Source: SHINING A LIGHT. Safer Health Care Through Transparency. NPSF 2015*

Discovery Health Patient Experience Survey – Discovery PASS

Up to 200 000 members of Discovery Health Medical Scheme have reported their experience of care in hospital since 2010.

Measuring patient experience in South Africa
Other than published anecdotes, little information about the quality of care from the patient's perspective is available to the public in South Africa.

Measuring quality of care is mandatory in other healthcare systems
In the US and other countries, a great deal of measurement of the quality of care is available for public consumption. Reporting on numerous quality measures is mandatory. A clear correlation is seen between measures of patient experience and other measures of clinical quality with better patient experience being associated with higher quality of care and improved health outcomes.

The Discovery Health Patient Experience Survey – how the survey works

- An invitation to complete the survey goes to members of Discovery Health Medical Scheme who are older than 18 and were recently admitted to a private hospital.
- It is based on the *Hospital Consumer Assessment of Healthcare Providers and Systems* survey developed by the United States Agency for Healthcare Research and Quality.
- There are 22 questions on patient experience across eight categories, including the quality of nursing care, responsiveness of staff, hospital environment, and pain management.
- The methods used to compare hospitals are clear, transparent, rigorous, and scientifically peer-reviewed.

The survey embodies the principle of not only asking patients "what's the matter?" but allowing patients to say "what matters to me".

The findings will be released during November 2015.

Measuring quality to increase collaboration between healthcare professionals: Best Care Always

Discovery was an initiating partner of the Best Care Always campaign in 2009 that guides public and private healthcare organisations in South Africa as they implement specific, internationally-recognised, evidence-based interventions that enhance patient safety and constitute current best practice in hospital care.

Areas of focus include antibiotic use, catheter-associated infections, central-line and surgical site infections, and ventilator-associated pneumonia. Participating hospitals should be willing to make evidence-based changes at a faster pace, share ideas with others, measure results and report on progress.

Discovery Health model for quality and sustainable healthcare

1 **Better health**
Best wellness platform globally, with close to 1.7 million people participating in the programme in South Africa

2 **Better healthcare**
Broadest network of healthcare professionals with 90% of consultations done with network doctors and quality and service in line with global standards

3 **Lower cost**
17 plan choices at an average 14% cheaper than the market rate

4 **Underpinned by technology**
Over 1 000 doctors using HealthID, and over 600 000 member consents given

35

https://www.discovery.co.za/discovery_coza/web/investor_relations/results_and_reports/annual_reports/2015/

