

Is the most
transformative
perspective the
one you don't
have?



Excellence in Integrated Reporting 2021



The better the question. The better the answer.
The better the world works.



Integrated Reporting Workshop

Presented by Mark Graham
& Alexandra Watson

Date: 29 September 2021



Overview of the workshop

Session 1 - 2020 Integrated reports with Mark Graham

- ▶ Rankings
- ▶ General impressions
- ▶ Areas for improvement
- ▶ Q&A
- ▶ *Video 1*

Session 2 - Q & A with Alex Watson on various topical issues

- ▶ The revised framework
- ▶ Enterprise value reporting and sustainability reporting
- ▶ Materiality
- ▶ Audience of the report
- ▶ *Video 2*



Session 1

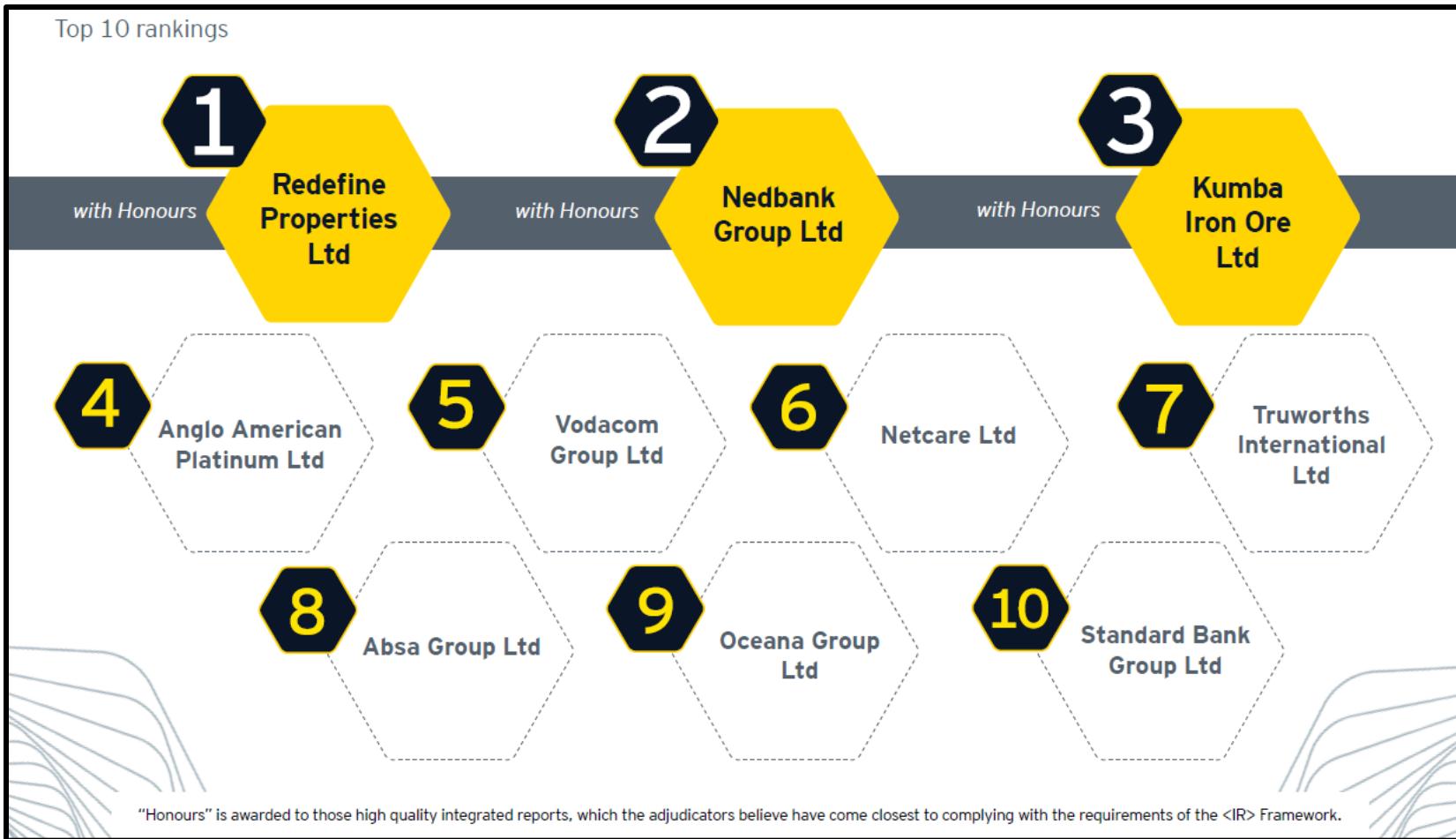
2020 Integrated reports

Excellent integrated reports

Excellent integrated reports have a **strategic focus**, and emphasis on **value creation** and a high level of **connectivity** between the elements presented.



