SAICA
THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS
develop.influence.lead.

30 April 2017

Submitted electronically to implementation@iirc.org.

Dear Michael

CONSOLIDATED FOCUS GROUPS' FEEDBACK IN RESPONSE TO THE IIRC'S IMPLEMENTATION FEEDBACK INVITATION TO COMMENT

In response to your request for comments on the implementation of the International Integrated Reporting Framework (Framework), and with your support, SAICA undertook a number of focus groups in Johannesburg and in Cape Town to gather feedback from a wide range of stakeholders.

There were a total of 31 participants in these focus groups, comprising:

- Consultant: 7
- Assurance provider/ consultant: 9
- Preparer: 11
- User: 4

Please refer to the detailed feedback as per the participants in Appendix A.

We thank you for the opportunity to participate in your feedback process.

Please do not hesitate to contact us should you wish to discuss any aspect of the contents of this letter. You are welcome to contact Loshni Naidoo (loshnin@saica.co.za).

Yours sincerely

Loshni Naidoo
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Appendix A: Detailed Focus Group Feedback

1 Multiple Capitals

Q1a What is your experience with the multiple capitals approach in integrated reports?

1 The Capitals model is well- described, generally a good approach and is very useful as it forces organisations to think about more than just the financial capital. It has helped in gaining a deeper understanding of the organisation and refining the business model. However, it is generally not being used very effectively, i.e., the Capitals are being used almost as a boilerplate or as a checklist, i.e., creating chapters in the integrated report (IR) for each Capital and not necessarily integrating the Capitals across the IR. It could be that there is an expectation that all the Capitals must be included in the IR, thereby resulting in this tick-box approach.

2 The Capitals should be used as a thinking framework rather than a report framework.

3 Some Capitals, or the methodology may not be well understood by the various IR stakeholders'. Therefore, education is still very important to ensure everyone (across all levels of the company) has the same understanding of the concepts and thereafter the specific implications of each Capital for the company. If one maps out the Capitals and how they are connected, might find that there is a disconnect with how the board understands this versus the rest of the company. A common understanding is needed and then communicated, so that everyone across the organisation is on the same page and understands the impact of their activities and decisions on the various Capitals.

4 The aspect of stocks and flows does not come through sufficiently in the reports. Companies are struggling with trade-offs and the effective disclosure of these trade-offs. Trade-offs should ideally be discussed through the strategy as this is how the company thinks, and not through the Capitals model. However, the trade-offs are coming through in the Capitals because of the Framework, and not necessarily where it is most appropriate for a company to disclose.

5 Capitals with no natural monetary measure tend to be undervalued. If monetary measures are to be used, then the methodology, basis for assumptions, etc., need to be very clear, unambiguous, robust, etc. Monetisation of Capitals will aid comparability, however, this is very complex. Not all organisations would have the resources (time or money or people) to conduct the research that will enable this. There are some Capitals that should not be monetised as it may not be logical to do so, or defeat the objective, or have ethical implications that would need to be considered, e.g., monetising fatalities. In some instances, it is more an issue of whether it is possible to assign a monetary value to a key performance indicator (KPI) of a specific Capital. Monetising for the sake of reporting does not add value, however, if this may have more value if it is internally done to aid better management decision- making; or aid in understanding or gaining traction in engagement with leadership, then it should be considered. Instead of monetising, consider emphasising value creation and that link with the Capitals, as this is still a challenge. Also consider intensity metrics under each Capital, which may not necessarily mean that this is a financial metric. Consider that maybe that the terminology should change from financial and non- financial KPIs to financial and pre-financial, as pre- financial will eventually become financial.

6 Some Capitals' data are more easily captured than others. For example, with regards to financial capital, financial/ accounting information has established systems, processes and controls, whereas natural or social capital may be more intangible, and may be more difficult to measure or gather data on. There is debate within companies on determining the best framework to aid with measuring the Capitals in comparison to creating one's own framework.

7 For some industries or sectors it is easier to consider the various Capitals in terms of explaining the business model, e.g., in the mining or manufacturing sectors- this is easier to describe, as a physical process exists, whereas a financial services company may find it more difficult to explain how it transforms one Capital into another Capital. In addition, the company may also find it challenging

to determine what the inputs are and what the impacts on specific Capitals such as natural capital are. From a services/ financial sector perspective, it is more appropriate to structure the IR through a strategy and stakeholder lens rather than a Capitals lens.

8 It appears that reporters abide by the Capitals as outlined by the Framework, instead of thinking outside of the Framework. This may be due to companies trying to ensure comparability. Comparability of the capitals of different businesses within the same sector, remains a challenge. Although there are common themes within a sector, the measurements of the Capitals are nuanced by each company, and it is therefore difficult to perform a comparison.

9 From a boundary/ value- chain perspective, there is a degree of uncertainty as to what activities under the capitals are directly controllable or not by the organisation and to what extent these are then reported on.