Key considerations
and illustrative examples
continued

3

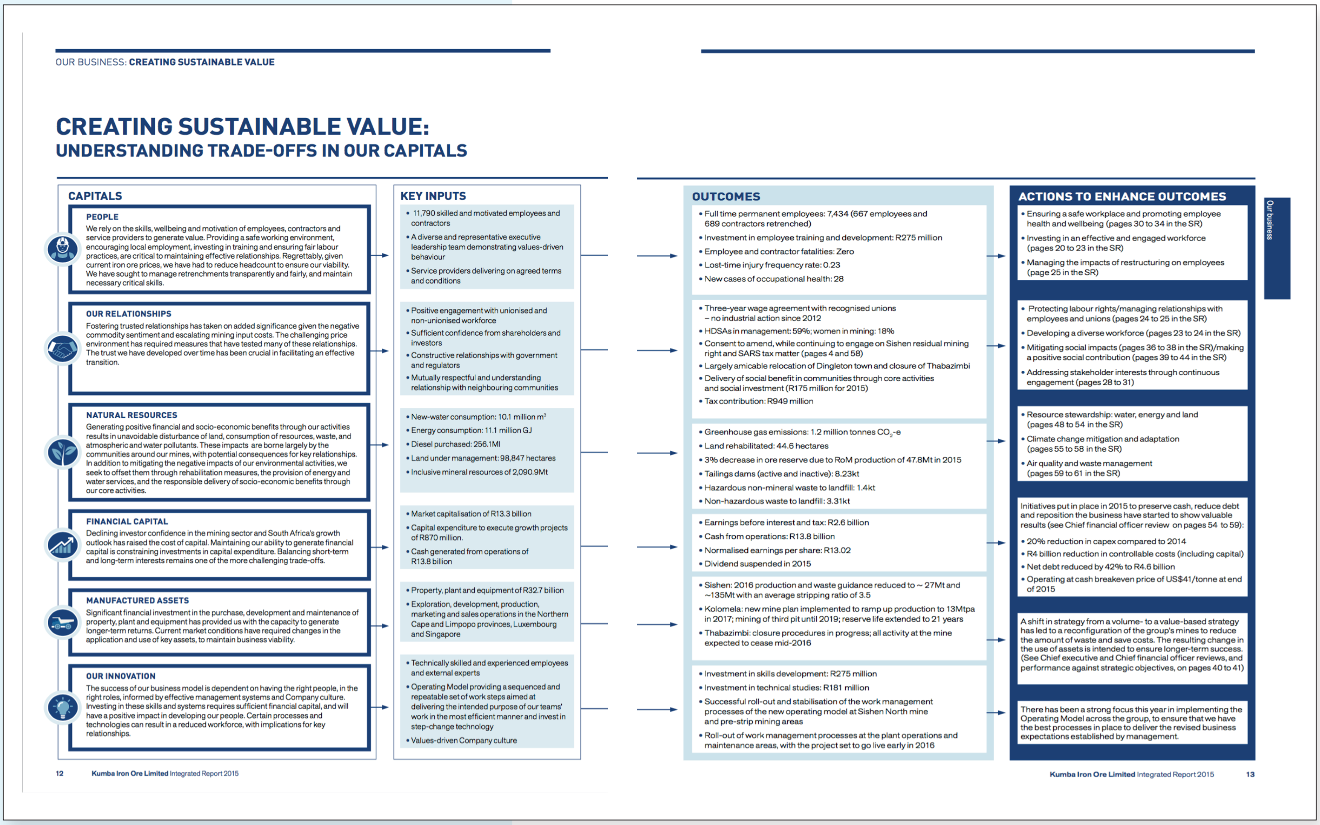
Linking performance to outcomes to show value creation

Outcomes are the organization's effects on the six capitals – that is, the consequences resulting from its outputs (products, services and waste), performance against strategic objectives and business activities. Value creation, as defined in the Framework, encompasses the increases, decreases or transformation of the six capitals. Outcomes that are specific to the performance against strategic objectives in the reporting year can be usefully grouped together with the performance figures. Broader outcomes may be more appropriately housed with the business model in the report.

The IRC's *Reporting on Outcomes: An Information Paper* offers key considerations when determining outcomes and is available at www.integratedreportingsa.org

Kumba Iron Ore Integrated Report 2015:

Outcomes are shown in the business model.



