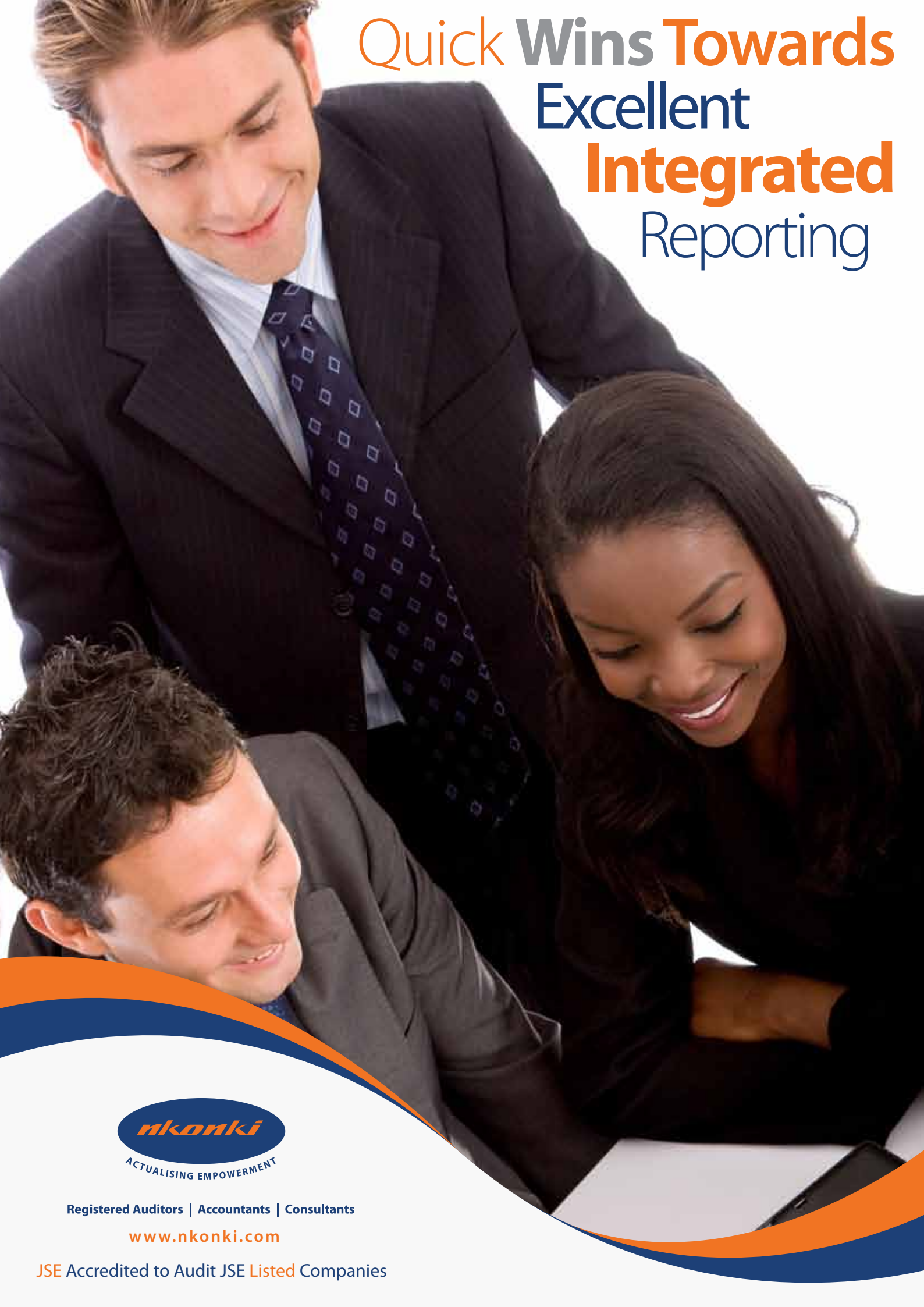


Quick Wins Towards Excellent Integrated Reporting



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JSE Accredited to Audit JSE Listed Companies

Introduction

As indicated in other documents of the King III series of reports of Nkonki Inc, there are many challenges in applying the King III recommendations into the strategy, policy and procedures and the business processes of a company. Once these challenges are overcome, good and proper disclosure in an integrated report is almost a given, but still keeping in mind the principle of apply or explain.

The following is a brief summary of what companies wishing to score well in their integrated reporting (thus to have excellent integrated reports) would have to take care of.

This document has to be read in conjunction with the South African Insights into Integrated Reporting. These two documents read together, form a Suggested Quick Wins or the Low Hanging fruits for South African companies.

1 Integrated Report Short Version (IRSV)

Produce a 50, 60 or 70 page report in addition to the "old" 300, 400 or 450 page integrated reports. Decide what is material and what is not in terms of the company's stakeholders in order to produce a shorter report.

2 Credibility of Sustainable Information

Seriously consider external assurance of the sustainability and GRI information. The aspect of assurance becomes even more important with the recommendation that the IRSV should also be externally assured (integrating the audit report and the sustainability assurance report) and this should also be seriously considered.