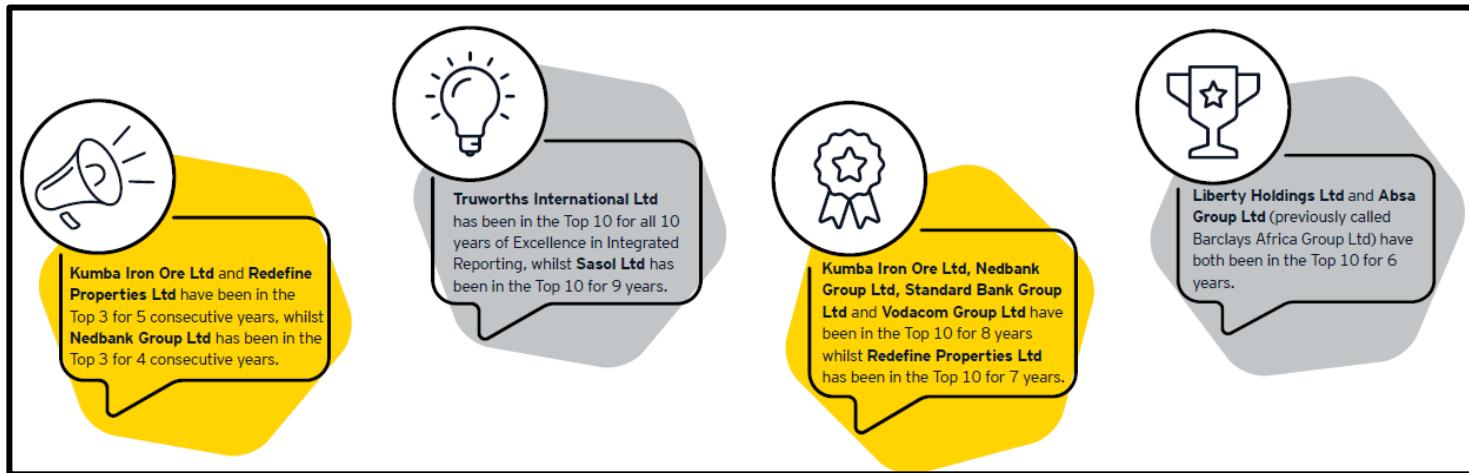
2021 rankings - top 10



2021 rankings - excellent & good

<p>The adjudication process ranks entities in the following categories:</p> <p>E Excellent (which includes the top 10 positions)</p> <p>G Good</p> <p>A Average</p> <p>P Progress to be made</p> <p>"Excellent" and "Good" are awarded to entities that progressively achieve a higher level of adherence to the spirit of integrated reporting.</p>	<p>E</p> <p>Absa Group Ltd Anglo American Platinum Ltd Aspen Pharmacare Holdings Ltd Discovery Ltd DRDGOLD Ltd Exxaro Resources Ltd Impala Platinum Holdings Ltd Kumba Iron Ore Ltd Mondi plc Nedbank Group Ltd Netcare Ltd Oceana Group Ltd Omnia Holdings Ltd Pan African Resources plc Pick n Pay Stores Ltd Redefine Properties Ltd Royal Bafokeng Platinum Ltd Sappi Ltd Sasol Ltd Sibanye Stillwater Ltd Standard Bank Group Ltd Telkom SA SOC Ltd Truworths International Ltd Vodacom Group Ltd</p>	<p>G</p> <p>Adcock Ingram Holdings Ltd African Rainbow Minerals Ltd Anglo American plc AngloGold Ashanti Ltd Barloworld Ltd Coronation Fund Managers Ltd Glencore plc Gold Fields Ltd Growthpoint Properties Ltd Harmony Gold Mining Company Ltd JSE Ltd Liberty Holdings Ltd Life Healthcare Group Holdings Ltd Massmart Holdings Ltd Mr Price Group Ltd MTN Group Ltd Northam Platinum Ltd Old Mutual Ltd RCL Foods Ltd Shoprite Holdings Ltd The Foschini Group Ltd Tiger Brands Ltd Transaction Capital Ltd Woolworths Holdings Ltd</p>
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10 years of integrated reporting in South Africa



Past winners



In 2012 the Top 10 were not ranked.

Key observations

- ▶ The **quality** of “Excellent” and “Good” reports continues to improve.
- ▶ **Improvements** in conciseness, connectivity, layout and structure.
- ▶ **Little improvement** in those reports ranked “Average” or “Progress to be made”.
- ▶ Many reports dealt with the **COVID-19** pandemic in a sensible way.
- ▶ More reports now including an **endorsement** signed by all directors.
- ▶ More companies using a **broad suite of reports** to communicate compliance and sustainability information.
- ▶ Better use of **interactive tools** for navigation and links to additional information.
- ▶ General improvement in disclosure of **opportunities**.
- ▶ Continued improvements in the use of **graphs/tables/infographics and icons**.

Areas for improvement

- ▶ Include **date of year-end** and **date of approval**.
- ▶ Include **date** at which inputs are measured.
- ▶ What is needed to achieve **strategic objectives**
- ▶ Articulate how the continued availability, quality and affordability of significant **capitals** contribute to the organization's ability to achieve its strategic objectives.
- ▶ Increase emphasis on **value erosion** - negative outcomes and other challenges.
- ▶ Clearer **links** between various content elements.
- ▶ Avoid **excessive use** of icons, figures, graphs, photographs and pictures.
- ▶ Exclude **regulatory compliance** that is not relevant to value creation story.

Explain the value that the business wishes to create.

(Nedbank, 2020, page 15)



Better explanation of the materiality determination process

(Redefine, 2020, pages 4 & 5)



Include details of availability of inputs

(Redefine, 2020, page 12)

OUR INPUTS The resources and relationships we need		Availability, quality and affordability of capitals
FC	<p>R44.6 billion in equity (2019: R44.6 billion)</p> <p>R36.7 billion in debt (2019: R41.2 billion)</p>	<p>Operating in a capital-constrained and costly environment means that prudent balance sheet management and careful liquidity planning to strengthen the balance sheet and lower our loan-to-value (LTV) is imperative to our sustainability.</p>
MC	<p>Direct local property portfolio of R65.4 billion (2019: R72.8 billion)</p> <p>International listed securities of R7.3 billion (2019: R12.7 billion)</p> <p>Directly held international properties of R8.3 billion (2019: R9.9 billion)</p>	<p>High level of competition for quality assets combined with shifting consumer preferences due to COVID-19 necessitates a strategic approach to sectoral diversification and the exploration of alternative uses for existing property and asset classes.</p> <p>Focus on sectoral diversification versus geographical diversification necessitates the need to simplify the asset platform and to reduce currency exposure risk.</p> <p>Tenant retention is imperative to long-term sustainability – the COVID-19 tenant relief concessions impacted short-term income generation, but without tenants, Redefine ceases to exist.</p>
HC	<p>445 permanent property and financial professionals (2019: 424)</p> <p>47 temporary employees (2019: 60)</p> <p>72% of staff able to work remotely during hard lockdown</p>	<p>Shortage of experienced property skills and talent requires focus on growing talent and retaining our high performers in a competitive market.</p> <p>During the lockdown, maintaining jobs was a critical priority. No retrenchments or salary cuts were implemented as a result of COVID-19 lockdowns.</p> <p>As part of our COVID-19 recovery, we focused on three core attributes to ensure our people remained engaged:</p> <ul style="list-style-type: none">▪ Purpose to embed wellbeing and meaning into every aspect of work every day, optimising the power of individuals by harnessing employees' collective and complementary strengths to achieve a common goal▪ Potential to harness what our employees are capable of achieving as individuals and within teams▪ Perspective to view uncertainty as offering possibilities rather than threats – moving boldly into the future

Increased focus on positive and negative outcomes.

IIRC Framework (2021)- Outcomes (Page 42)

A simple example illustrates the distinction between outputs and outcomes, and the importance of a balanced consideration of outcomes.

An automotive manufacturer produces internal combustion engine cars as its core output. Positive outcomes include increases in financial capital (through profits to the company and supply chain partners, shareholder dividends and local tax contributions) and enhanced social and relationship capital (through improved brand and reputation, underpinned by satisfied customers and a commitment to quality and innovation).

Negative outcomes include adverse consequences for natural capital (through product-related fossil fuel depletion and air quality reduction) and reduced social and relationship capital (through the influence of product-related health and environmental concerns on social licence to operate).

Include short, medium and long-term strategies.

(Kumba, 2020, pages 4 & 7)

We deliver our strategy over three time horizons through our Tswelelopele programme

Horizon 1 (1 to 3 years)	Horizon 2 (3 to 5 years)	Horizon 3 (5 to 7 years)
Operating our assets at their full potential	Leveraging our endowment	Optimising competencies and assets to sustain and expand the business

Impacting value over the short, medium and long term

To deliver on our four strategic ambitions we have structured our strategy around three time-based transformation horizons, each of which has a set of key strategic focus areas. These are collectively underpinned by key strategic enablers.