10 It is important for the audit and risk committees to map using the combined assurance model, how the various assurance pieces of the different Capitals fit together.

Q1b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should not change the Capitals model, as this will only confuse stakeholders, but rather provide guidance that assists with:
   a) Improving the understanding of the model;
   b) How to use the Capitals approach;
   c) The stocks and flows of the various Capitals;
   d) The interactions between the various Capitals;
   e) The need for measures but not necessarily the measures in monetary terms; and
   f) How to measure each Capital (which will also aid with materiality).

2 The IIRC should consider providing guidance on how to view the Capitals through a services industry/ sector lens.

3 Also consider guidance on the boundary in relation to the Capitals, i.e., how far do you go up or down a value chain/ supply chain in terms of the value that you as a company create with regards to each Capital.

2 Integrated thinking and connectivity of information

Q2a What is your experience with connectivity in integrated reports as an indication of integrated thinking and/ or enabler of enhanced decisions?

1 Reporter writers make use of tables, codes and icons to create links to material issues, strategic priorities, etc., in integrated reports to try to get connectivity across. Connectivity within the report has improved, but this is mainly as a result of report writers or clever consultants, trying to make aspects of the report look connected, which is not necessarily a reflection of the company's underlying thinking. As such, participants are not necessarily convinced that integrated thinking is actually happening in the business although the packaging, i.e., the IR, demonstrates this. Maybe this is a bit superficial or a sign of immaturity or that the company has not embraced integrated thinking. Outsourcing the report also creates a layer of superficiality as someone is writing and thinking and then comes back to interview the CEO or Chair- so who is really doing the thinking. In some instances, reporters' bonuses are based on what reporting awards they win, therefore to win that award, the reporter will package the report as nicely as possible. But this does not mean that there is connected thinking in the organisation. And, sometimes you get organisations that have connected thinking, but are not good at reporting or communicating that. So, as much as the report is supposed to be as a result of integrated thinking, communication of this varies.

2 If values and culture are integrated into the activities of the organisation and if there is a strong sense of purpose coming through the report, this tends to imply integrated thinking is present. The perception is that the reporting team is often isolated in the construction of the report. In order to increase levels of connectivity and integrated thinking, organisations should bring sustainability into strategy and treat it as strategic.

3 Integrated thinking is in its infancy. Unfortunately, silo thinking is deeply entrenched into how, many companies operate and think. Both the Framework and the King Codes have gone some way in expressing the need for integrated thinking or the expectation for integrated thinking, however, this is still not emphasised enough. The Framework has a gap in that it does not ask companies to articulate the thinking process behind the strategy development, i.e., the disclosure that demonstrates the robustness of the thinking process.

4 Integrated reporting was supposed to be the manifestation of integrated thinking, i.e., thinking should be driving strategy. However, this is happening in reverse, because as one starts asking questions arising from the report drafting process, one begins to realise that there are internal processes or systems that needed to be improved or enhanced. This also starts driving how various departments manage data. Initially, when collating the information, not necessarily in an integrated manner- not saying that decisions are not being taken in that manner, but getting the information is being done in a silo. Eventually everything such as the capitals, value creation, etc., should be in the strategy section and not in silo sections of the report as is currently. This does not mean that how the strategy or the strategic intent is developed should be changed, but rather how the strategy is reported on. In the long run, integrated thinking will result in a more holistic set of numbers which will inform strategic decisions. And, how this then is reported internally and externally.

5 The focus in business is short- term financial gain and not long- term. Connectivity- still do not see enough people joining the dots, e.g., change in price has consequences down a value chain or change in environmental circumstances will effect companies, their consumers and other stakeholders in positive and negative ways.

6 Large organisations tend towards operating in silos, though this does not mean that there are no attempts at integrated thinking and connectivity. Integrated thinking needs to inform the strategy and the risks, however, see that these are sometimes developed by different people within an organisation and therefore do not always tie-up. Some companies have used the Framework to try to pull these together, but these are still done in silos. The challenge is applying integrated thinking. Integrated thinking is the start of the conversation and is a journey, and is something that one will not get right immediately. Reporters would like to see in the report a discussion on how things develop, so why did things change, and the links with the risk and strategy.

7 See better connectivity when the CEO and Chair are quite involved in the reporting. Integrated Reporting has an unintended benefit, in that it does give one a moment to pause and reflect- to think about the business. Integrated thinking happens quite naturally regardless of what one calls it. It is no different to risk management- integrated thinking- just called something different. As you mature as an individual, you become more integrated in the way you think and the way you do things.

8 Should be mindful that there is integrated thinking happening at the board level, maybe it is just not called that. Need to accept that integrated thinking and reporting are never going to be perfect and that not everything is discussed at a Board level- different aspects may be being discussed at lower levels. There are not enough mechanisms for taking integrated thinking up to strategic level. It would be beneficial to help boards have the ability to challenge strategies in an integrated way. Connectivity does not come through strong enough in the Framework.

