



## Integrated Reporting:

### Closing the Loop on Effective and Efficient Disclosure

While most JSE Listed companies scrutinise their results commentaries to eliminate any language which the JSE may construe as being a profit forecast, the same caution is rarely applied to the remaining contents of an **integrated report**.

The integrated report has taken on an element of marketing, with companies spending large amounts of time and money in the preparation of impressive, glossy documents exalting their accomplishments and prospects.

Directors should however, remember that the published information, whether in their financials or various reports, **may be acted upon by stakeholders**. Directors should therefore ward against the use of overly-optimistic statements, misrepresentations or defamatory language.

Companies often find the information released in their annual report being quoted in various situations, be it in wage negotiations, articles or in court papers. In a recent case in the Supreme Court of Appeal, **Arcelormittal South Africa** found the information provided in their annual reports being used by environmental activists, looking to force disclosure under PAIA.

King III places the **responsibility on the audit committee** to oversee and review the integrated report, while the task of preparing the report is often delegated to a central co-ordinator. The co-ordinator collects information from various sources, including internal auditors and external assurance providers. The company secretary (together with the JSE Sponsor and in-house legal advisors) further facilitate compliance with inter alia the Companies Act, 2008 and the JSE Listings Requirements, as well as the application of codes such as King III, the International <IR> Framework and the Global Reporting Initiative (GRI).

The engagement of these parties certainly **simplify the process** from a board's perspective. The board, however, should **allow sufficient time** to thoroughly review the full report themselves, and obtain legal advice if necessary, in order to ensure its integrity and identify any **strategic information concerns**. The involvement of the non-executive directors in this process should be emphasised, as they can be a valuable resource in ensuring the report remains objective, and adequately addresses the concerns of stakeholders.

Ultimately, **the active engagement of the board is essential** in managing the risk involved with the integrated report, while still ensuring a transparent, relevant and forward-looking report that simultaneously informs stakeholders and promotes the company to investors. It is your responsibility, as a director and board member, to ensure that the information provided in the integrated report does not aid in creating any situation in the time after its publication, where the company finds itself in the spotlight and scrambling to provide **further explanations** in addition to the information in the report.

Many directors have publicly decried the increasing burden of integrated reporting. Although this argument may be valid, particularly in smaller companies, directors who believe that the document falls on blind eyes,

should think twice. Parties looking to engage with the company, including investors, potential employees, competitors and detractors will most likely scrutinise the information. Directors should remember their duty to their company and its shareholders and recognise the **important strategic significance** of this document in managing the company's reputation.

### 2014 Top 10 JSE SRI Constituents

- Anglo American PLC
- Anglo American Platinum
- Barloworld
- Illovo Sugar Limited
- Lonmin PLC
- Netcare Limited
- Royal Bafokeng Platinum
- Standard Bank
- Vodacom Group Limited

### Acorim's Quick Tips: The Integrated Report

- Allow sufficient time in preparing and reviewing the integrated report prior to its publication.
- Keep the reports consistent in terms of information provided and formatting for easier comparison throughout the years.
- Create a team and make use of their individuals skills to improve the reporting process.
- Create systems and processes that gather the company data throughout the year to allow for efficient collation of information.
- Utilise the report in order to gain the trust of investors and other stakeholders.

### Contact Us

For more information on how we can assist you with your integrated report, or if you have a question, contact us:



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