Horizon 1 (short term)

Unlock our full asset potential

Short-term initiatives aimed at enhancing product premium, and improve operational efficiency and contain C1 unit costs at or below US\$34/tonne. These strategic initiatives, with low capital intensity and that optimise technology, include:

- operating assets at their full potential – by improving equipment efficiency and further enhancing labour productivity at our mines
- reducing external spend – through a mixture of commercial levers (driving price and supplier consolidation improvements) and technical levers (optimising specifications, demand management and total cost of ownership)
- improving organisational effectiveness – optimising our Anglo Operating Model and driving efficiencies through a leaner and more effective head office and shared services function
- optimising our product portfolio – thereby maximising price premia

Horizon 2 (medium term)

Leveraging our endowment

In addition to improving the performance of our current assets, we have identified selected opportunities to leverage our endowment, grow our core business and further extend life-of-mine. These opportunities include:

- unlocking logistics capacity to reach optimal rail and port capacity
- benefitting *in situ* and stockpiled/discard materials through ultra-high dense media separation (UHDS) technologies
- realising various life-extension projects around Kolomela through exploration
- identifying specific business development initiatives to consolidate the Northern Cape region
- reducing the carbon footprint at our operations

These opportunities are more complex in nature to deliver than Horizon 1, as these require higher capital investment, have a longer timeframe, and are largely dependent on successful negotiations with external stakeholders or on external factors such as technology development. We are confident, however, that they could deliver further margin improvements and extend the life of our Northern Cape operations to 2040.

Horizon 3 (long term)

Optimising competencies and assets to sustain and expand the business

While Horizons 1 and 2 focus on core business activities, Horizon 3 involves identifying a wide range of potential business extension opportunities that fit well with Kumba's strategic direction, while operating within a circular economy and remaining relevant within a decarbonising world.

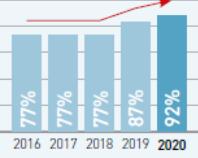
These opportunities seek to leverage Kumba's capabilities and resources, including its access to the broader Anglo American Group, and its agility as a mid-tier player.

TSWELELOPELE
ORE TO AWE

Three transformation
horizons

Clearly explain the KPI's and link them to strategy

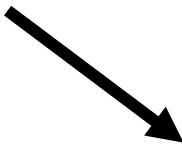
(Redefine, 2020, page 60)

Engage talent			
Overview			
Why it matters most	Resource allocation	Related material themes	Contributing to our long-term objectives
We believe our people-centred business approach differentiates us in our market and, and to this end, we continuously strive to recruit and develop individuals who have the right qualifications, know-how and people skills necessary to support our relationally driven business. It is also essential for us to promote and prioritise our employees' health and wellness, particularly in the face of our current socio-economic challenges.	Capitals employed: FC HC IC		We are committed to building a workforce that reflects our long-term goals for a prosperous and equitable society. To achieve this, we focus on investing in our employees' development, implementing policies to ensure no discrimination takes place and ensuring we have wellness programmes in place to support our employees' growth, professionally and personally. Primary SDGs  Secondary SDGs 
Unpacking our progress			
KPI (long term)	Target	Why this KPI is important	Five-year trend: Employee engagement score
Engagement score 	Maintain or improve previous year's engagement score 	Engagement score refers to commitment, discretionary effort and intent to stay that employees exhibit, given the combination of their present and past experiences, and expectations for the future. The score is based on an engagement survey conducted by an external service provider.	
2020 outcomes (short to medium term)		Priorities looking ahead	
Delivering on these key measures nurtures our reputation and ultimately creates and preserves value for stakeholders		<ul style="list-style-type: none"> Build a resilient workforce Fast-track flexible working policies Embed diversity into culture 	
244 learners completed our learnership programme since 2013 (2019: 198 learners)		<p>Outcomes:</p> <ul style="list-style-type: none">  Positive outcome  Negative outcome  In progress <p>Value indicator:</p> <ul style="list-style-type: none">  Value preserved  Value created  Value eroded 	
Certified as a top employer			
13 172 man-hours of training and development (2019: 14 486 man-hours)			
No annual increases for FY2021 for employees earning more than R200 000			
No STIs awarded for FY2020			
No retrenchments or salary cuts during lockdown			

Outcomes:	 Positive outcome	 Negative outcome	 In progress
Value indicator:	 Value preserved	 Value created	 Value eroded

Include a more coherent narrative around climate change. (Hammerson, 2020, page 51)

Task Force for Climate-Related Financial Disclosures (TCFD)																									
Streamlined Energy and Carbon Reporting requirements (SEC)																									
This is our third year of reporting in line with the recommendations of the TCFD. We welcome the evolution of this process becoming a reporting requirement in 2022. Our alignment to these recommendations is an endorsement of the proactive, forward-looking stance Hammerson has taken on climate change and broader ESG issues. The table below provides an overview of our responses and provides links to relevant coverage in this report, our Sustainability Report and our website. In 2020 we published a separate TCFD Report. This has been updated for 2021 and is available on our website at www.hammerson.com .																									
Responding to the TCFD Reporting Requirements																									
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Responding to the TCFD Reporting Requirements

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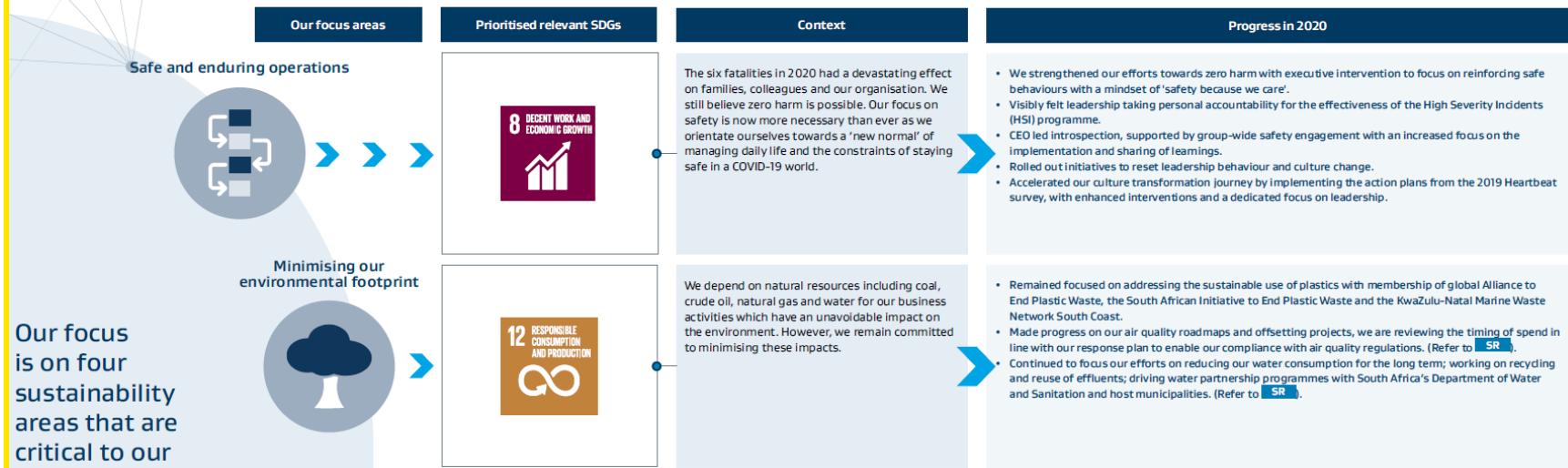
Greater clarity on why various SDG's have been chosen.