9 Need to acknowledge that there are different risk frameworks or priorities or thresholds for environmental or community or financial aspects within the same organisation which influences materiality, therefore consideration of an integrated risk framework that promotes connectivity is important. Are your risks driving your strategy or are your risks as a result of your strategy? The Framework states that risks and opportunities must inform your strategy- this is really an iterative

process. One of the weaknesses of the Framework is the rigidity of what goes into the business model- sometimes in trying to ensure connectivity- lose the significance of what trying to say or achieve.

Q2b What, if anything, should be done and by whom to improve this aspect of implementation?

1 It is suggested that the IIRC consider providing guidance that covers integrated thinking: what does it mean for companies, using practical examples or best practice, which also demonstrates linkages with strategy.

2 Education institutions to consider introducing strategy as a subject for students to aid them in learning how to how to see the big picture and the implications of such.

3 Key stakeholders' legitimate needs and interests

Q3a What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how these needs and interests are considered and addressed?

1 The identification of key stakeholders and key stakeholders' needs, requires a refresher as stakeholder engagement has not advanced over the years. Understanding stakeholders' needs can be difficult and requires real engagement without fear. This is generally not coming through in integrated reports. Also do not see the feedback loops, i.e., the results of the stakeholder engagement. Sometimes see the issues that are raised but do not see the company's response to the stakeholder issues, i.e., what the company has actually done- not necessarily that it had a meeting or issued a statement.

2 Even if multiple stakeholders have been identified, the organisation cannot deal with stakeholders' interests only through an investor lens. One should be asking how the importance of other stakeholders in the integrated reporting process should be raised. Stakeholder representation and engagement is perceived to be inadequate if the company is clearly prioritising profit in the report. Reports are clearly targeted to the financial stakeholders and for most other stakeholders there will not be a standalone document. IR is primarily for the investor group and there are those that say as not doing sustainability reporting, a host of stakeholders have now been abandoned. Therefore, the IR must address a broader key stakeholder group if SR not done. It is not good enough if only the investor group is addressed in all reports.

3 Organisations should be balancing stakeholder interests. If the report is seen as a PR exercise, this will also decrease perceptions of real engagement and there is unlikely to be any value in the process of engagement. Organisations should be increasing accountability in the way that they engage with stakeholders and should be discussing what value creation is taking place at the stakeholder level.

4 Important for companies to apply their minds to find the reporting frameworks that are relevant and work for the company. The Framework cannot be all things to all people, nor should it try to be. Its strength is not dictating e.g., which indicators, but needs to say that sometimes that there are other resources out there, e.g., that if do not know how to do stakeholder engagement then, refer to resources x or y or z.

5 Stakeholder engagement is usually a one- dimensional representation in the reports. Do not really see the impact of stakeholder engagement back into the company for example, with the strategy. Stakeholder engagement is not always linked to the rest of the report. Sometimes, some of the stakeholder engagement tables feel like a copy and paste exercise from the previous years' reports, which makes one wonder if there was real engagement. The boundary of the stakeholder engagement needs to be defined. Sometimes due to some concerns or sensitivity, not all aspects of stakeholder engagement is included in the report, as this may open up more discussions that the

company is not wanting to enter at that moment. It must be noted that there is real engagement in many companies. Stakeholder engagement must be consistent with strategy.

6 There is a piece of education that needs to be done with the SA investor community. The international investor community ask more sustainability type questions than the SA investor community. Also they are more aware of long- term value creation. The SA investor community is still very short term focused, asking questions mainly from a financial perspective and usually to tick a box. If investors are asking broader questions, then the board will start taking the other Capitals seriously. More stakeholder activism is required.

7 Large organisations may want to contain who talks to stakeholders (what is asked and what is the expectation if something is said to a stakeholder), therefore a report writer may not have access to stakeholders. A distinction needs to be made between the stakeholder engagement process and the reporting process- in that what is material to be published- both processes need to be clearly defined and communicated.

8 Stakeholder engagement is vastly complex and should not underestimated. It is a disservice to try and condense this into 2 pages with pics and links. Need to trust management on who they have engaged with and what they have engaged on. If really want to disclose stakeholder engagement properly, should be ready to see 50- 60 page documents. Have to be respectful of those managing these engagements, who owns these relationships, and what they are trying to achieve. Need to work with them as this is a complex environment. Trust that the correct issues will surface.

9 Sometimes there is a bit of disconnect as not always addressing the issues in the report. Companies do not want to appear vulnerable. Think of the report as a shop window into the organisation and must have sufficient vantage points to see into your story. Where companies fall short, is that they do not always understand what would someone care about or want to see in the report. Traditionally we map out what we think stakeholders want to see instead of asking them what they would actually want to see in the report. Need to get this balance. Materiality also plays a role.