OUR BUSINESS: **CREATING SUSTAINABLE VALUE**

CREATING SUSTAINABLE VALUE:
UNDERSTANDING TRADE-OFFS IN OUR CAPITALS

CAPITALS	KEY INPUTS	OUTCOMES	ACTIONS TO ENHANCE OUTCOMES
PEOPLE We rely on the skills, wellbeing and motivation of employees, contractors and service providers to generate value. Providing a safe working environment, encouraging local employment, investing in training and ensuring fair labour practices, are critical to maintaining effective relationships. Regrettably, given current iron ore prices, we have had to reduce headcount to ensure our viability. We have sought to manage retrenchments transparently and fairly, and maintain necessary critical skills.	• 11,790 skilled and motivated employees and contractors • A diverse and representative executive leadership team demonstrating values-driven behaviour • Service providers delivering on agreed terms and conditions	• Full time permanent employees: 7,434 (667 employees and 689 contractors retrenched) • Investment in employee training and development: R275 million • Employee and contractor fatalities: Zero • Lost-time injury frequency rate: 0.23 • New cases of occupational health: 28	• Ensuring a safe workplace and promoting employee health and wellbeing (pages 30 to 34 in the SR) • Investing in an effective and engaged workforce (pages 20 to 23 in the SR) • Managing the impacts of restructuring on employees (page 25 in the SR)
OUR RELATIONSHIPS Fostering trusted relationships has taken on added significance given the negative commodity sentiment and escalating mining input costs. The challenging price environment has required measures that have tested many of these relationships. The trust we have developed over time has been crucial in facilitating an effective transition.	• Positive engagement with unionised and non-unionised workforce • Sufficient confidence from shareholders and investors • Constructive relationships with government and regulators • Mutually respectful and understanding relationship with neighbouring communities	• Three-year wage agreement with recognised unions – no industrial action since 2012 • HDSAs in management: 59%; women in mining: 18% • Consent to amend, while continuing to engage on Sishen residual mining right and SARS tax matter (pages 4 and 58) • Largely amicable relocation of Dingleton town and closure of Thabazimbi • Delivery of social benefit in communities through core activities and social investment (R175 million for 2015) • Tax contribution: R949 million	• Protecting labour rights/managing relationships with employees and unions (pages 24 to 25 in the SR) • Developing a diverse workforce (pages 23 to 24 in the SR) • Mitigating social impacts (pages 36 to 38 in the SR)/making a positive social contribution (pages 39 to 44 in the SR) • Addressing stakeholder interests through continuous engagement (pages 28 to 31)
NATURAL RESOURCES Generating positive financial and socio-economic benefits through our activities results in unavoidable disturbance of land, consumption of resources, waste, and atmospheric and water pollutants. These impacts are borne largely by the communities around our mines, with potential consequences for key relationships. In addition to mitigating the negative impacts of our environmental activities, we seek to offset them through rehabilitation measures, the provision of energy and water services, and the responsible delivery of socio-economic benefits through our core activities.	• New-water consumption: 10.1 million m^3 • Energy consumption: 11.1 million GJ • Diesel purchased: 256.1Ml • Land under management: 98,847 hectares • Inclusive mineral resources of 2,090.9Mt	• Greenhouse gas emissions: 1.2 million tonnes CO_2-e • Land rehabilitated: 44.6 hectares • 3% decrease in ore reserve due to RoM production of 47.8Mt in 2015 • Tailings dams (active and inactive): 8.23kt • Hazardous non-mineral waste to landfill: 1.4kt • Non-hazardous waste to landfill: 3.31kt	• Resource stewardship: water, energy and land (pages 48 to 54 in the SR) • Climate change mitigation and adaptation (pages 55 to 58 in the SR) • Air quality and waste management (pages 59 to 61 in the SR)
FINANCIAL CAPITAL Declining investor confidence in the mining sector and South Africa's growth outlook has raised the cost of capital. Maintaining our ability to generate financial capital is constraining investments in capital expenditure. Balancing short-term and long-term interests remains one of the more challenging trade-offs.	• Market capitalisation of R13.3 billion • Capital expenditure to execute growth projects of R870 million. • Cash generated from operations of R13.8 billion	• Earnings before interest and tax: R2.6 billion • Cash from operations: R13.8 billion • Normalised earnings per share: R13.02 • Dividend suspended in 2015	Initiatives put in place in 2015 to preserve cash, reduce debt and reposition the business have started to show valuable results (see Chief financial officer review on pages 54 to 59): • 20% reduction in capex compared to 2014 • R4 billion reduction in controllable costs (including capital) • Net debt reduced by 42% to R4.6 billion • Operating at cash breakeven price of US$41/tonne at end of 2015
MANUFACTURED ASSETS Significant financial investment in the purchase, development and maintenance of property, plant and equipment has provided us with the capacity to generate longer-term returns. Current market conditions have required changes in the application and use of key assets, to maintain business viability.	• Property, plant and equipment of R32.7 billion • Exploration, development, production, marketing and sales operations in the Northern Cape and Limpopo provinces, Luxembourg and Singapore	• Sishen: 2016 production and waste guidance reduced to ~ 27Mt and ~135Mt with an average stripping ratio of 3.5 • Kolomela: new mine plan implemented to ramp up production to 13Mtpa in 2017; mining of third pit until 2019; reserve life extended to 21 years • Thabazimbi: closure procedures in progress; all activity at the mine expected to cease mid-2016	A shift in strategy from a volume- to a value-based strategy has led to a reconfiguration of the group's mines to reduce the amount of waste and save costs. The resulting change in the use of assets is intended to ensure longer-term success. (See Chief executive and Chief financial officer reviews, and performance against strategic objectives, on pages 40 to 41)
OUR INNOVATION The success of our business model is dependent on having the right people, in the right roles, informed by effective management systems and Company culture. Investing in these skills and systems requires sufficient financial capital, and will have a positive impact in developing our people. Certain processes and technologies can result in a reduced workforce, with implications for key relationships.	• Technically skilled and experienced employees and external experts • Operating Model providing a sequenced and repeatable set of work steps aimed at delivering the intended purpose of our teams' work in the most efficient manner and invest in step-change technology • Values-driven Company culture	• Investment in skills development: R275 million • Investment in technical studies: R181 million • Successful roll-out and stabilisation of the work management processes of the new operating model at Sishen North mine and pre-strip mining areas • Roll-out of work management processes at the plant operations and maintenance areas, with the project set to go live early in 2016	There has been a strong focus this year in implementing the Operating Model across the group, to ensure that we have the best processes in place to deliver the revised business expectations established by management.

