

Dear Prof King and Leigh

With regards to my earlier e-mail (below) about the terminology for the integrated report, I may perhaps have found a solution. If it does not defeat the object, I think the following solution might work:

1. To call the longer version integrated report (as was published by companies in 2010), simply the "Integrated Report Long Version" or LV abbreviation. I believe many companies will continue with this kind of report, in addition to the shorter version. This would thus be the annual report plus the sustainability report presented in an integrated manner. This might contain the sustainability assurance report, as well as the full AFS with the audit report. For sustainability purposes, materiality will thus be defined at a lower threshold, meaning a more complete sustainability report will be included (not necessarily the full report that might still be published separately).

2. The new, intended shorter version will then be called the "Integrated Report Short Version" or "Integrated Report SV", containing a summary of the AFS and annual report, as well as a summary of the sustainability report (using a more narrow level of materiality). In my view, I do not think one should, at this stage, force companies and audit firms to bring out an integrated audit report or audit assurance - there are too many issues still involved, including non-accountants producing sustainability assurance reports. An integrated audit report might be suggested, but it might be sufficient, in the SV report, to refer to these full reports in the LV, or even to prescribe a way of summarising these reports, instead of having one-liners.

The term Short Version is already used for some overseas annual reports and financial statements. An alternative might be Short Form as apposed to Long Form or even Format.

I hope this will help. Please add this for the comments on the discussion paper.

Kind regards

Anton

On 13 March 2011 23:14, Anton Du Toit (MUSA) <anton.dutoit@monash.edu> wrote:

Dear Prof King and Leigh

It was with an enormous amount of interest that I attended the Integrated Reporting workshop of SAICA on Wednesday. I found it very informative and interesting. Thank you not only for your individual contributions towards such an important workshop, but also for the benchmark publications that you or your institutes were each responsible for. Be assured of my deepest respect and loyalty in this regard.

As a CA(SA) and a computer auditor, I also have a huge interest in corporate governance and sustainability, not only from teaching these in Auditing and in Business and Ethics to my students, but also as an advisor to some auditing firms and clients in this respect. I did, many

years ago, also studied philosophy and ethics as part of my wish at that stage to become a minister of religion.

My further interest lies in the fact that I am busy with my D Com under Prof Herman de Jager from UP. My thesis is about sustainability assurance, and the focus is on the postulates of sustainability assurance (a kind of upgrade on Mautz and Sharaf's postulates for auditing from 1961).

Having said this, it is at various forums essential that there is congruence and agreement of terms and terminology. This is essential for teaching, for research and for providing advice to clients.

What I am referring to and why I am writing this e-mail, is the fact that there seems to be quite a large amount of confusion as to the exact meaning of the term "integrated report". This was evident from a question from the floor on Wednesday (when a gentleman started to suggest that King III should be updated with the latest information), as well as from the presentation of Derek Spavins, where he was the only presenter referring to the fact that King III calls for both an integrated report and a summary of the integrated report. Neither he nor any of the members of the panel(s) did refer to this and I personally believe it is crucial for all the stakeholders in this area to understand exactly what is meant with some terms. My own interpretation of the terms and of the events during the past year is the following:

1. King III was certainly very directly interpreted by more than 90% of the listed companies, to call for an integrated report that included the old annual report as well as the sustainability report - not only merged into one document, but also threading sustainability through the various reports, like CEO, chairman, directors, audit committee, etc. (that is for the companies who actually had the sense to do so). Let's call this new form of annual report the typical 450 page document (I will refer to this just to get our minds around the argument). In King III, reading and studying Principles 9.1 and 9.2 in the Report, as well as paragraph 9 of the Code, there is not much indicating that such a 450 page report would be wrong. It seems indeed that most of the listed companies interpreted it as such. When studying Chapter III of the King III Report, paragraphs 41 to 45 specifically mentions the use of summarised information of the integrated report (also in the Code, paragraph 3.4.6). Most typically this can be interpreted as a kind of 50, 60 or 70 page summary of the integrated report (Let's use the term 50 page report for this argument). I think this is exactly where the confusion lies.

2. Actually, no-one seems to have been confused up to this stage. It was when the DP on Integrated reporting was published by SAICA on 25 January 2011, that the confusion really started. Suddenly the term "Integrated Report" is now used in the DP to indicate a "Summary of the integrated report" as proposed by King III. This trend was continued during the workshop on Wednesday, and as stated above, nobody really grabbed this issue and dealt with it.

3. We might thus have for the coming year listed companies producing a 450 page report (or various reports making up a lot of pages and megabytes), as well as a 50 page report. The question is thus, what should be called what? One cannot have two reports where the 450 page report is called an integrated report according to the spirit of King III, while the 50 page report is also called an integrated report, according to the DP.

In summary, my gut feeling would be that to bring out an altered version of King III would be counter-productive. The DP can still be changed. Please note that I will comment on the DP. I am writing this because I need more urgent guidance, not only for my studies, but also for clients and for an integrated reporting competition.

A proposal might be to call the 450 page report the annual report (which it still is), and to call the 50 page report a summarised annual report or summarised integrated report. I don't know. I just think the market also needs urgent guidance in this respect. It may seem like a very little issue, but I think it is a big issue as companies are spending millions in trying to get it right.

I await your reply.

Warm regards

Anton

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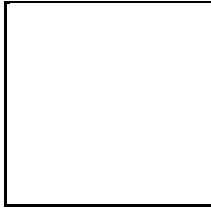
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