

INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA

A GLOBAL
COMPREHENSIVE
CORPORATE
REPORTING SYSTEM:
AN INFORMATION
PAPER



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#IRCSAConf23

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IRC Annual Conference 2023

GOVERNANCE: THE BOARD'S ROLE IN REPORTING

“REPORTING BY AN ORGANISATION HAS TO BE SEEN IN THE CONTEXT OF GOVERNANCE.

DIRECTORS HAVE A STATUTORY DUTY OF CARE, WHICH MEANS THAT EACH DIRECTOR IS A STEWARD OF THE ORGANISATION'S ASSETS AND BUSINESS AFFAIRS AND AS STEWARDS, THERE IS A DUTY TO ACCOUNT TO THE ORGANISATION.

THEY DISCHARGE THIS DUTY THROUGH REPORTING. FINANCIAL REPORTING AND SUSTAINABILITY REPORTING ARE CRITICAL, BUT THEY ARE NOT SUFFICIENT AS SEPARATE ELEMENTS. THE INTEGRATED REPORT, WHICH CONNECTS THESE ELEMENTS, CAN BE SEEN AS DISCHARGING THE DUTY TO ACCOUNT TO THE ORGANISATION ON ALL MATERIAL MATTERS.”

PROFESSOR MERVYN KING, FOREWORD

INTEGRATED THINKING

INTEGRATED REPORTING FRAMEWORK KING IV

INTEGRATED THINKING IS THE AWARENESS AND CONSIDERATION OF THE RESOURCES AND RELATIONSHIPS USED AND RELIED ON AND THE IMPACTS ON THE RESOURCES AND RELATIONSHIPS THROUGH THE COMPANY'S ACTIVITIES, PRODUCTS, SERVICES AND WASTE OVER THE SHORT, MEDIUM AND LONG TERM

RESOURCES AND RELATIONSHIPS = **6 CAPITALS**: FINANCIAL, INTELLECTUAL, HUMAN, ENVIRONMENT, MANUFACTURED, AND SOCIAL AND RELATIONSHIP

IN OUR CHANGING AND CONNECTED WORLD, **IMPACTING THESE CAPITALS CAN BENEFIT OR HURT THE COMPANY**. IT CAN BE ARGUED THAT MOST IMPACTS WILL AFFECT THE COMPANY'S FINANCIAL HEALTH AND RISKS AND OPPORTUNITIES OVER TIME. APPLYING INTEGRATED THINKING CONSIDERS **'THE NEED TO MAXIMISE POSITIVE IMPACTS AND MINIMISE NEGATIVE IMPACTS'**

SPOT THE DIFFERENCE...

THE INTEGRATED REPORT

OVERALL HOLISTIC AND INTEGRATED VIEW OF THE COMPANY.

INFORMATION FOR THE IR IS DRAWN FROM A **WIDE ARRAY OF SOURCES** - INCLUDING BOARD MINUTES, EXCO MINUTES, INTERNAL REPORTS, RISKS REGISTER, ISSUES AND EXPECTATIONS RAISED BY STAKEHOLDERS, ETC.

THE IR ALSO DRAWS INFORMATION FROM THE **SUBJECT-SPECIFIC REPORTS** AND INFORMATION DISCLOSURES, SUCH AS **FINANCIAL STATEMENTS, SUSTAINABILITY REPORT (USING ISSB STANDARDS, GRI STANDARDS AND OTHERS)**, CLIMATE REPORT, REMUNERATION REPORT, GOVERNANCE REPORT, TAX TRANSPARENCY REPORT ETC

THE SUSTAINABILITY REPORT

A SUBJECT-SPECIFIC REPORT WITH THE **DETAILED INFORMATION ON SUSTAINABILITY MATTERS.**

IT COVERS A **WIDE ARRAY** OF SUSTAINABILITY TOPICS AND IS OFTEN DETAILED REPORTING. THIS IS SET TO WIDEN FURTHER AS NEW STANDARDS EMERGE ON SUSTAINABILITY TOPICS, FOR INSTANCE, IFRS S3. S4 ...

FITTING IT ALL TOGETHER: TWO APPROACHES TO STRUCTURING THE OVERALL CORPORATE REPORTING SUITE

A: THE UMBRELLA APPROACH

B: THE SINGLE REPORT APPROACH

THE INTEGRATED REPORT IS AT THE CENTRE OF EACH APPROACH AND REFLECTS INTEGRATED INFORMATION THAT PROVIDES AN INTEGRATED VIEW OF ALL MATERIAL MATTERS (INCLUDING IMPACTS) AND ALIGNS WITH THE COMPANY'S INTEGRATED THINKING

THE APPROACHES FACILITATE THE ISSB'S 'GLOBAL BASELINE' AND THEY ARE IN LINE WITH THE KING IV GOVERNANCE CODE

A: THE UMBRELLA APPROACH

- The **integrated report is the Umbrella Report** giving links to all the subject-specific reports containing detailed and additional information. It covers all material matters, including impacts
- Listed companies and large SOEs often have many and varied subject-specific reports: AFS, sustainability report, remuneration report, governance report, Pillar 3 risk report, etc.
- This approach is already commonly used in SA - it was previously known as the '**octopus model**' but international preference has seen it shape shift into an umbrella
- The integrated report is positioned as the '**first read**' report'

B: THE SINGLE REPORT APPROACH

- All the company's reporting is contained in a **Single Report divided into sections:**
 - Section 1: Integrated report (the same integrated information as under the Umbrella Approach and includes all material matters (including impacts))
 - Section 2: Sustainability report (with all the detailed information)
 - Section 3: AFS

This approach is currently used in SA and is popular with smaller companies who want all their reporting housed in one report. It was previously known as '**flat octopus**' and has now shape shifted into an '**earthworm**'

IRC SUPPORTS AN INTEGRATED PERSPECTIVE

The Umbrella and Single Report Approaches offer an integrated perspective

The integrated report includes **all material matters (including sustainability risks, opportunities and impacts)** in an integrated way

They are in line with **King IV**

Fit for purpose reporting in a connected world where all 6 Capitals are connected and where a company, of necessity, has to be governed and managed on an integrated thinking basis

The **latest global trend** shows support for the two Approaches and integrated perspective

We will **continuously consider new developments** of high-quality comprehensive corporate reporting