Our business

12 **Kumba Iron Ore Limited** Integrated Report 2015

Kumba Iron Ore Limited Integrated Report 2015 13

http://www.angloamericankumba.com/~/media/Files/A/Anglo-American-Kumba/documents/866715-kumba-ir-fy15-fin-2.pdf

Key considerations
and illustrative examples
continued

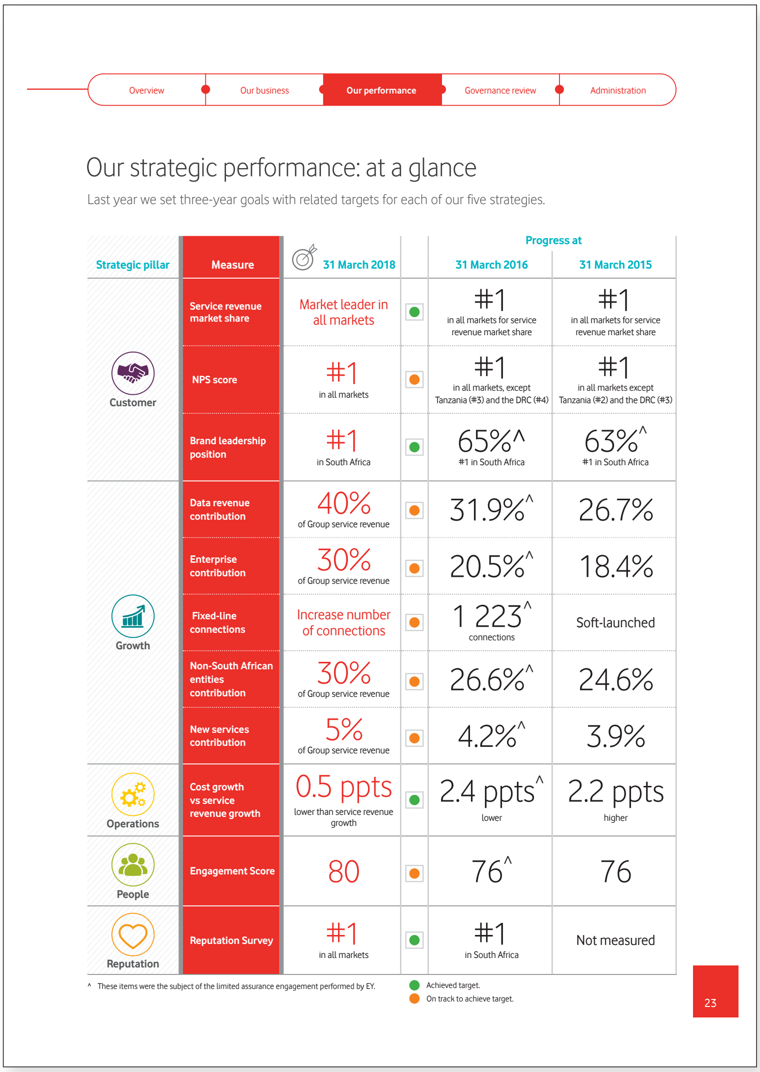
4

Showing cumulative performance against strategy

The cumulative performance in achieving a longer term objective, say a three-year strategy, is relevant performance information and should thus be tracked over that period.