(Sasol, 2020, page 17)



ALIGNING OUR STRATEGY TO SUPPORT A MORE SUSTAINABLE PLANET

Together with our customers and collaboration partners and guided by the United Nations Sustainable Development Goals (SDGs), we are seeking to contribute to a more sustainable planet. Our updated strategy (Refer to page 12) positions us for resilience into the future, prioritising four UN SDGs and considering inputs from our many stakeholders. Ensuring our business is environmentally, socially and economically sustainable is a key imperative. This means making the strategic choices that allow Sasol to contribute meaningfully towards socio-economic development as well safeguard its own resilience in a lower-carbon future, even in a cash conservation drive. (Refer to **SR** and **CCR** for more detail)



Include information on key board deliberations.

(Redefine, 2020, page 27)

Summarised **governance** report

CONTINUED

Mindful governance focus

With due consideration to the company's material matters and as a means of monitoring company culture, mindful focus was similarly given to the following governance processes to ensure the achievement of the company's strategic objectives and realisation of desired governance outcomes:

Employee wellness and engagement

The board considered how to ensure employee wellness and engagement during the lockdown.

Overview of the matter

Given the rapid change from onsite to remote working, as well as the strain imposed on mental health by **COVID-19**, the board ensured that employee wellness and engagement remained a priority.

Outcome

The board prioritised employee health and wellness and empowered management to take the necessary action to protect employees. A number of initiatives were implemented, including the rapid deployment of information technology (IT) capabilities, connectivity to support remote working and additional support offered through the 'Ask Nelson' service which assists employees with mental, physical, financial and legal assistance should they need it.

Strategic priority	Relevant material matters	Relevant SDGs to align decision-making with our long-term ambitions	King IV governance outcomes realised	Primary capitals impacted
ET	   	 	 	 

Include measures taken to ensure integrity of the report

(Nedbank, 2020, pages 3, 71 & 102)

How do we ensure the integrity of our report?

The board ensures the integrity of the integrated report through our integrated reporting process, the various approvals and sign-offs by Group Exco and the board, and relies on our coordinated assurance model, overseen by the Group Audit Committee, that assesses and assures various aspects of our business operations and reporting. These assurances are provided by management and the board through rigorous internal reporting governed by the group's ERMF, internal audit and independent external sources and service providers.

Our annual financial statements are assured by our joint external auditors, Ernst & Young Inc. (EY) and Deloitte & Touche (Deloitte), limited assurance on selected sustainability information is provided by Deloitte, and Mosela Rating Agency provides limited assurance on our application of the Amended FSC and the group's BBBEE status. We have indicated the level of assurance provided on pages 71 and 93 and included the Independent Assurance Providers' Limited Assurance Report on Selected Sustainability Information on pages 102 and 103.

Independent Assurance Providers' Limited Assurance Report

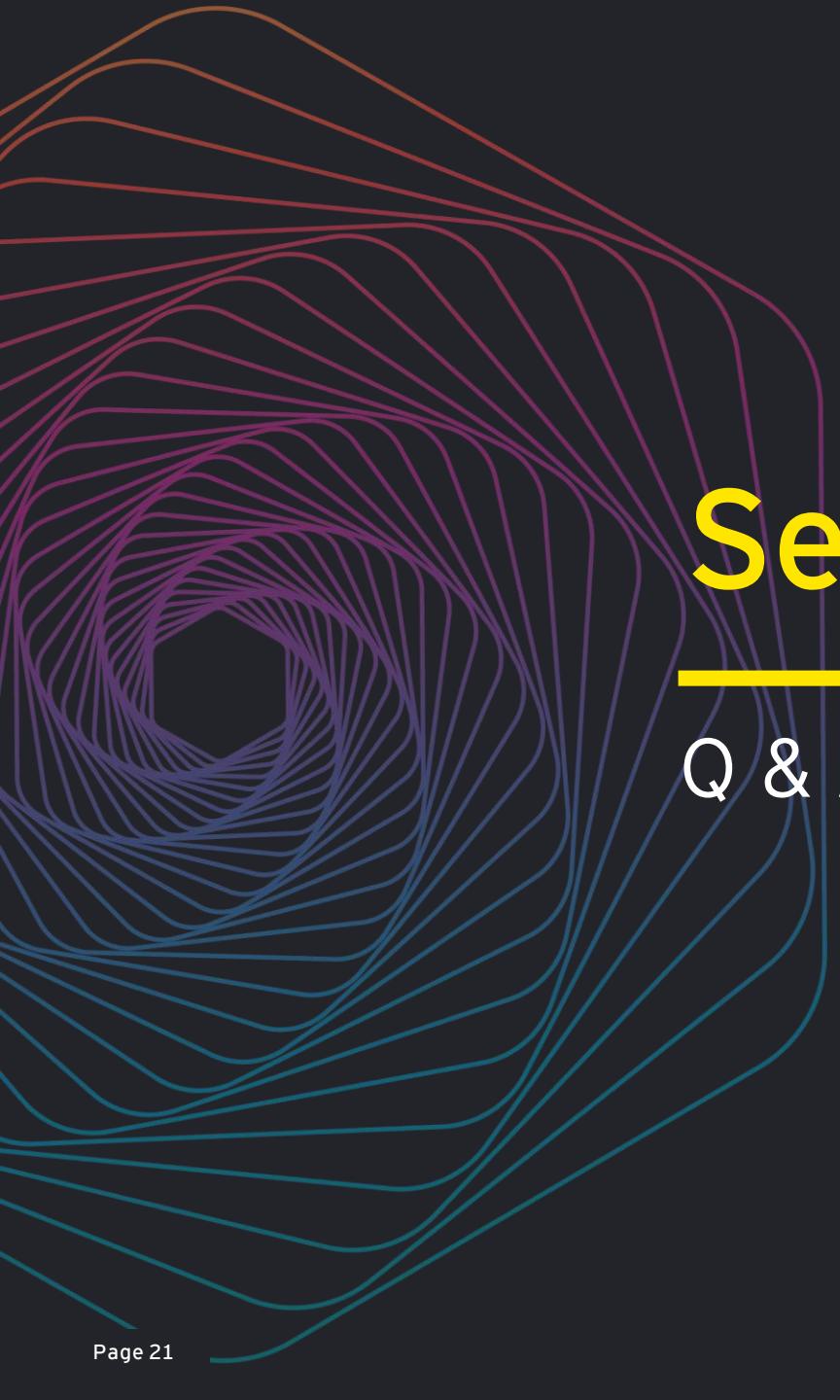
We have performed our limited assurance engagement in respect of the key performance indicators (denoted with 'LAI' per the Integrated Report) for the year ended 31 December 2020.

