



Integrated Reporting Committee
C/O Leigh Roberts
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25 April 2011

Dear Sir/Madam

Comment on the *Framework for integrated Reporting and the Integrated Report discussion paper*

PricewaterhouseCoopers (PwC) appreciates the opportunity to comment on the 'Framework for Integrated Reporting and the Integrated Report discussion paper'. The comment reflected in this document represents the views of PricewaterhouseCoopers Incorporated (PwC) in South Africa.

The comment is structured as follows:

1. Matters of principle and overall comments
2. Detailed comment on specific sections that may relate to minor amendments or amendments that also affect the matters of principle

If you would like to discuss our comments further, please do not hesitate to contact Zubair Wadee at 011 797 - 5875/083-625-1276(zubair.wadee@za.pwc.com).

Yours faithfully
PricewaterhouseCoopers Inc.

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MATTERS OF PRINCIPLE AND OVERALL COMMENTS

We commend the Integrated Reporting Committee (IRC) on its efforts to date and are generally supportive of the discussion paper. We are of the view that the discussion paper provides a principled, broad based framework within which integrated reports may be prepared. However, we do have recommendations that we think may require further discussion and review. We are of the view that integrated reporting and the related generally accepted principles and best practices will develop over time.

The corporate reporting landscape is well developed in South Africa, and as such, many past practices that have developed over time may at first be difficult to contextualise in the proposed format. We are of the view that one of these areas is the chairman's and chief executive officer's statements which tend to be broad ranging. These may be better positioned to reflect the contents of the integrated report by linking to the areas where these matters are discussed as opposed to repeating information contained in other places in the report. This principle of succinctness and presenting information only once may also be better reflected in the discussion paper.

Assurance over the integrated report

The discussion paper states that the integrated report is intended to be the primary document of the entity. As this document will be a key source of information for investors, we believe that assurance will be required over the information provided in the document in time. We are aware of the limitations in the current assurance framework in providing assurance over the integrated report and suggest that this be addressed as a matter of urgency in conjunction with the Independent Regulatory Board for Auditors. We recommend that the discussion paper contain additional guidance around what assurance may be provided currently.

King III and the discussion paper

The discussion paper suggests that the integrated report is the primary report of the entity. This does not appear to reconcile with the King III suggestion that the entity prepare a 'summarised' report. King III implies that the entity prepares an integrated report and later summarises this. We recommend the discussion paper clearly explains the principle that the underlying reports are developed in a more integrated manner over a period of time, so that the summarised report is a reflection of a summary rather than a new document.

Focus on management actions

We are of the view that the reporting should be reflective of the manner in which decisions are taken by management and the board, which should then flow into the manner in which the underlying reports are prepared. We recommend that the discussion paper better highlight this aspect.

Financial sustainability

We recommend that the framework include more detailed guidance around financial sustainability with a focus on future business plans, critical financial sustainability indicators, etc.

Focus on industries

We are of the view that industry specific guidance should be developed as the specific information needs of the users in different industries may differ. However, we acknowledge that this may occur over a period of time. We recommend that the IRC set processes in place to facilitate the development of industry specific guidance.



Process to finalise the discussion paper

We are of the view that, in order to follow due process, the amendments made as a result of the discussion paper comment request be re-exposed for a period to allow for a further round of comments before the document is finalised.

DETAILED COMMENTS

Foreword

The framework provides guidance on how to write an integrated report, however the framework could better elucidate that integrated reporting is about how decisions are made and the manner in which the business is managed throughout the year, the culmination of which is the integrated report issued at year end.

The discussion paper recommends that the integrated report be the primary report of the entity. We are of the view that the assessment of the primary report of the entity is dependant on the information needs of the user. The integrated report in its proposed format draws on information that is contained in other detailed reports like the annual financial statements or sustainability report and may, in many instances therefore not be considered to be the primary report.

Section 1 – Introduction

Box 1 sets out the benefits of an integrated report; however it may be useful to reference the benefits to actual empirical evidence of these benefits.

We are of the view that there could be a difference between the Integrated Reporting Framework and the IASB's conceptual framework as it relates to the fair presentation requirement when presenting summarised financial information. This is because the accounting standards set minimum requirements and disclosures. If financial information is reported in an integrated manner without a defined framework in place, this could lead to misleading financial information being disclosed.

Section 2.2 – Principles informing the selection of the report content

The three questions used to determine what information is material are practical, but do not address to which stakeholders the materiality guidance is to be applied and does not give guidance as to what 'integrated' materiality is.

Section 3.1 – Report profile

The scope and boundary section is useful in determining the information that will be reported on. We recommend that where the report scope and boundary are changed from year to year that the reason for the change is explained in the integrated report.

Section 3.2 – Organisational overview, business model, and governance structure

We recommend that the framework include a section identifying the major decisions discussed by the board, their conclusions and how they have tracked realisation of the agreed position and/or refined it as better information was received.

Section 3.3 – Understanding the operating context

We recommend a reference back to issues raised in prior years. Issues closed (or no longer material) should be explained, as should actions undertaken and still required on matters that were carried over i.e. better explanations as to what has happened subsequent to a decision having been made.



Section 3.4 – Strategic objectives, competencies, KPIs and KRIs

We recommend that greater emphasis be placed on benchmarking to other entities within the same or similar industries. We also recommend that the framework places greater emphasis on the measurement and monitoring of KPI's and KRI's.