

1. I have set out below my initial comments on the Discussion paper issued by SAICA and various other bodies. At the outset I must say that I am concerned by the imprecision in the drafting of the paper. Many of the concepts and objectives included in the document are vague and fail to explain how the form of reporting which is proposed will satisfy the requirements of Company Law, Financial Reporting Standards and stock exchange listings requirements. In my view the paper attempts (unsuccessfully) to fulfil the needs of all stakeholders for information about every aspect of the company, while asserting that it is a requirement for listed companies (it is not). In my comments below I have outlined some of the problems I have with the apparent contradictions and lack of clarity in the paper. Because of the vagueness of the paper I have framed some of my comments in the form of questions.
2. Is it intended that the integrated report proposed by the paper should incorporate all of the information and fulfil all of the disclosure requirements of a company listed on the JSE? If not, then how will readers be alerted to the absence of critical information from the report and referred to the place where such information can be found? On page 6 of the paper the following appears:

The integrated report is the organisation's primary report. It could, however, be linked to more detailed reports and information, such as the annual financial statements, sustainability report, governance disclosure etc. The detailed reports may be necessary in order to provide detailed information for specific user groups to facilitate deeper analysis of the organisation and comparability between peers, and to comply with statutory requirements. The reports should be made easily accessible to users, for example through the organisation's website.

Companies are governed by the Companies Act and are obliged to report to their shareholders and other stakeholders in a form that has been refined over time and is subject to reasonably precise rules contained both in the Companies Act and in Financial Reporting Standards. In the case of a listed company certain additional disclosure is needed in terms of the JSE's listings requirements. Taking all of the above into account a company's board can state unequivocally whether its financial statements comply with the rules. The integrated report proposed by the paper cannot provide this certainty and will need to be supplemented by a variety of other documents and disclosures. In law there is no doubt that annual financial statements must continue to be the **primary report** of the company to its shareholders and other interested parties. To pretend otherwise creates unnecessary confusion.

1. The paper appears to have adopted an approach to reporting which has been borrowed from the GRI guidelines. The boundaries and scope of the report and what is included or excluded is left to the judgement of the preparer. Such an approach is incompatible with the concepts on which company reporting is based and is inconsistent with the principle of completeness set out in section 2 of the paper. If it is in the discretion of the company to decide what to disclose and what not to disclose, and there are no rules

to compel disclosure of matters which ought to be made public, then the system is open to abuse.

2. Another point, linked to the preceding one, is that it will not be possible to obtain a full audit opinion on an integrated report as proposed by the paper because there are no hard and fast rules on what it should include. A full unmodified audit opinion can only be given by an auditor on that part of an integrated report which consists of the complete and unexpurgated annual financial statements of the company. In my view it would be against the interests of the public that the “primary report” of a listed company should be incapable of being audited.
3. The recently published King III report first introduced the concept of an integrated report. The principles and recommendations contained in King III require that a considerable body of information neither required by the Companies Act nor by International Financial Reporting Standards should be disclosed to stakeholders in the integrated report. The present paper now suggests that some of that information can be disclosed through other means and also states that the full annual financial statements of the company can be replaced by a summarised version. This inconsistency is troubling and will present problems for listed companies in particular when they attempt to comply with JSE listings requirements. I suggest that the paper should be framed in the context of King III, which many companies are still struggling to implement, and should provide guidance on how King III disclosures should be made. As it is, the paper appears to stand alone as a separate set of requirements.
4. The basis of reporting under the Companies Act and financial reporting standards is that of stewardship – how has the board fulfilled its mandate over the past year? This is also the essence of the GRI reports – primarily backward looking but making provision for future liabilities and responsibilities that result from past events. This is in contrast to the paper which calls for a company to give “a statement of its strategic objectives and targets” and a “succinct list of KPI’s and KRI’s” as well as “a forward-looking statement of the organisation’s anticipated activities and performance objectives”. In my view companies would be foolish to disclose details of future plans and strategies as this may give competitors an unnecessary advantage. The act of disclosure in many cases would ensure that the desired outcome cannot be attained.
5. I think that sections 3.4 and 3.6 overlap to a large extent.
6. The paper gives me the impression that it was created in a vacuum, ignoring all of the existing disclosure and reporting requirements which companies have to deal with. If the concept is to be pursued further, careful thought needs to be given to all of the existing requirements and how they are to be accommodated.

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