The subject matter comprises the sustainability key performance indicators disclosed in accordance with management's basis of preparation, the Global Reporting Initiative (GRI) Standards and the alignment with AA1000APS (2018) principles (inclusivity, materiality and responsiveness), as prepared by the responsible party, during the year ended 31 December 2020.

The terms of management's basis of preparation comprise the criteria by which Nedbank Group Limited compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

Category	Selected sustainability information	Coverage/Reporting boundary
Environmental	Number of Equator Principle Deals that had their first drawdown within the financial year	CIB (Investment Banking and Client Coverage)
	All CIB credit risk reviews and new applications included the screening of high risk clients and EP relevant deals via the Social and Environmental Management System (SEMS)	CIB (Investment Banking and Client Coverage)
	Total Carbon Footprint (tCO ₂ e)	Scope 1: Campus buildings and Nedbank Limited (South African operations) Scope 2: Campus buildings; non-Campus buildings and non-South African bank offices and/or outlets Scope 3: Nedbank Limited (South African operations)

Assurance indicators	LA	External limited assurance on selected sustainability information [LAI] and the application of the Amended FSC and the group's BBBEE status [LA2]. Related opinions are available at nedbankgroup.co.za .	IN	Information sourced from external sources, eg independent surveys.
	MO	Management and board oversight through rigorous internal reporting governed by the group's ERMF.	OV	Independent oversight by regulatory bodies, including SARB, FSCA and various financial-sector ombudsman offices.



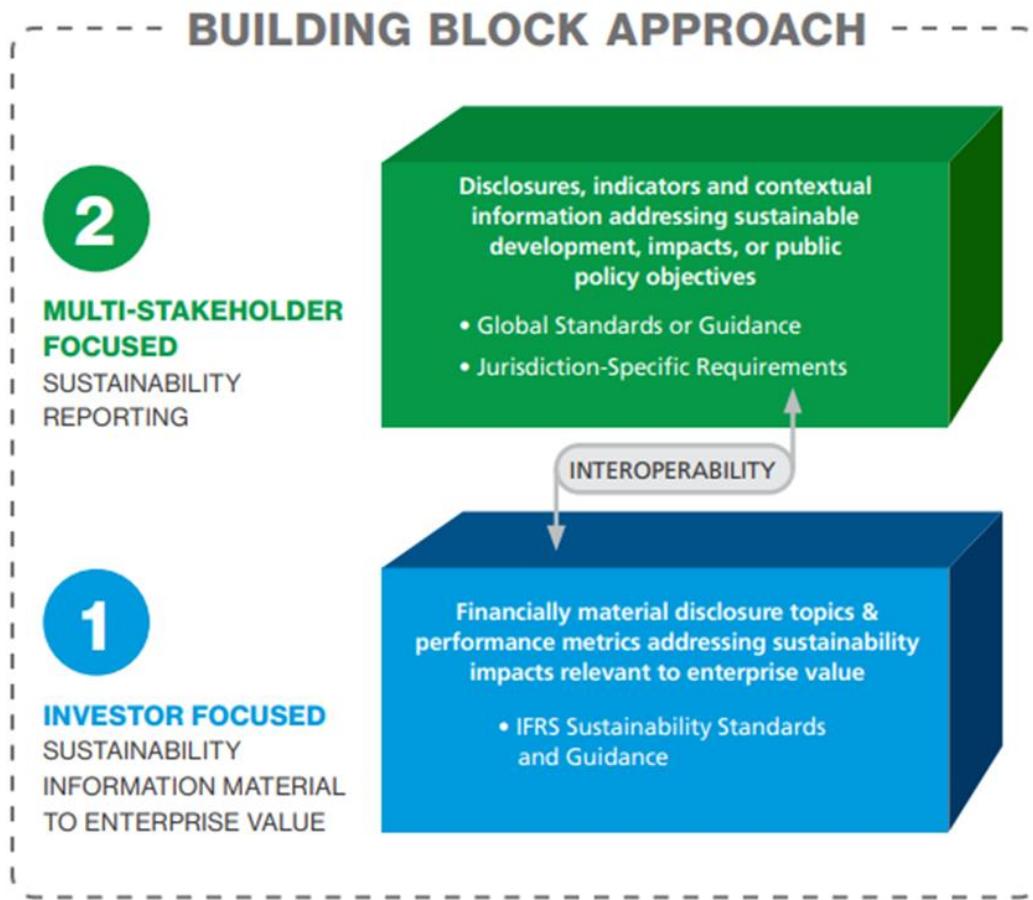
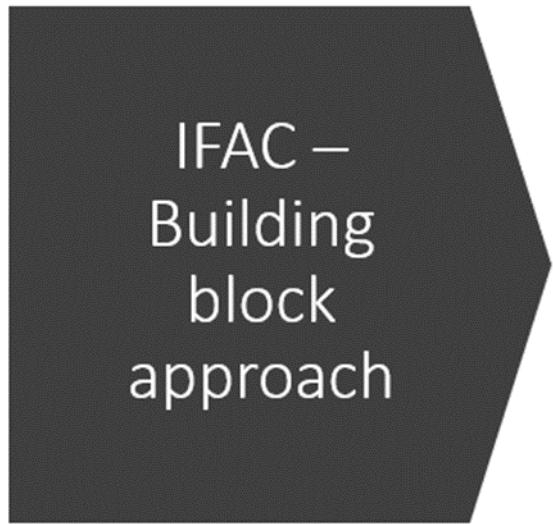
Session 2