Vodacom Integrated Report 2016:

Gives the performance progress against three-year targets for the KPIs.



Overview | Our business | Our performance | Governance review | Administration

Our strategic performance: at a glance

Last year we set three-year goals with related targets for each of our five strategies.

Strategic pillar	Measure	31 March 2018	Progress at 31 March 2016	Progress at 31 March 2015
Customer	Service revenue market share	Market leader in all markets	#1 in all markets for service revenue market share	#1 in all markets for service revenue market share
	NPS score	#1 in all markets	#1 in all markets, except Tanzania (#3) and the DRC (#4)	#1 in all markets except Tanzania (#2) and the DRC (#3)
	Brand leadership position	#1 in South Africa	65%^ #1 in South Africa	63%^ #1 in South Africa
Growth	Data revenue contribution	40% of Group service revenue	31.9%^	26.7%
	Enterprise contribution	30% of Group service revenue	20.5%^	18.4%
	Fixed-line connections	Increase number of connections	1 223^ connections	Soft-launched
	Non-South African entities contribution	30% of Group service revenue	26.6%^	24.6%
	New services contribution	5% of Group service revenue	4.2%^	3.9%
Operations	Cost growth vs service revenue growth	0.5 ppts lower than service revenue growth	2.4 ppts^ lower	2.2 ppts higher
People	Engagement Score	80	76^	76
Reputation	Reputation Survey	#1 in all markets	#1 in South Africa	Not measured

^ These items were the subject of the limited assurance engagement performed by EY.

Achieved target.
On track to achieve target.

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http://www.vodacom.co.za/cs/groups/public/documents/document/integrated-report-2016-lores.pdf

5

Trend information

Providing trend information and analysis, typically three to five years, is an important component to understanding the implementation of the organization's strategy. Where there have been changes to strategic objectives or KPIs, these should be explained in the report.

Barclays Africa Group 2015 Integrated Report:

Gives three-year trend information with the current year's performance against human capital KPIs.

Colleague

Capable and committed employees serve our customers and clients, advance our reputation and drive our commercial success.

This section should be read in conjunction with the remuneration report (see page 78).

Key indicators[1]

	2012	2013	2014	**2015**	YoY trend
Total permanent employees[2]	41 372	41 433	40 662[LA]	**39 964[LA]**	▽
Total permanent and non-permanent employees[2]	46 161	46 320	43 817[LA]	**41 772[LA]**	▽
Permanent employee turnover rate (%)[3]	14.6	11.7[LA]	10.8[LA]	**12.0[LA]**	△
Retention of high-performing employees (%)	89.1	91.7	94.2	**91.4**	▽
Women in senior management (%)[4]	24.9	26.2	29.7[LA]	**30.9[LA]**	△
Senior black management (%)[5]	26.9	32.2	32.2	**35.6**	△
Employee opinion survey – Sustained engagement score (%)[6]	66[7]	n/a	73[LA]	**75[LA]**	△
Total reportable training spend (Rm)[8]	606[LA]	932[LA]	1 800[LA]	**2 300[LA]**	Not comparable