Q3b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider referencing other resources that are available to support how companies should best engage with stakeholders, implementation of engagement, and how to engage with communities from a services industry.

2 The IIRC should consider engaging with professional bodies to increase the levels of education amongst the investor stakeholder group.

3 The IIRC should consider engaging with professional bodies to increase the levels of education across stakeholder groups to improve stakeholder activism, and the levels of understanding of integrated reports. This should enhance what stakeholders are looking for from reports, and improve communication with organisations.

4 The IIRC should consider providing guidance on how to craft an IR to stakeholders other than providers of financial capital.

5 The IIRC should consider reaching out to various networks to create thought papers or case studies, e.g., SASB materiality grids.

6 The IIRC should consider removing the requirement which asks organisations to explain why stakeholders are important to them. This may mean further education and awareness.

4 Materiality and value creation

Q4a What is your experience with the Framework's definition of materiality, in particular:

- **Application of the value creation lens?**
- **Use of different time periods to identify material matters?**

1 These are evolving. Materiality in the non- financial sense is a new concept in reporting. The uniqueness of a company and the operating context is such that one should not prescribe a methodology, however, if a company cannot think, maybe then what is required is minimum expectations of what is material. A whole methodology is now getting back to materiality becoming a checklist. Some find the concept quite intimidating and would like a methodology to help determine materiality but maybe just more guidance is what is needed. Not sure if it is possible to formalise, as at the end of day it is an agreement by those that are signing off on the Report. There should not be a standard process or methodology, as different businesses have different focus, which is complicated when have a number of autonomous businesses.

2 One suggestion is to remove the concept of materiality. Another suggestion is that it remains, as it provides a calibration on expectation- allocation of resources which goes up to strategy level, how going to manage and how going to report- always going to have the black swan events (unknown unknown) and the allocation of time to manage these. How many material issues should you have- how many can you handle and how do you determine how many can you handle. Framework is sufficient in giving a broad definition therefore do not need any further definitions. Up to the business to make that call, therefore should not be prescriptive. A few stakeholders have a problem with the definition of materiality- what does substantive mean? Can materiality be a percentage to aid with the measurement- this has its own challenges and should be considered carefully as what percentage would one consider?

3 Time periods for materiality is an issue but a reality of business it that different issues manifest at different time periods, e.g., economic cycles are different depending on the sectors you are in or countries you are operating in. Some issues are material over a longer period of time. Not a lot of companies are doing this on different time periods. The time value challenge- if something is not material today, how do I know if something is not going to be material in 40 years time? And how do I explain this. Strategy is an iterative process.

4 That level of complexity is not unknown in business but is compounded by short termism in financial markets. What good integrated reports should do is stop looking at the short term financial results and focus on the longer term, otherwise we are not going to get the market to understand that value creation is more than profits. Small companies have quarterly financials as investors and other stakeholders are worried if the business is going to be around- do not have the time for long term view- Alt X or AIM (London) do not require any environmental or social reporting. Solution is to bring the financial into the longer term timeframe. Therefore, it does not matter what happens in the short term, the integrated report should focus on the medium to longer term.

5 Value creation: If you look at EY's awards, do see some good practice on how companies create good value. The value creation model is a useful model, but if this is not central to the report, then the report is not an integrated report, but rather just an annual report. Companies do disclose the upstream aspect of value creation but do not talk enough about the down-stream part of value creation. KPIs will indicate how value creation is understood by the organisation. Value creation- the purpose of the company and the values must also be linked, and if living it then it is much easier.

6 Companies are using the same process for the integrated report and sustainability report, and not sure that this the correct approach necessarily. Different frameworks have different materiality as they have different users and intent. There may be some confusion regarding this. There are some boundary issues as there are a lot that can be missed and a lot that can be material, but the materiality process is not a catch all for everything, and does question the robustness of the systems and discussions already taking place. Each material issue will have its own boundary and this can vary depending on the organisation and where it operates.

7 The Framework asks for positive and negative aspects and, that balance is lacking. Sometimes these are very internally focussed. There are challenges with large organisations operating in different countries with different business models as what is material for one country is different for another country, and getting consensus is a challenge. Management's process should be disclosed to support transparency.

8 The speed at which materiality and the applicable KPIs or management approach is communicated through the departments of the business is a barrier. Might find that there are stronger voices that steer the conversation in a specific way, and you have stakeholders saying something completely different and there is this resultant disconnect.

9 An example of the opposite experience by a stakeholder, where initially there was a large number of immaterial issues and KPIs due to strong voices, e.g., this is what GRI requires. These were filtered using the strategy and the 3- year plans. If the issues were not appearing in these, then it was not important, and if a person believed that this issue was important, then that person needed to make sure it was included in the plan. Another stakeholder gave that people were the most important part of the business, however, this was not included as part of the strategy, which lead to a conversation about the strategy by senior management. Need to also trust that the board is dealing with materiality. Need to tell people about your process that results in these material issues and why ended up with these as the issues, and how these changed over time.