Q & A with Alex Watson

<IR> Framework 2021

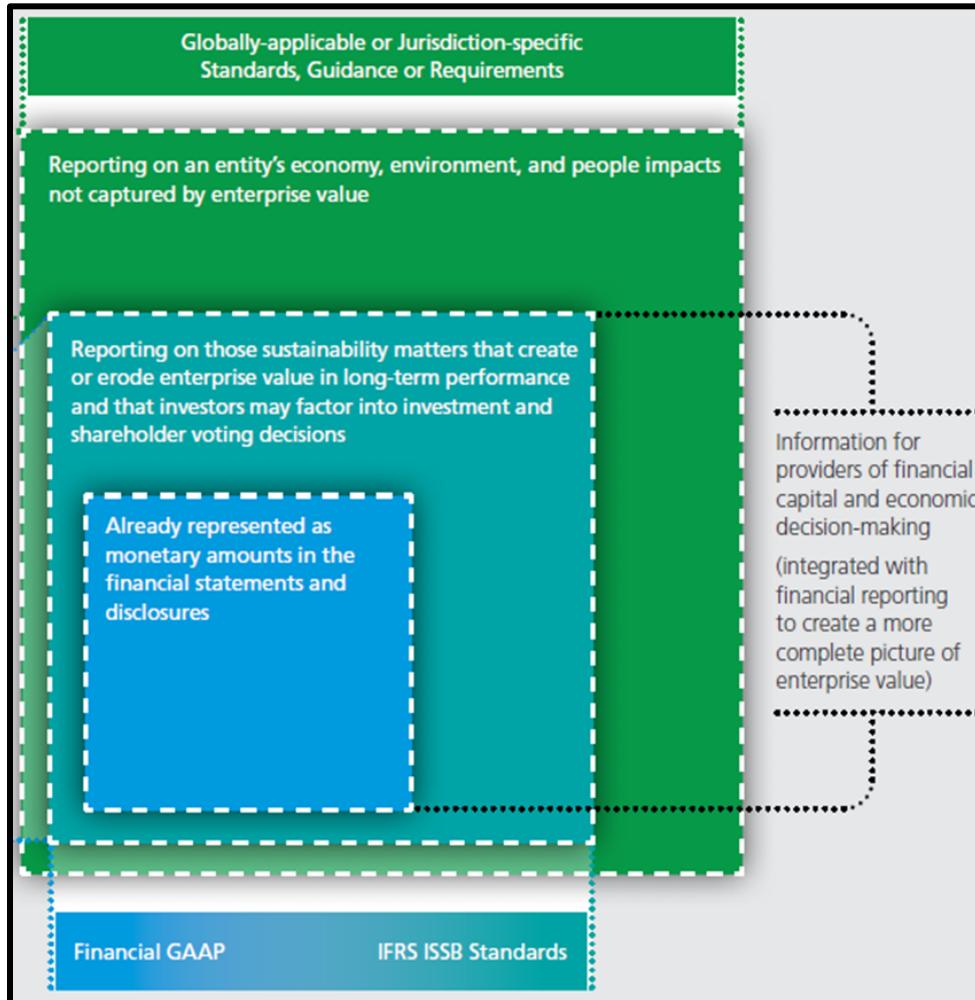
- ▶ 1.7 - Primary purpose .. to explain to providers of financial capital
- ▶ 2.4 - value created, preserved or eroded over time
 - 2 interrelated aspects
 - organization itself, affects financial returns
 - others (stakeholders & society)
- ▶ 2.5 Financial capital providers interested in value created for others when it affects ability of organization to create value for itself.
- ▶ Exec summary - page 6. “When these (*value created for others*) are material to the organization’s ability to create value for itself, they are included in the integrated report.”

Building block approach



Source: IFAC, Enhancing Corporate Reporting, Sustainable building blocks, 2021

Building block approach

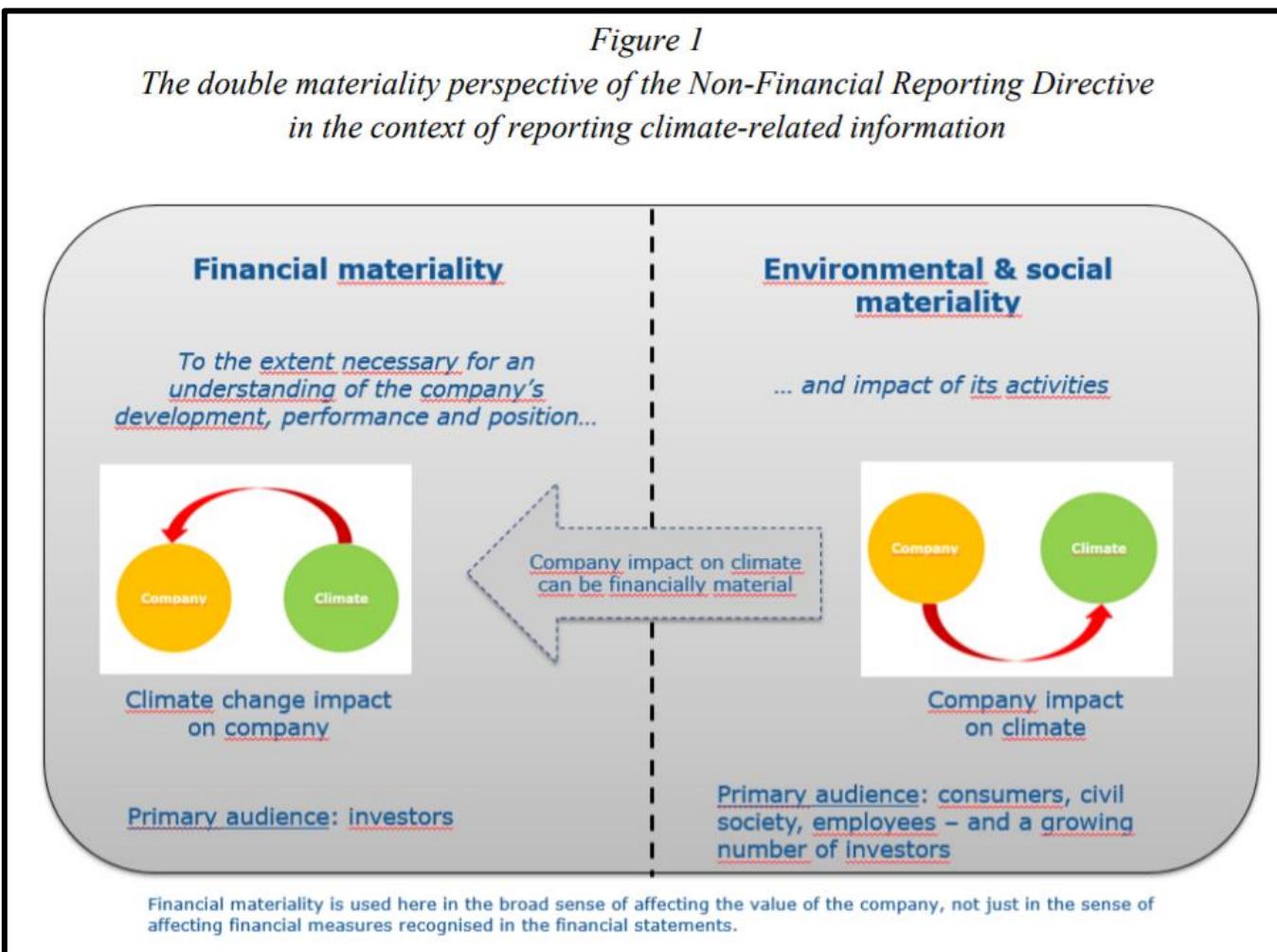


Source: IFAC, Enhancing Corporate Reporting, Sustainable building blocks, 2021

Materiality

Figure 1

*The double materiality perspective of the Non-Financial Reporting Directive
in the context of reporting climate-related information*



Source: European Commission, Consultation document on the update of the non-binding guidelines on non-financial reporting, 2019

<IR> Framework 2021

The ability of an organization to create value for itself enables financial returns to the providers of financial capital. This is interrelated with the value the organization creates for stakeholders and society at large through a wide range of interactions and relationships. When these are material to the organization's ability to create value for itself, they are included in the integrated report." (emphasis added)

Source: <IR> Framework 2021, Executive summary, Fundamental concepts (Page 6)

Stakeholder relationships



Reality check

3.11

The integrated report does not intend to meet the information needs of **all** stakeholders. Given this context, the aim of routine stakeholder engagement is to understand and respond to the legitimate needs and interests of others, recognizing that this also affects the organization's own prospects. Remember, value is not created in isolation.