1 Excludes Woolworths Financial Services.
2 Number of employees includes permanent and temporary employees employed and paid by Barclays Africa, including regular contracts, interns, graduates, specialists and brokers (excluding inbound/outbound brokers). It covers operational and non-operational full-time, part-time, two-thirds and commission-paid employees. It also includes the contingency workforce, which is all agency, contractors and self-employed employees paid via a third party for services rendered.
3 Number of terminations as a percentage of average permanent headcount.
4 Percentage of senior female executives at managing director/director level.
5 South Africa only.
6 Independent employee survey administered by Towers Watson. The sustainable engagement metric is expressed as a percentage of favourable responses for nine questions, based on the categories: engaged, enable and energise.
7 Absa Group not restated.
8 In South Africa, this includes reportable spend on learning and skills programmes, leadership and talent programmes as well as associated operational costs, accredited and non-accredited training programmes, bursaries, learnership-related costs, learning-related travel costs, and informal training as a percentage of line manager costs (excluding line managers on assignment in South Africa). From 2015, we have included reportable spend on learning and skills programmes, as well as leadership and talent programmes for Rest of Africa which are managed from South Africa.
LA This indicator is part of a limited assurance engagement undertaken by PwC and EY. The assurance statement can be found online.

2015 priorities	Progress made in 2015
Further improve our HR delivery platforms with the focus on enhancing the employees' experience.	We improved our HR systems, including our HR self-service portal, and simplified our processes to drive efficiencies. Self-service use increased significantly to 82% (2014: 27%). Our employee experience increased by 10%, as measured by our internal HR operations client satisfaction survey.
Embed as business as usual and continue to improve the HR function's capability.	We reshaped our HR function to match increased business complexity. 85% (2014: 32%) of HR business partners are now middle and senior managers and the overall HR headcount in South Africa reduced by 20% to 401 (2014: 481). The HR talent pool was also refreshed. 32% of HR businesses partners are new appointments, of which 73% are black. 80 employees participated in the HR Academy, designed to enhance HR competence, including commercial and strategic capability.
Roll out the new global talent management programme. Track progress of identified candidates. Assess additional potential executive management and critical leadership role candidates. Promote the use of the Colleague Curriculum as a fundamental part of an employee's development plans.	The number of senior vacancies filled internally is evidence of our commitment to developing and recognising talent. We assessed and established tailored development plans for 72 potential successors for the Executive Committee. 3 241 colleagues participated in the Colleague Curriculum, a fourfold increase from 2014.
Measure and reward performance using the Balanced Scorecard and implement a three-year transition plan to achieve a common approach to the rates of deferral of incentives.	Our performance process has been simplified and reward more closely aligned with business performance as adjusted for risk. 99% of employees' year-end performance assessments were completed by the required deadline. With shareholder approval, we converted our Share Value Plan to an equity plan to better align shareholder and employee interests. We continued our transition to a standard deferral approach across our operations.

www.barclaysafrica.com
2015 Integrated Report 31

http://www.barclaysafrica.com/deployedfiles/Assets/Richmedia/PDF/Reports/2015/2015_Integrated_report.pdf

6

Disclosing the reasons for variances of performance

The main reasons, concisely explained, for the over- or under-performance against targets set for strategic objectives is relevant information.

Explaining the performance against industry or sector benchmarks is useful as it gives context to performance and assists in comparability among organisations in the same sector.

7

Divisional performance

A challenge in reporting information that is not directly linked to the organization's strategic objectives may arise in a group of companies or in a diversified business with major divisions. The group sets the strategic objectives, but performance is measured and monitored within the operational businesses; disclosing the performance of the major divisions is relevant information to understanding the organization.

Such performance disclosure will typically be against the group's strategic objectives, but may include other relevant disclosures. The detailed performance of each division can be housed in a supplementary report on the website.

8

Connecting performance and remuneration

Clearly and concisely demonstrating the links between strategic objectives, performance and remuneration policies and payments offers transparency in this area and can indicate the level of integrated thinking in the organization.

Woolworths Holdings 2016 Integrated Report:

Explains the links between remuneration policy and value creation and the alignment to strategy.

REMUNERATION MIX AND ALIGNMENT TO STRATEGY

REMUNERATION MIX

To achieve a performance culture and an alignment with shareholders through value creation, the total reward mix for the Group CEO, Executive Directors, Execs and senior management is geared towards a higher percentage of variable pay 'at risk' for the achievement of stretch goals.

The opposite chart illustrates the potential composition for the aggregate of the Group CEO and Executive Directors at below-, on-target and stretch levels.