10 The Framework has a view of a one entity concept which breaks down in multi-national set-up.

11 Not necessarily have a process for how something became top of mind, which was usually through discussions, and things naturally fall away. Dropped the materiality definition from accounting days, and getting comfortable with the fuzziness and with the unknowns. This is an iterative process. Initially started with the Board packs, but this has changed over the last four years. Materiality changes without you necessarily having to do anything and has to do with maturity of self and organisation, and you having to lobby to shape the conversations and enhance the understanding.

12 Value creation means different things to different stakeholders. It is a one- sided perspective as this is how the business sees it is creating value and a stakeholder may disagree with that. Business will then need to reflect on this and then determine does this change how we see ourselves or not- do we need to change as business or not- and if not, then disclose and move on.

13 Extinction accounting (as per Mervyn King) - extinction events in the business (and or industry) and linking materiality and value creation to these events, e.g., UBER and the local taxi industry. Businesses have to change its business model to remain competitive and relevant. Businesses have to ask who is going to be the next competitor, and this is not just about technology. From an SA perspective, social and relationship capital - political uncertainty - is potentially our single biggest extinction event.

14 There are a number of different ways of interpreting value, depending on which stakeholder is being analysed. The Framework could be of more assistance in describing these different ways. An engagement with stakeholder groups around their needs analysis in that process would really help. The temptation is to define value in terms of the investor lens and this should be looked at.

Q4b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider reviewing the terminology instead of the concept, i.e., replace the word 'materiality' that has less of an accounting connotation.

2 The IIRC should consider providing guidance on:

a) The minimum expectations on materiality;
b) Materiality for different reporting frameworks;
c) Industry or sector issues as a check;
d) Value- setting as everything does being with the values and company culture;

e) Materiality through a stakeholder lens (the challenge being that the report is aimed primarily at the investor group);
f) Disclosure on the materiality determination process, i.e., on what is important to the business; and
g) Quantification of a material issue (how large or small is an issue)

3 The IIRC should consider engaging with education institutions from a primary level through to post-degree to introduce the thinking to students.

5 Conciseness

Q5a What is your experience with the conciseness on integrated reports?

1 Opinions vary on whether reports are getting longer or shorter.

2 There is danger in obsessing about conciseness rather than the quality of the reporting. The report needs to be as long as it needs to be. While conciseness is a virtue, it should not outweigh the quality of the report.

3 In a way technology has made it worse, e.g., have a governance report 30 pages on the website, as well as another 30 page risk report on the website. The volume of reporting is still there, now just singling out the integrated report to highlight one aspect. The question is whether a financial analyst goes through all these reports- who is reading what and not sure if know these answers. Are the bulky governance reports required by the various regulators/ legislative requirements? Or is the IR a concise report or has reporting become more concise because of technology- able to put more onto websites. Reliance on other publishing methods to supplement what is in the integrated report needs to be rigorous.

4 An IR is supposed to be as concise as possible but the perception is that if information is not public then it is not being done, which now means that the website is being overloaded with all this additional information that is not in the IR to make sure that people see everything that you are doing.

5 If try to satisfy every audience member then the IR will be too long, hence materiality is really important to give that high-level view. A challenge is that everyone wants their section to be discussed as extensively as possible. Even if using website, the fear is that going to leave something pertinent out or that the disclosure does not reflect all the achievements or accomplishments in each division. Lots of owners of information push back about either cutting disclosure or moving it to the website as they feel that the audience may not go to other platforms for other information.

6 Over years, a stakeholder has started consolidating the reports online, so instead of the millions of additional reports, been slowly reducing these to fit to or be relevant to the IR/ materiality. Suggestion to reporters is to look at download reports and see who is actually accessing these reports- that was the start to rationalising online content.

7 It is more difficult to write something succinctly than in a long way. Not sure how many people read integrated reports unless you have to, so conciseness is really important. Are financial analysts reading all the detail or are they looking for the best summary. Packaging and beautiful layouts play a role in helping with being user friendly, instead of pages and pages of writing. Reporting suite should consider stakeholder requirements e.g., some may require full financials.

8 Do the Chairman, CEO, CFO reports still have a role to play, in the current medium or are they just a hangover from the traditional annual reports. However, these are the sections it appears that investors are asking about as these may just be the summary of the IR. Investors in addition may read the risk report. The question that one has to ask, is the Framework really for investors or has the investor group not caught up to the Framework?

9 Printing or the reduction in printing as well as simple language do not impact conciseness. Abbreviations or technical or industry specific terms is still a challenge, i.e., finding the balance between writing it out and using the acronym, which impacts length.

Q5b What, if anything, should be done and by whom to improve this aspect of implementation?

1 It is suggested that the IIRC commission for example a masters student to determine who is actually reading what in the integrated report.