Source: Value Reporting Foundation, Transition to integrated reporting - A guide to getting started, Supplement to <IR> Framework, Sept 2021

<IR> Framework 2021

To focus on.....

1. Integrated thinking
2. Purpose - of (a) organization & (b) the report
3. Robustness of preparation -
 - a. Ensuring all impacts considered? - stakeholder engagement
 - b. Ensuring processes of data collation appropriate - internal audit?
 - c. Performance measures appropriate, understood & consistently applied
 - d. Board approval statement - include extent to which in terms of <IR> FW
4. Are negative impacts (value erosion) fully disclosed
5. Are time frames adequately considered & disclosed?

Integrated report defined

"An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, **lead to the creation, preservation or erosion of value over the short, medium and long-term."**

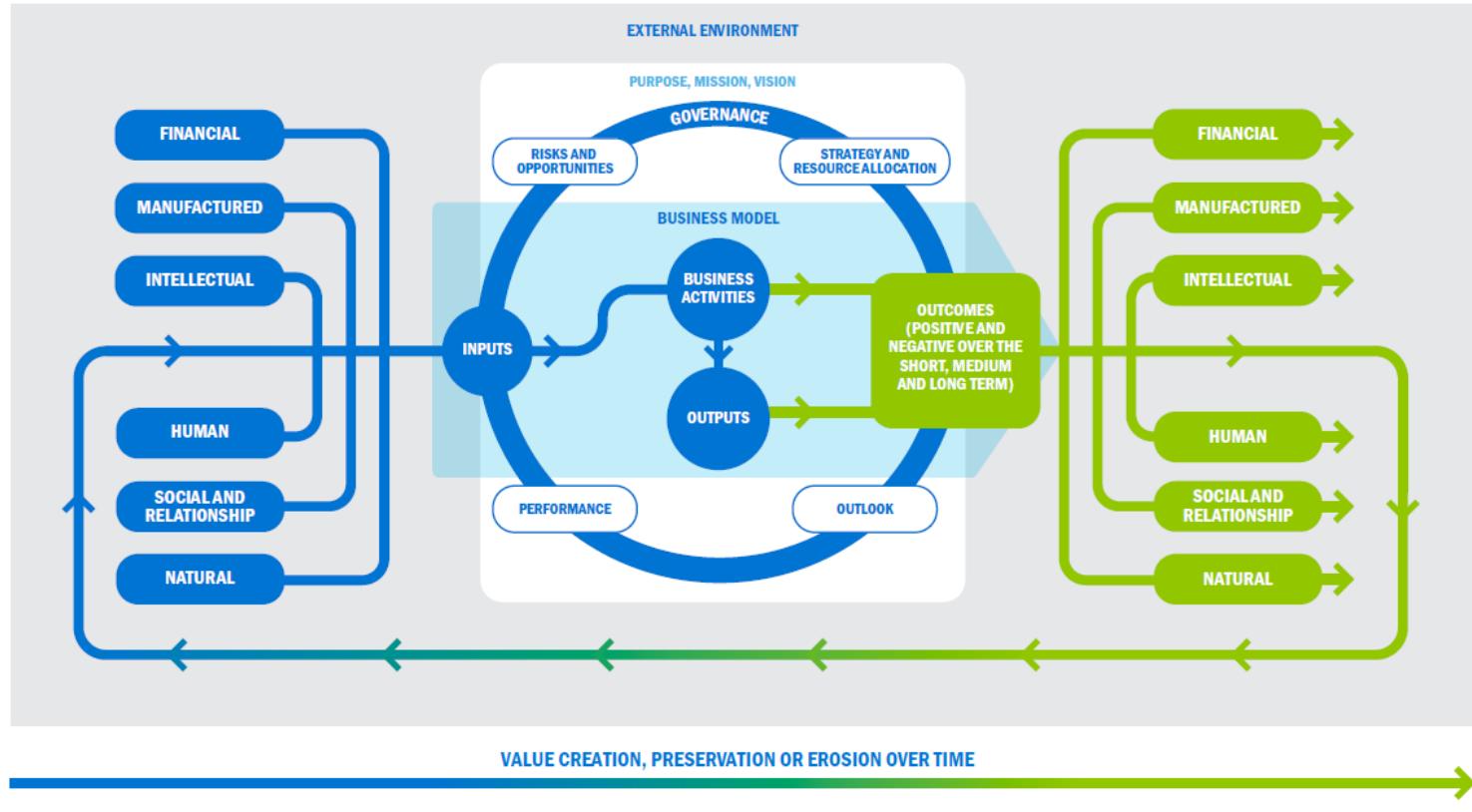
Source: <IR> Framework 2021, paragraph 1.1

