

25 April 2011

**Professor Mervyn E. King SC**  
Chairman of the Integrated Reporting Committee

By e-mail: [ircomments@saica.co.za](mailto:ircomments@saica.co.za)

Dear Sir

## **SUBMISSION ON THE FRAMEWORK FOR INTEGRATED REPORTING AND THE INTEGRATED REPORT DISCUSSION PAPER**

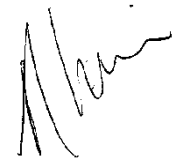
We thank the Integrated Reporting Committee for the opportunity to contribute to the development of the The Framework for Integrated Reporting and the Integrated Report Discussion Paper (the Discussion Paper, the Framework).

We would like to express our support for the overall objectives and principles as set out in the Discussion Paper and congratulate the Integrated Reporting Committee on producing a framework that we believe will inform the direction of Integrated Reporting Internationally.

We have included in our comment matters of principle, and matters where clarification is required on certain sections of the Discussion Paper which would help in ensuring consistent interpretation and application of the final Framework.

We are committed to contributing to this significant evolution in corporate reporting and welcome the opportunity to offer further assistance should this be called on. Kindly contact me on 082 331 4840 if clarity is required on any of our comments or if we are able to assist in any way.

Yours faithfully



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**Nina le Riche**  
Director - Risk Advisory  
Deloitte & Touche

### 1. Introduction of the Framework

Deloitte welcomes the approach of the Framework to strongly emphasise the connection between the organisation's strategy, its financial performance and its performance on environmental, social and governance issues. We also agree with the need to supply stakeholders with sufficient information to make a meaningful assessment regarding the organisation's ability to create and sustain value over the short-, medium- and long-term.

In section 1.5 references are made to the ongoing engagement with stakeholders. As the term "stakeholder" is fundamental to the interpretation of the Framework, we request that the Integrated Reporting Committee (the IRC) consider defining the concept and that organisations are required to explain the methodology followed with regards to identification of stakeholders as well as the means of communication in their Integrated Report.

With reference to "Short-, medium-,long term" – we suggest that in section 3.1 the organisation should define the length of period that this represents as these will be affected differently by different industries and will affect comparability with other similar organisations.

### 2. Materiality

In our view, the term "substantively influence" on page 9 is vague in determining materiality. We suggest that the IRC consider providing further information on this concept.

It is unclear whether materiality should be assessed at a stakeholder level or organisational level. We believe that it is critical that materiality is set at an organisational level as it could be interpreted differently by different stakeholders. Furthermore, the Framework also considers materiality at three different levels and proposes three questions that the organisation should consider in establishing information to be reported on. We believe this will create some confusion as materiality on different issues could be interpreted differently based on the underlying stakeholders. This could result in a very granular reporting requirement which is not in the spirit of the suggested reporting elements. In some aspects, section 2 and section 3 contradict each other due to the above.

### 3. Boundary setting

There is a reference on page 8 that the boundary of the Integrated Report might differ depending on the type of information being reported. "Where the boundary of the integrated report differs from that of other more detailed reports, such as the annual financial statements, this fact should be disclosed stating the discrepancy. For example, in the case of a joint venture (JV) only a portion of the financial performance might be included in the consolidated financial information, whereas the full extent of its carbon emissions would typically be included if the reporting organisation has operational control over the JV."

Although we realise that in practice the boundary of a sustainability report might differ from the boundary of a set of financial statements, we believe that this will be difficult for a reader to interpret. We acknowledge that the suggested solution of explaining these boundaries is the best available taking the different frameworks into consideration, however we would encourage the IRC to request International standard and protocol setters to consider this issue more fully going forward.

### 4. Competitive information

Page 8 refers to competitive information and states "it is not intended that the organisation should disclose competitive information". Although we welcome this statement, we recommend that the IRC consider including guidance with respect to this sentence as the statement is highly judgmental and is open to abuse.

### 5. Assurance

We believe that assurance required over Integrated Reporting still requires significant consideration. In particular, we believe that clarification should be provided around the end goal relating to assurance. It is unclear from the paper whether it is envisaged that the Integrated Report as a whole including qualitative and quantitative concepts would in future be independently assured.

In particular we would like the IRC to clarify the position on the following statements on page 17:

#### *Forward looking statements*

“Assurance cannot generally be expressed on prospective and future information; however, organisations can obtain assurance on the processes and assumptions leading to forward-looking statements.” We do not believe that assessing the process followed will provide the credibility referred to in the first paragraph on page 17.

#### *Reasonable v Limited assurance*

We request that the IRC should consider whether “assurance” should be explained further as the difference between limited versus reasonable is not clearly understood outside the audit profession.

We also recommend that the following statement is removed: “With time all material environmental, social, financial, economic and governance issues could be covered with reasonable assurance”. We are not convinced that the benefit gained through reasonable level of assurance will justify the cost associated with this level of assurance.

### 6. Reporting to Stakeholders

The discussion paper encourages organisations to publish their full set of Annual Financial Statements on their website rather than in the annual report that is distributed to shareholders. The distribution of the annual financial statements is legislated in the Companies Act, 2008 and various other regulators and we recommend that comment is included that distribution should take account of relevant legislative and regulatory requirements.

With respect to forward looking statements it is important that organisations understand the clear distinction between profit forecasts and forward looking statements, as the former is specifically regulated through the JSE Listing Requirements and hence any forward looking statements should take cognisance of this.