2 The IIRC should consider providing examples of such as, different tables for representing various sections such as the governance section- almost as a resource store.

3 The IIRC should consider guidance or examples on the best options to deal with technical language, acronyms, and industry specific terms.

4 The IIRC should consider guidance regarding the use and relevance of the CEO, CFO, etc., statements.

6 Business model- outputs and outcomes

Q6a What is your experience with the reporting of business model information, particularly outputs and outcomes?

1 Education to understand the business model approach is required for both reporters and readers. One of the barriers to good business model descriptions is the issue of confidentiality where businesses are not completely disclosing their strategic intentions or activities. One of the ways that this could be solved is an assurance over the strategic elements of the business model. This will translate into additional pressure on organisations' management to be accountable and transparent. The principle of transparency is important within the context of the business model as this will be interesting for key stakeholder groups that are affected by the strategy of the business.

2 This is an evolving area. A number of companies are trying to fit how the company works into the Framework and not necessarily the other way round.

3 Diagrams demonstrate that company has applied its mind, especially when the business models become easier to understand. Companies with different businesses will have different business models, but these become a bit more challenging in terms of how to combine all the models into one. Different business types are more complex than businesses working in different jurisdictions from a business model perspective. There are a number of good examples of describing manufacturing business models, however, the challenge is around examples for the services industry.

4 A challenge is still outcomes and outputs. The focus is more financial, so the integrated element is sometimes lost. In addition, some companies are disclosing impacts and this is creating confusion in terms of what is meant by impacts versus outcomes. Some found the IRC SA paper on outcomes useful, whilst some felt further work is still required.

5 Comparability of business models and all the information contained therein is a factor.

6 Another challenge is with the idea of the value- creating model, is trying to link to the capitals, what are the value adding activities the company does, the value through stakeholders and unpacking this value through a stakeholder lens.

7 Outputs versus outcomes was difficult especially when it came to where to draw that boundary. If cannot measure it, then cannot report on it. So, where does one draw that line on the outcomes-

in terms of the extent of reporting? Need to be careful not to oversell or over claim on the outcomes, e.g., the company assisted in employee's child's education because the company paid its employee a salary, a part of which the employee used to pay the child's school or university fees.

Q6b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider providing guidance (case studies, examples, how- to guides) on different types of business models, e.g., segmented businesses, services industry business models, models for companies working in different countries with different businesses, and a consolidated business model depicting different businesses.

2 The IIRC should consider providing additional guidance on outcomes as there is still confusion with outcomes and outputs.

3 The IIRC should consider providing guidance on the scope or boundary of what is included of the supply or value chain.

4 The IIRC should consider providing guidance on the capitals in relation to the business model and the value chain.

5 The IIRC should consider sharing case studies or best practice on the portal.

7 Involvement of those charged with governance and identification of the Framework

Q7a What is your experience with whether reports:
(i) Identify with governance, and
(ii) Indicate that they are presented in accordance with the Framework?
What are the implications of excluding such information?

1 King III has been reasonably well included in integrated reporting albeit as a boilerplate tick- box exercise with standard form responses quite prevalent. More unique narrative should be included in the integrated reporting process around the issues of accountability in the business. Governance is having an increasing impact on credibility, which is welcomed.

2 The level of board involvement varied in the focus groups. Some reporter's experience boards that do not look at reports as this is not seen as their responsibility. Audit committees are charged with everything and have to question if these committees are necessarily best equipped to deal with this report. Sometimes the executive, boards or committees do not always see the report early enough to challenge the disclosures. However, the majority of stakeholders in the focus groups' experiences were different. These participants felt that boards are more engaged. The tone of the top, and the conversations of the board demonstrate the increasing levels of engagement and maturity on this topic. One stakeholder stated that what worked for them was having all the chairs of the various committees included as part of the reporting process.

3 Need to build capabilities and understanding and need to ensure that have the right people in the committees who understand the Capitals and how these fit together in addition to the Framework. Board and committees play a critical role in assessing trade-offs, and do need to get buy-in from the board level to get materiality right.

4 Committees sometimes overly focus on the small things, e.g., like grammar, language, words, and commas. The application of King III is more tedious than it should be. The biggest challenge with governance is not so much as what have you done, but why have you done this. This section lacks specificity- so now asking so what, what did it achieve, what value did it protect, why was it

important. Governance must protect value for someone so it must not be governance for governance sake.

5 The paragraph from the Framework is not always comparable across reports, and the statement on the presentation in accordance with the Framework is usually left out. Good reporters do this well, e.g., the signatures –adds to the weight of the statement. Ideally, the paragraph should carry as much weight as the financial information, but it does not. Do not think there are any stakeholder implications if do not have the declaratory statement stating that the report was prepared in terms of- people just want the content or the story of the company. The declaratory statement is just for points and awards - to tick the box.

Q7b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider providing guidance around how to disclose governance through the value creation lens.