3 Financial Competence

Disclose that the audit committee has considered the expertise, resources and adequacy of the whole financial function, as well as the results of the review. This is not only about the CFO's experience.

4 Board Composition and Independence

If an independent non-executive director is the chairperson, the reason for this must be disclosed. Disclose the process for and person responsible for the assessment of the independence of directors, including having directors' independence reassessed after serving as independent non-executive director for more than nine years. Disclose what factors are used in evaluating the independence of directors and whether the chairman did the evaluation.

5 Board Performance

Disclose if appraisals of the board and its committees have been conducted. Provide an overview of the results of the appraisal process, performance assessment and the action plans to be implemented.

6 Risk Disclosure

Ensure a report from the risk committee is in-

cluded. Disclose risks under various categories. Include IT governance and risk and all its various aspects. Disclose risks that could impact on the operations or performance of the company in the future. Disclose the risk management policy, risk governance structure, risk management methodology, internal controls, strategic risk and the lines of defence. Then discuss the largest individual risks. Lastly, disclose the assessment of the effectiveness of the company's risk management or the effectiveness of risk responses or interventions.

7 Ethical Leadership and Corporate Citizenship

This is perhaps the single most important aspect to consider, because strong leadership will ensure proper governance and that will lead to proper disclosure and high quality integrated reports. Disclose the values, vision, mission and the code of ethics (or code of business conduct) of the company. Disclose the ethical performance of the company, as well as the process to measure, monitor and evaluate the performance. Ensure ethics is embedded in the strategy, vision, values, mission, stakeholder engagement and risk management of the company and is disclosed as such.

8 Compliance with Laws, Codes, Rules & Standards

Disclose the compliance framework used to monitor and communicate compliance to all these aspects. Disclose how the board has discharged its responsibility to ensure this framework and related processes.

9 Sustainability Disclosure

Consider using the GRI guidelines in sustainability reporting to enhance comparability within the same industry/sector. Make use of a sustainability framework and key sustainability indicators. The most difficult challenge is to ensure that sustainability is embedded in the whole integrated report or IRSV, not only in one section on governance or sustainability. Include this in the various reports, for example the chairman's report and the operational reports. Remember that transparency is a critical element of effective reporting.

10 Stakeholder Relations

Ensure all stakeholders are included in detail and interaction with each group is discussed.

11 Audit Committee Reporting

Make sure the audit committee has accepted its responsibilities and do not merely state that they have certain responsibilities. Disclose that the audit committee has recommended the integrated report for approval to the board and whether the audit committee has reviewed the financial statement section in the integrated report. Disclose that the internal audit charter was recommended for approval to the board and the exact nature of the working relationship between the audit committee and the chief audit executive.

12 Effectiveness of Internal Controls

Disclose that the board and not only the audit committee, has considered this. This is not only a responsibility of the board or the audit committee, thus disclose that the responsibility was accepted by both the board and the Audit Committee.

13 The Disclosure of Directors' Remuneration

Disclose the remuneration of the three most highly-paid employees who are not directors. Disclose the policies guiding executive employment contracts and the benchmarks used to evaluate the remuneration.

14 Board Reporting & Composition of Board Committee

Disclose reasons for resignations or retirement of the directors. Disclose the terms of reference for the different board committees and indicate if these terms were approved by the board.

15 Financial Disclosure

Explain how the going concern status of the company was assessed. Make sure the board accepts responsibility for going concern (not simply stating it is responsible) and that an assessment in this regard has been performed.

16 Some General, Overall Points

- Clearly identify the registered company and its financial year-end on all covers, headers and electronic links on the Internet.
- Simplify the language and explain or avoid complex terms.
- Try not to overspend on the glossy printed reports – the essence should be in the contents, not in the presentation and in expensive paper, art work and elaborate printing processes.
- Consider spending more on translations of the IRSV into languages used by large groups

of the company's stakeholders.

- On the website of the company, apply logic in the presentation, linkage, interaction and cross-referencing of documents forming the integrated report/annual report. Also consider smaller electronic versions to facilitate download in remote areas of the country.
- Dual listing companies should, in general, attempt to give more attention to the King III and JSE requirements. It would also do some of them good to at least start to discuss sustainability in their annual/integrated reports.

Conclusion

Integrated reporting had a great start during 2010 and many companies rose to the challenge. There is, however, space for improvement taking into account the leadership role that the Top 40 and SRI companies on the JSE should play.

In the words of Mervyn King (2011) in the Discussion Paper on Integrated Reporting, integrated reporting is a journey.

"Organisations are unlikely to achieve perfection in the first year. Reporting will, however, improve. Interactive communication with key stakeholders is fundamental to the success of integrated reporting as engagement leads to knowledge of the stakeholders' legitimate interests and expectations".

Enjoy this journey!

Convert the challenge into an opportunity, and also be aware that you need not be alone on this journey, Nkonki Inc is your partner in this process. Email us at IntegratedReporting@nkonki.com



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