Process through which value is created, preserved or eroded

PART 1 INTRODUCTION

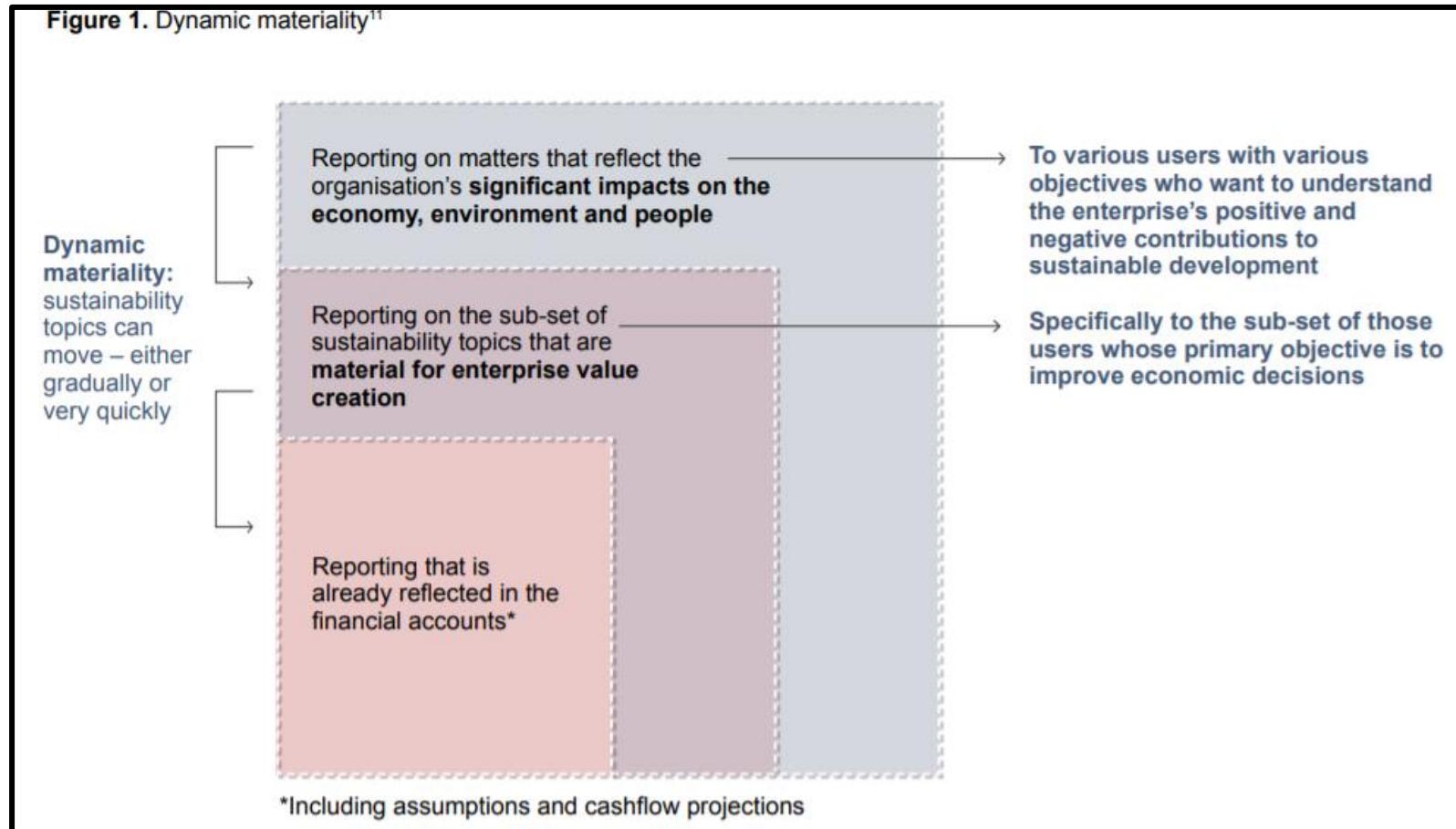
Back    

Figure 2. Process through which value is created, preserved or eroded



Source: <IR> Framework 2021, page 22

Proposed reporting elements

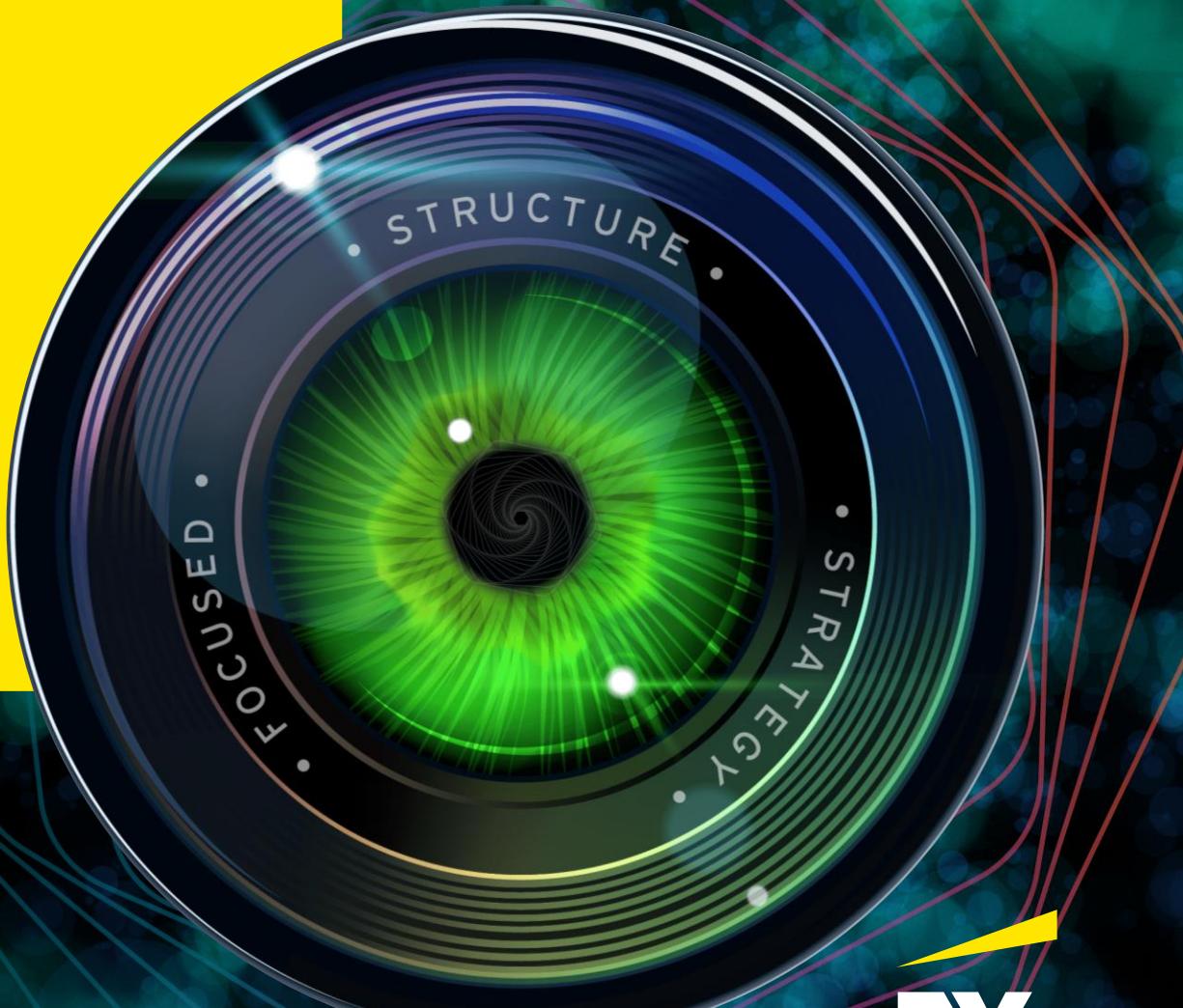


Source: CDP, Climate Disclosure Standards Board, Global Reporting Initiative, International Integrated Reporting Council, and Sustainability Accounting Standards Board, Statement of Intent to Work Together Towards Comprehensive Corporate Reporting (September 2020)

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