2 The IIRC should consider engaging with the relevant authorities/ bodies/ associations to utilise governance codes to resolve challenges around governance, as the reporting framework is not the best place to address governance issues.

8 Other Guiding Principles

Q8a What is your experience with the application of these remaining three Guiding Principles?

1 Consistency & Comparability

a) Consistency is difficult as company strategies change over time.
b) In some instances some reports are too consistent and this would imply that not enough attention is being given to the reporting process.
c) People do not necessarily understand what comparability means – what is one comparing to- oneself, or others? Comparability to oneself is important and needs explanation and context when discussing performance. Organisations should be considering the option of disclosing market information and their relative performance in that regard, but third party analysis of performance would always be better in enhancing comparability such as industry averages compiled by third party or industry associations. Introducing industry benchmarks to understand what is the norm helps in decision making, understanding what the industry trend is and how one does compare to the industry. However, these are difficult to source.
d) There is also the assumption that organisations that one is comparing to are using the same Framework, basis or methodology. Therefore, to be able to compare on a consistent basis, methodologies used by organisations must not change constantly.
e) Comparing the different capitals of different businesses within the same sector is also a challenge.
f) The concept of comparability is an accounting issue- seems to be ticking the boxes that everyone has.

2 Strategic focus & Future orientation

a) Future orientation is still a challenge, in terms of lack of information. The good reporters may do a year ahead but this is the extent of the reporting; then there is maybe some fluffy strategic objectives for the next 2- 5 years, which is narrative and not really concrete. Obviously, the world is changing so a company cannot go too far ahead. Many companies are still wary of giving away their competitive edge, therefore the writers will always be challenged by the Board on what will be included in the report. Writers will have to balance their investors appreciating more information against how much do you want competitors to know.
b) Strategy is about creating the future, therefore, moved the where do we want to be into the Outlook section and introduced targets.

3 *Reliability & Completeness*

a) Reliability should be emphasised that this is a standard in any form of reporting, i.e., information that you include in your report should be reliable, testable. This should be just good management practice.

b) Organisations should provide clarity around what has been assured and what has not been, including more details around the combined assurance model.

c) Completeness is a challenge, as how does one go about determining this. There is subjectivity in determining completeness- how do you determine what to exclude, and from whose perspective? Reporters find it difficult to state that their report is complete. Accounting type principles are embedded in the Framework that is limiting the use of the Framework or creating more confusion.

Q8b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider replacing the accountancy type terminology of concepts such as completeness.

2 The IIRC should consider providing guidance on the following:

a) How would strategic focus and future orientation be adjudicated;
b) Examples of future orientation;
c) The use of combined assurance;
d) Explaining consistency year on year, when things are changing; and
e) Completeness (maybe deal through materiality).

3 The IIRC should consider providing guidance on how to undertake comparability with regards to the different capitals of different businesses within the same sector.

9 Other Content Elements

Q9a What is your experience with how these remaining seven Content Elements are reported in integrated reports?

1 *Governance*

a) This reporting is too focussed on reporting on process and not enough on outcomes. It is quite tedious in terms of who attended what meeting. There is not much on value creation as a result of discussions had, decisions made, what the company's activities were. A balance is required between reporting on generic reporting requirements and how does the board create value and how it does this, is reported.

2 *Risks and opportunities*

a) Risks- generally quite well handled. Do not see enough on the counterpoint of risks, i.e., as a result of these risks, we found these opportunities.

b) Opportunities- this disclosure is still a challenge, as a company cannot say that in the future or in the short term, this is the opportunity. Companies feel that cannot predict the opportunities and sometimes these opportunities can be sensitive information. However, the risk appetite reflects the opportunities you see without stating specific business lines.

3 *Strategy and resource allocation*

a) More connectivity is required. The challenge is that is difficult to articulate as very complex in many industries.

4 *Performance*

a) This is a strong point of most reports, though the focus is mainly or heavily on financial performance. Companies are at a loss on how to report on other forms of performance.

5 *Outlook*

a) Linked to future focus, so the connectivity of what the company is going to do as the future focus is a result of risk analysis. The long- term approach in reporting is crucial and is not coming through sufficiently. Reports are mostly directed at the short- term horizon.

6 *Basis of presentation*

a) Preparation is varied. Again this is the language of the accountants. Very difficult to say anything substantive as all reports are going to say the same thing, therefore again a tick box.

Q9b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider providing guidance around resource allocation from a Capitals perspective.

2 The IIRC should consider guidance that illustrates ideals or case studies of a strategy section.

10 Other Quality Issues

Q10a Aside from any quality issues already raised in Q1- Q9, what is your experience with the quality of integrated reports?

1 Some reporters are choosing not to address all aspects of the framework.

2 Quality is in the eye of the reader. Quality is linked to completeness and conciseness- if one is not sure what has been excluded from the report, is it then a quality report? The acid test is maybe, do people read your report and have a good understanding of your business.

