Integrated Reporting...

more than just reporting

Tone at the Top

Risk Management

Strategy

Targets

Company and Individual Scorecards

Data Flow

Paradigm Shift

Stakeholder Expectations

Integrated Approach To Managing The Business

Continuous Benchmarking

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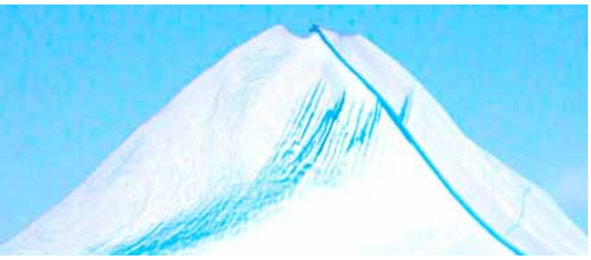
The Tip Of The Iceberg



Preparing an integrated report at the end of year is merely a tip of the iceberg. Considering that Integrated Reporting is more than just reporting, but rather a reflection of how the Economic, Sustainability and Governance (ESG) issues are embedded in the way a business is run. What happens beneath the Iceberg determines the quality of the Tip of the Iceberg. In this publication, we unpack what should take place beneath the iceberg, 12 months before the Integrated Reporting process begins.

Beneath The Iceberg

Principle 2.2 of King III states that:-

“The board should appreciate that the strategy, risk, performance and sustainability are inseparable”
Beneath the Iceberg, it is therefore important for each company, to ascertain whether its business strategies incorporate the ESG issues and that all stakeholder expectations are incorporated in strategic and operational discussions.

The journey beneath the iceberg

1) Risk Management

Each company’s risk management function should ensure that all risks that are posing as threats to the company’s 5 capitals should be assessed comprehensively and mitigation plans for such risks be clearly designed, documented and implemented.
The company’s 5 capitals are:

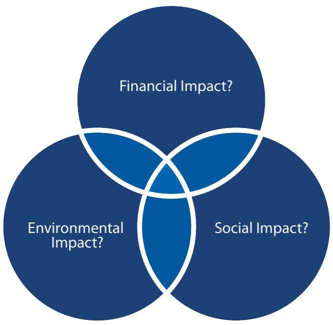
- Financial Capital
- Physical or Manufactured Capital
- Social Capital
- Intellectual Capital
- Environmental Capital

2) Strategy

Companies should shy away from short term strategies and focus on long term strategies as sustainability risks are never identifiable on the short term radar screen. The strategic discussions of companies should incorporate not only on how to obtain optimum financial yield from its various forms of capital but also to go for maximum positive social impact and minimal environmental impact.

3) Targets

During the target setting process, at the least the following 3 questions must be answered:



- Increase Coffee sales by 30% to R2 billion
- Increase Investment in Farmer’s educational fund by 20% to R2 million
- Reduce Carbon Emmissions in manufacturing by 25%

4. Company and Individual Scorecards

Each company's scorecard should be balance around ESG issues and these need to be filtered down to individual scorecards.

Regulary monitoring needs to take place through regular reporting that is aligned to the company's financial reporting. This will introduce a healthy twining between Financial reporting and Sustainability reporting.

Individuals who perform well on the Financial targets should be penalized if they do not meet their Social Impact and Environmental targets.

5. Data Flow

Companies should invest in processes and systems that will enhance non-financial information data flow to encourage integration of the sustainable data into the integrated reports.

6. Tone at the Top

The leadership of the company (both the Board and top management should have the right attitude and ask the right questions in order to set a positive tone for day to day integration of finance and sustainability goals.

7. Paradigm Shift

Companies need to experience a paradigm shift from only a Historic financial reporting to a Historic and futurist approach to sustainability.

8. Stakeholder Expectations

The company should have a clear understanding of the stakeholder expectations as this will inform their strategic thinking, their reporting requirements and will promote the usefulness of their integrated reports.

9. Integrated Approach To Managing The Business

Companies to do away with the Silo approach to finance and sustainability and ensure that each executive is accountable both for financial and sustainability goals. This will help eliminate the need for companies to invest in Sustainability departments.

10. Continuous Benchmarking

Integrated Reporting is evolving and therefore continuous benchmarking with publicly available integrated reports will enable companies to evolve their reporting processes towards excellent integrated reporting.

Conclusion

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