

# An integrated report is a must for listed companies

# SAICA, 2011

Last Updated Jan 2011

**Printer Friendly Version** Johannesburg, Friday 4 June 2010 - The over 450 companies listed on the Johannesburg Stock Exchange (JSE) will be required to produce an integrated report in place of their annual financial report and sustainability report.

An integrated report gives users an all-round view of the company by including social, environmental and economic performance along with the company's financial performance.

The issue companies face, however, is that there are no set standards on integrated reporting.

It is for this reason that various organisations have come together to form the Integrated Reporting Committee (IRC). The IRC will issue guidelines on good practice in integrated reporting. It will be chaired by Professor Mervyn King.

The founding organisations are:

The Association for Savings and Investment SA (ASISA);  
Business Unity South Africa (BUSA);  
Institute of Directors SA (IoDSA);  
JSE Ltd; and  
The South African Institute of Chartered Accountants (SAICA).

The King Code of Governance (King III) recommends that organisations produce an integrated report. As King III now falls within the listing requirements of the JSE, listed companies will, for all year ends commencing on or after 1 March 2010, have to produce an integrated report or explain why they are not.

The IRC will have a working group which will be chaired by Graham Terry, Senior Executive of Strategy and Thought Leadership at SAICA. The first task of the working group will be to develop a framework for integrated reporting that can be used by companies.

The IRC will work with the new International Integrated Reporting Committee (IIRC) in promoting the international harmonisation of guidelines on integrated reporting. The IIRC is a global collaboration that includes IFAC (International Federation of Accountants), the Global Reporting Initiative (GRI), and The Prince's Accounting for Sustainability Project among many other organisations. Professor King will also serve on the international committee.

"Integrated reporting is the evolution of financial reporting," says King. "It's important to note that integrated reporting is not replacing financial reporting, rather it reflects the evolution of reporting and the company's role in society.

"The corporate identity of companies has changed and so reporting has to change. Stakeholders need to make informed assessments about the longer term sustainability of a company and that it is operating as a responsible corporate citizen."

King is also the chairman of the King Committee that produced the King Code of Governance. The guidelines to be developed by the IRC will be ground breaking. "South Africa is among the first countries in the world to require integrated reporting of listed companies. This puts us way ahead of the game," he says.

King III states that sustainability reporting and disclosure should be integrated with the company's financial reporting. The company's board should ensure that the positive and negative impacts of the company's operations, and its plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead, are conveyed in the integrated report. It states that integrated reporting means a holistic and integrated representation of the company's performance in terms of both its finances and sustainability.

Leon Campher, Chief Executive Officer (CEO) of ASISA, says this project is considered a priority initiative given the volumes of annual reports generated by ASISA's member companies. "We have 153 member companies managing in excess of R2.5-trillion of assets. Integrated reporting will facilitate more holistic and meaningful reporting of financial results, enabling shareholders and clients to gain a better understanding of a company's triple bottom line. This initiative also ties in closely with other projects ASISA is currently involved with around socially responsible investing and the governance of companies that our members invest in."

Ansie Ramalho, Executive Director at the IoDSA, is of the opinion that the outcome of this initiative will be to provide companies with the tools to apply the concept of integrated reporting in King III.

Freda Evans, JSE Ltd's Chief Financial Officer, believes that the inclusion of sustainability reports in financial statements has greatly enriched financial reporting. "Reporting on the financials alone is no longer sufficient, as all aspects of the business - environmental, social and governance aspects - impact on the company's bottom line. Integrated reporting gives potential investors and other stakeholders a holistic view of how the company is managing all of these factors and their potential impact of the company's position."

Matsobane Matlwa, SAICA CEO, says the formation of the IRC is a first step in the journey to integrated reporting. "Corporate reporting is entering a new era. Shareholders and other stakeholders need broader information to enable them to make more informed decisions about a company. This does not necessarily mean more detail, but greater insight into the strategy, risks and value creation of the company."

Proponents of integrated reporting note that the comprehensive disclosures of integrated reporting will close the gap between a company's reported performance and the legitimate interests as well as expectations of its stakeholders.