3 Sometimes the report is better than the practice.

4 Controls around the information other than financial information that is going into the report may not be the same as financial information. This is an internal company challenge, which companies need to address for themselves.

5 Assurance of information is still a challenge. It is costly to assure the entire report. However, some work on assurance principles is required, i.e., so what can you do from an assurance perspective, e.g., completeness is not necessarily something that can be accomplished.

6 Awards and recognition of best practice should be cautiously handed out as these do have unintended consequences and sometimes encourage the wrong behaviour. Awards have checklists and tend to promote the ticking of boxes. However, the good points is that it promotes competition, and gives one examples to consider and a view of what ones' competitors are doing.

7 Time, money, experience and composition of the reporting team will all influence the quality of the report. The bigger the budget, the better the report. The earlier you start, the better the report. If the person has other responsibilities then the report may not necessarily get the attention it needs. A cross functional team representing all the key functions will support a better quality report.

8 A challenge is contextualising the industry relevance and competitors- to what extent should the report discuss competitors.

9 Balance within reports is still a challenge. Balance does not come through strong enough in the Framework. Compared with the UK listing requirements auditors required to assess balance. Who is going to enforce balance?

Q10b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider providing cased studies of good examples of 'quality' integrated reports.

2 The IIRC should consider providing guidance regarding the expectations on balance or what good reports look like.

3 The IIRC should consider developing benchmarks that are industry based so companies can perform self- assessments against competitors and the industry.

4 The IIRC should engage with for example stock exchanges to determine if these bodies would be able to provide assistance with aspects such as balance and sector reporting to support consistency.

11 Other enablers, incentive and barriers

Q11a What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to:

- **Specific jurisdictions?**
- **Large or small organisations?**
- **Private, public or non- profit sectors?**
- **Different stages of Framework implementation?**

1 In South Africa, one of the reasons that the integrated reporting approach is not being taken up by private companies, is because they are reluctant to disclose the earning gap between executives and labour. This is seen as a large barrier to the integrated reporting process. In itself this is not sustainable, and South Africa should be opening up in terms of disclosure. A major enabler for integrated reporting would be the supply chains of large companies and the extent to which they incentivise and promote integrated reporting in their supply chains.

2 In South Africa, the corporate governance codes, the stock exchange regulations, and the Companies Act all reinforce each other on these issues, and have been enablers. In other jurisdictions, where do not have these, then the competitive environment provides an incentive.

3 Integrated reporting requires a different approach to traditional annual reporting or drafting annual financial statements. In many companies, the annual report was a routine activity handled by the financial people, but for this type of reporting, a different reporting skill and approach is required which may be a barrier. Large companies seem to be breaking out of this mould, as where the responsibility would usually have been with the financial team to put the report together, now someone else is responsible, be it outsourced to consultants or an internal differently skilled reporting team.

4 There should not be a difference between a large or small company as the report should reflect the activities of the company. However, the barrier for small companies would be resources, i.e., money and capacity- multitasking- how much time can be allocated to the report.

5 There has not been sufficient focus on the private of unlisted companies. Work is required to enable these companies to produce an integrated report.

6 A number of non- profits are producing integrated reports and these organisations have seen the benefits internally and externally of producing an integrated reporting. Internally- being able to link strategy with outcomes and deliverables, and externally- being able to present themselves in a much better light to potential donors and other stakeholders. These reports are reflective of size and stakeholders.

7 The public sector is challenged in producing integrated reports that marry regulation and other legislative requirements with the Framework's requirements. Regardless, there are benefits for these organisations in using the Framework. The criticism is again relating real- life performance to what is being reported.

8 There will always be different stages of Framework implementation within organisations, as there will always be newcomers within the organisation, changes in reporting teams, changeovers of reporting leads, change in leadership and boards. Therefore, will need to accept that there will not always be an upwards trajectory in reporting, and that the leadership change will influence the stages of reporting.

Q11b What, if anything, should be done and by whom to improve this aspect of implementation?

1 The IIRC should consider providing guidance:
   a) For large multinationals, is every subsidiary in each country supposed to do an integrate report?
   b) What is the threshold to cross reference?
   c) What is the optimal reporting per entity?
   d) The above in relation to the legislation and regulatory environment.

2 The IIRC should consider provided guidance that focuses on value:
   a) Is there value;
   b) What is the value, which may not be quantifiable;
   c) Where companies have found value; and
   d) How do you describe value?

3 The IIRC should consider obtaining perspectives from users of these reports, as this determines if investors are getting what they want out of these reports or if further evolution of the Framework is required.

4 The IIRC should consider guidance for small companies that helps them to get started- 'IR Lite'. The IIRC could also consider establishing a mentoring programme of sorts where a large company helps a small company to start thinking about their report, but not necessarily writing it for them

5 The IIRC should consider investigating how to get reporting traction with private companies and small to medium sized entities or incentivise using a reporting awards.