Below target level assumes no vesting of annual LTI allocations and no STI payments. On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch assumes 100% vesting of annual LTI allocations and stretch STI performance.

The expected behaviours are aligned to the values of the Group.

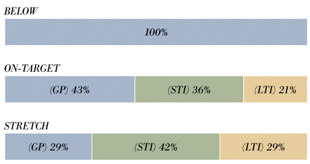
ALIGNMENT TO STRATEGY

The goals and performance measures are aligned with Group, company, and individual performance. The Group performance conditions, for STI and LTI, underpinning the vesting of 'at risk' remuneration have been selected as measures that encourage sustainable growth, without undue excessive risk taking.

While the performance measures of both the STI and LTI are financial in nature, the achievement of non-financial outcomes is incorporated in the measurement of individual employee performance. At an individual level, 40% of their IPM rating is achieved by measuring the behaviours they display in the manner in which they carry out their job. The expected behaviours are aligned to the values of the Group. Many of these individual measures are linked to the achievement of Good Business Journey programme outcomes, driving business transformation, customer service and environmental and social transformation and development outcomes.

The table overleaf illustrates how the measures at an individual, company and Group level support the Group's strategy and are aligned to expectations of shareholders in creating sustainable growth and value creation.

Aggregated Executive Directors (including Group CEO)



Woolworths SA, Summer 2016

STRATEGIC FOCUS AREAS	SHORT-TERM INCENTIVES (STI) INDIVIDUAL METRICS (EXAMPLES)	SHORT-TERM INCENTIVES (STI) COMPANY/BUSINESS AREA METRIC	SHORT-TERM INCENTIVES (STI) GROUP METRIC	LONG-TERM INCENTIVES (LTI) SHAREHOLDER METRICS*
Build stronger, more profitable customer relationships	*Market growth/share*	PBTAE	GROUP PBTAE	HEPS
	Net promoter score			
Towards connected retail	*Online sales*			
	Number of new stores	EBIT		TSR performance
Drive synergies and efficiencies across the Group	*Integration of DJ*			
Embed Good Business Journey throughout our business	*Water reduction*			RoCE
	Employment equity			

WOOLWORTHS HOLDINGS SHARE TRUST

The Woolworths Holdings Share Trust, managed by two trustees – Independent Non-executive Directors – administers the utilisation of shares for the purposes of the long-term incentive share schemes. The Trust is guided by the Trust Deed and share scheme rules approved by shareholders in November 2010. The Trust Deed and share scheme rules comply in all aspects with the JSE Limited Listings Requirements.

The maximum number of shares available for allocation in terms of the long-term incentive share schemes is 85 000 000, representing approximately 8% of the current issued share capital. In any one financial year, the maximum market value of grants and/or offers in terms of the long-term incentive schemes may not exceed 250% (face value) of an individual's GP. The aggregate total number of shares awarded to an individual participant in terms of the long-term incentive scheme may not exceed 12 700 000.

Shares allocated to participants under the LTI may be purchased on the open market or new shares may be issued. Shares and grants may not be awarded or exercised during a closed period.

SERVICE CONTRACTS AND NOTICE PERIODS

It is the policy that the Executive Directors and Execs have employment agreements with the company which, may be terminated with notice periods of between three and six months. The Group Chief Executive Officer's contract has a 12 month notice period. Employment agreements may also include restraint of trade agreements.

Expatriate Execs are employed on a fixed-term contract subject to obtaining and maintaining applicable work permits.

The Trust Deed and share scheme rules comply in all aspects with the JSE Limited Listings Requirements.

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2016 INTEGRATED REPORT / WHL 131

http://www.woolworthsholdings.co.za/downloads/2016/WHL-Integrated-Report-2016.pdf

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Connecting performance and outlook

Key considerations and illustrative examples *continued*

Information given in the report on outlook can include the views of the Board and management on the anticipated uncertainties and challenges in the achievement of strategic objectives and implementing strategy in the future.

Nampak 2015 Integrated Report:

Links strategic objectives and current year performance to the short- and medium-term focus of the organization.

STRATEGIC OBJECTIVE: ACCELERATE GROWTH IN THE REST OF AFRICA

2015 performance	How we are doing	Relevant stakeholders	Short to medium-term focus
STRATEGIC IMPERATIVE: Grow through greenfield investment and acquisitions in glass, metals and plastics			
• Commissioned second beverage can production line in Angola • Ramped up production of beverage cans in Nigeria • Considered three glass projects in east and west Africa • Commissioned plastic beverage crate line in Ethiopia.		Governments Regulators Customers Investment community	• Focused business development and project management • Improve knowledge and intelligence management • Evaluating the installation of a third beverage can line in Angola • Continue to explore feasibility of greenfield Glass opportunities, with decisions expected on Ethiopia and Nigeria within the year • Consider a rigid plastics investment.
STRATEGIC IMPERATIVE: Grow at a reasonable and sustainable return			
• Implemented project evaluation stage-gate model.		Employees Customers	• Growth at hurdle rate, and only if working capital targets are met • Improve project evaluation, management and execution.
STRATEGIC IMPERATIVE: Partner with major multinational customers			
• Significant progress in identifying opportunities to partner with multinationals on glass • Continued to develop our role as business partner rather than simply a converter.		Customers Suppliers	• Continued focus on partnering opportunities with multinationals in Angola, Nigeria and Ethiopia.
STRATEGIC IMPERATIVE: Sensibly manage and grow our presence in current jurisdictions: • Build market base through exports • Diversify manufacturing to other Nampak products • Build on existing hubs			
• Commissioned new closures line in Nigeria • Addressed capability and skills for expansion in the rest of Africa • Commissioned new ROPP line in Kenya • Commissioned Ethiopia crate line • Commissioned second beverage can line in Angola • Recapitalised Zimbabwe tobacco box manufacturing equipment.		Employees Customers Governments	• Drive exports in select markets where margins are attractive • Rigid plastics expansion in Tanzania • Crown manufacturing expansion in Kenya • Expansion of Liquid Plastics capability in Zambia • Beer label production in Nigeria.

Key:
= good progress made = some progress, more to come = disappointing performance

https://www.google.co.za/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=nampak%20integrated%20report%202015

CONCLUSION

Effective disclosure of performance offers a meaningful view of how the organization has performed against its strategic objectives and the effects on the six capitals.

Performance information on KPI data only becomes useful when the context, relevance and implications are explained. Moreover, meaningful performance information demands meaningful disclosure of strategic objectives and strategy.

Performance information should be connected to other information in the report showing the thread of the organization's value creation.

Explaining the effects on the capitals is an important part of performance disclosure: these effects will not only be the positive outcomes achieved, but also any resulting negative outcomes or unintended outcomes on any of the six capitals.

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We hope you find this Paper useful and welcome your comments and suggestions addressed to the IRC at: leigh31@telkomsa.net

Also available on the IRC website **www.integratedreportingsa.org** are: *Reporting on Outcomes: An Information Paper; Preparing an Integrated Report: A Starter's Guide*; FAQ: The octopus model; FAQ: Using the capitals in an integrated report; FAQ: The audience of an integrated report.

ABOUT THE IRC OF SOUTH AFRICA

The IRC was formed in May 2010 under the chairmanship of Professor Mervyn King. Its objectives are to develop and promote integrated reporting in South Africa. The IRC has a Working Group comprising of individual experts. For more information see **www.integratedreportingsa.org**

The organizational members of the IRC are: Association for Savings and Investment South Africa (ASISA), Banking Association of South Africa (BASA), Batseta (Council of Retirement Funds for South Africa), Chartered Secretaries Southern Africa (CSSA), Chartered Institute of Management Accounts (CIMA) South Africa, Financial Services Board (FSB), Institute of Directors in Southern Africa (IoDSA), Institute of Internal Auditors South Africa (IIASA), Government Employees Pension Fund (GEPF), Johannesburg Stock Exchange (JSE) and the South African Institute of Chartered Accountants (SAICA). The individual members of the IRC are: Dr Gavin Andersson, Ansie Ramalho, Leigh Roberts and Professor Bob Scholes.

STUDIO 5

INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA