

An analysis of company reporting in terms
of the IIRC's Consultation Draft of the
International <IR> Framework.

August 2013

The value creation journey

A survey of JSE Top-40 companies' integrated reports



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Foreword



The creation of value is at the heart of integrated thinking with the outcome being the annual integrated report. The process is known as integrated reporting.

The integrated reporting process consists of integrated thinking which embraces: the resources used by the company; its ongoing relationships with its key stakeholders; its business model; its output being its products or services; and the impact that its products or services have on society, the environment and its key stakeholders, such as customer satisfaction.

This interconnection and interdependency between the resources used by a company and its relationships with its stakeholders, is critical in developing strategy.

At the beginning of the 21st century it was appreciated that some 80% of the value of companies was not represented by additives in a balance sheet according to international financial reporting standards. To understand value, therefore, there had to be a shift in thinking from a focus in value being seen in the context of future cash flows. Value embraces the impact of the financial aspects on the non-financial aspects and vice versa and how a board has applied its collective mind to the material sustainability issues of a company in its long-term strategy.

For example, a beverage manufacturer would have, as its long-term strategy, reducing, reusing, replenishing and recycling water, being the scarcest natural asset. By embedding this conservation of water into its strategy, the company shows the investor that it has a long-term plan to create value.

But what of the outcome of its product? In this regard, if it is alleged that the beverage causes obesity the amelioration or eradication of such an outcome should be included in the long-term strategy of the company.

This is an example of how integrated thinking must be from the input of the resources used by the company, the relationships with its stakeholders, and the outcomes of its products. It also illustrates the interconnectedness and interdependency of the resources used by the company and its relationships with its stakeholders with regard to its functions and operations.

This survey by PwC on value creation illustrates how the concept of value has changed in the 21st century. It has to be accepted that corporate reporting as we have known it for years is no longer fit for purpose because it does not deal with the total value of a company.

Integrated thinking deals with value creation short, medium and long term and the integrated report tells the story of this value creation in clear, concise and understandable language.

This survey will be extremely helpful to managers and directors in applying integrated thinking and in preparing an integrated report.



Mervyn King SC

Chairman of the International Integrated Reporting Council

Integrated thinking deals with value creation short, medium and long term and the integrated report tells the story of this value creation in clear, concise and understandable language.

Executive summary



Introduction

Corporate reporting is an ever-evolving field as companies continually strive to improve their communication with their stakeholders.

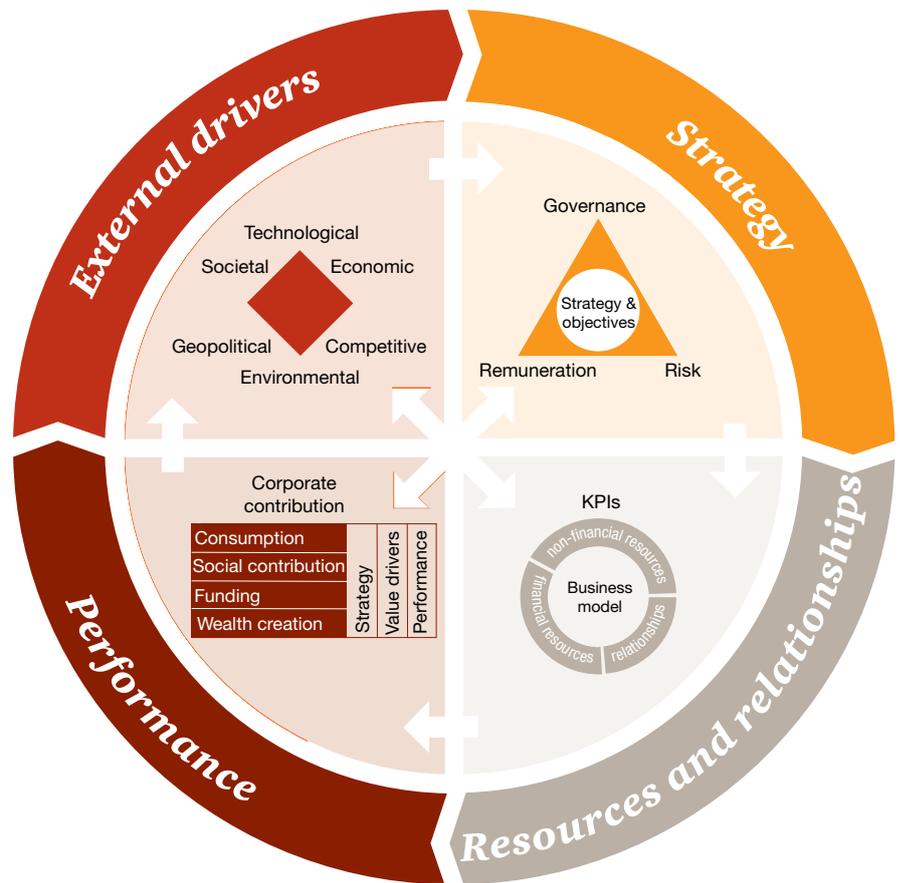
One of the most important ways of doing so is through the annual integrated report, which seeks to align relevant information about an organisation's strategy, governance systems, performance and future prospects in a way that reflects the economic, environmental and social impact it has on the environment in which it operates.

For over a decade, we have invested significant resources in understanding:

- The information needs of preparers and users;
- The economic benefits of transparency; and
- Up-to-date reporting and best practices from around the world in order to provide practical insights into the critical building blocks of effective corporate reporting.

Our focus has been on aligning the interests of those who report on performance with those who use the information to make critical investment decisions.

Our model has been developed following extensive stakeholder research and is closely aligned with the International Integrated Reporting Council (IIRC) Framework.



Source: PwC

Research methodology

The mission of the IIRC is to create a globally accepted integrated reporting framework that assists organisations to recognise and present material information about their strategy, governance, performance and prospects in a clear, concise and comparable format.

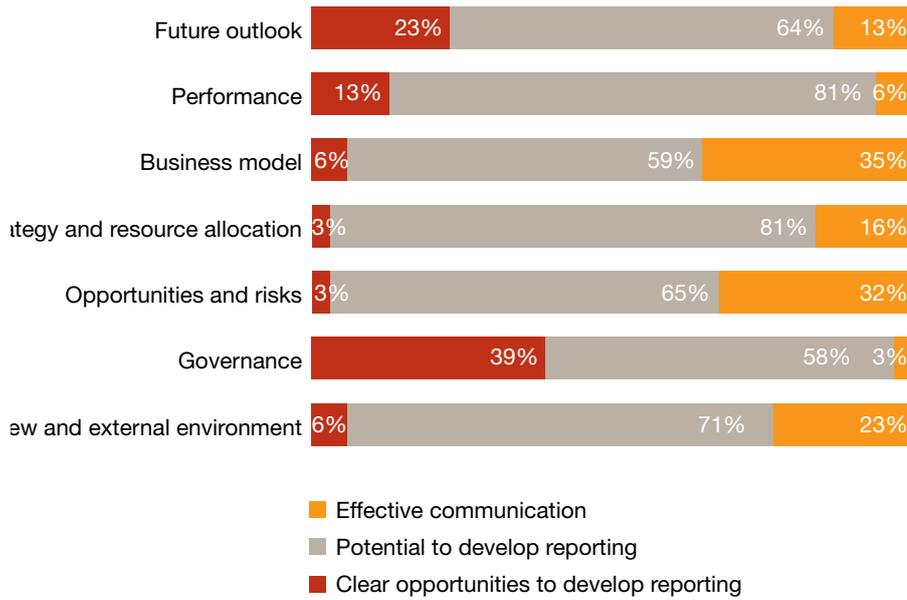
We conducted our survey on the Top 40 companies listed on the FTSE/JSE as at February 2013. For each of the companies comprising the Top 40 (see Appendix A), a detailed assessment of 110 questions was performed.

The questions were based on the Content Elements for an integrated report presented in the IIRC's Consultation Draft of the International <IR> Framework.

Each assessment was reviewed by an experienced reviewer before being approved for inclusion in the overall survey results.

Overview of findings

Survey findings by content element



Source: PwC analysis

Findings were grouped by Content Element and then evaluated according to three broad categories:

- Clear opportunities to develop reporting;
- Potential to develop reporting; and
- Effective communication.

The most effective communication was found in reporting on strategy and resource allocation, as well as reporting on business models.

Reporting on governance activities showed the greatest room for improvement.

Emerging themes

Storytelling through images

Companies showed a definite willingness to tell their value creation stories in non-traditional ways. Use of information graphics and images that combined words and pictures were common throughout the reports.

Governance in action

There was a definite tendency toward 'constrained' governance reporting. Companies seemed more comfortable reporting on board charters and terms of reference, rather than the actual activities undertaken by the board and committees during the year.

Avoiding the 'crystal ball'

Historical reporting remains the focus, with companies shying away from broaching the topic of what the future may hold for them.

'Silo' reporting

It is evident that many companies are still taking their first steps on the integrated reporting journey. Stand-alone sections of reporting often provide excellent communication, but opportunities to connect this information to other areas in the report are often missed, especially in the segmental review.

Identify one or more material capitals

55%

Report priorities for their non-financial capitals

52%

Report their principal risks

97%

Integrate their risks into other areas of their reporting

52%

Explicitly identify their key performance measures

84%

Average number of measures

22%

Align measures with strategy

35%

Discuss future market trends

90%

Link market discussion to strategic choices

61%

Make reference to their business model

71%

Integrate the business model into other areas of their reporting

60%

Include strategic priorities

77%

Base reporting on strategic themes

21%

Embed sustainability in strategy

29%

Communicating value in the 21st century

Developments in integrated reporting

Integrated reporting has been a buzzword in recent years, but never more so than in the first half of 2013. The International Integrated Reporting Council (IIRC) launched the eagerly-anticipated Consultation Draft of the International <IR> Framework in April, with 15 launch events held around the globe.

The comment period for the Consultation Draft closed in July 2013 and the IIRC is currently reviewing comment letters in preparation for the launch of the first version of the Framework in December 2013.

What is the IIRC?

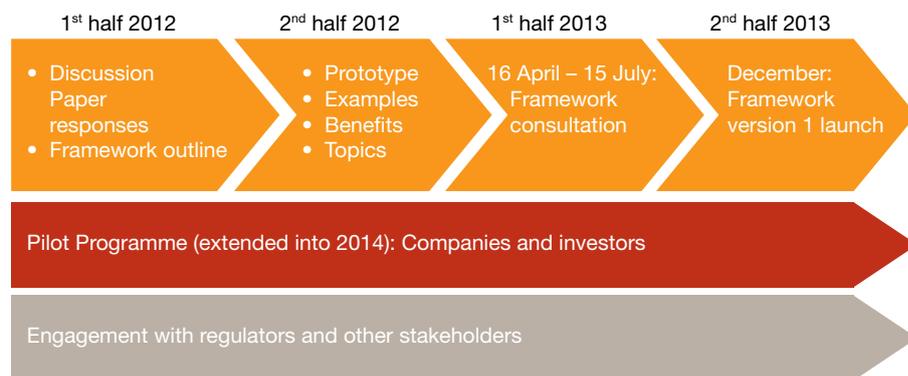
The IIRC brings together leaders from all the major international standard-setting and regulatory bodies with companies, investors and other key representatives to develop an internationally accepted integrated reporting framework.

The IIRC's mission is "to create the globally accepted International <IR> Framework that elicits from organisations material information about their strategy, governance, performance and prospects in a clear, concise and comparable format."¹

Since October 2011 the IIRC's Pilot Programme Business Network, comprising more than 90 businesses from 24 countries has been putting the principles of integrated reporting into practice.

The Business Network has been supported by more than 30 investor organisations that comprise the Pilot Programme Investor Network.

Framework finalisation process



Source: Adapted from the Consultation Draft of the International <IR> Framework

What's the big deal?

The world is changing at a rapid pace and the global context in which businesses operate is changing along with it. The economic crisis was a sharp reminder that financial measurement alone cannot provide sufficient insight into business performance.

Investors and other stakeholders are now demanding that management teams provide clear, unambiguous information about issues such as external drivers affecting their business, their approach to governance and managing risk, and how their business model really works.

This paradigm shift is necessitating businesses and other organisations to consider more than just the traditional financial focus of thinking and reporting.

What is integrated reporting?

Integrated reporting is "a process that results in communication, most visibly a periodic integrated report, about value creation over time. An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term."²

Integrated reporting is not just about producing an integrated report; it is about the journey that an organisation has embarked on to create value.

What are the benefits for businesses?

The organisations participating in the Business Network have already begun to see the benefits of applying the principles of integrated reporting in their businesses. Organisations have benefitted from improving their ability to tell their own stories and define what the business is trying to do through management's eyes.

The application of integrated thinking inside organisations has been a significant benefit for many businesses, challenging them to question their own internal decision-making processes and break down silos within their organisations.

Why stakeholders like it

The Consultation Draft of the International <IR> Framework identified investors, or 'providers of financial capital', as the primary audience for an integrated report, but emphasised that other communications resulting from integrated reporting would be of benefit to all stakeholders interested in an organisation's ability to create value over time.

The Pilot Programme Investor Network has told the IIRC what they want: They want to see how companies perform against their strategy and how strategic objectives actually support the long-term creation of value.

¹⁺² "Consultation Draft of the International <IR> Framework", IIRC, <http://www.theiirc.org/wp-content/uploads/Consultation-Draft/Consultation-Draft-of-the-InternationalIRFramework.pdf> (accessed August 2013)

Only approximately 20% of the market value of a company today relates to its tangible assets and investors want businesses to account for the 80% intangible value as well.

What does the Framework say?

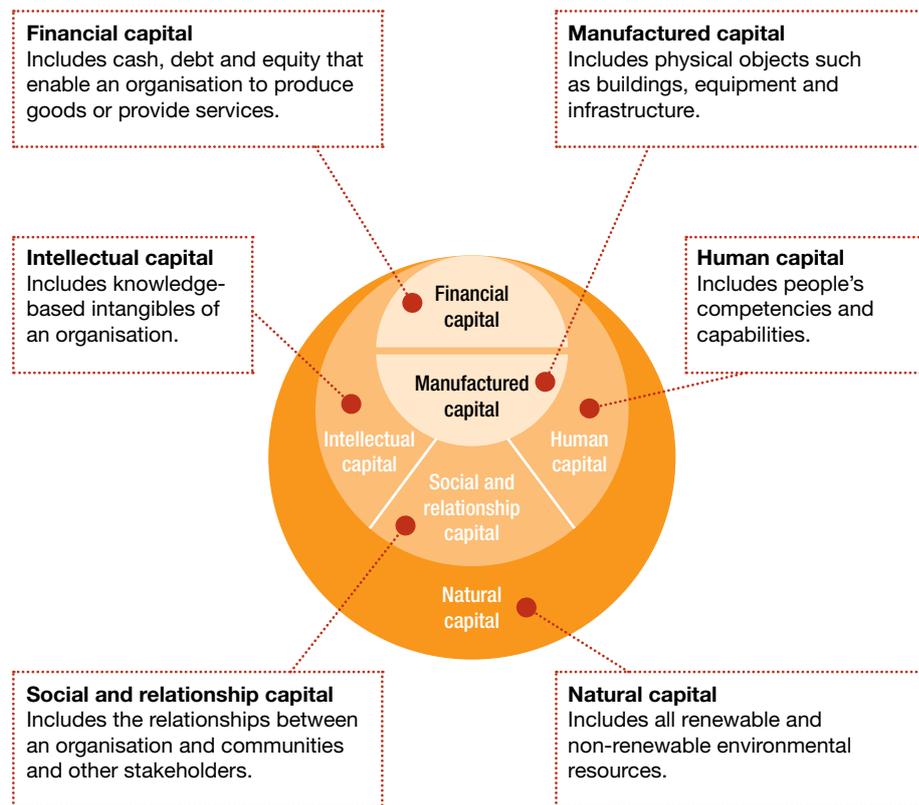
Fundamental concepts

The Draft Framework focuses on the various forms of capital that an organisation uses and affects, the organisation's business model and the creation of value over time.

The business model is the vehicle through which an organisation uses its capital to create value.

Value in the context of <IR> is not limited to monetary or financial value, or a set time frame. Value can be tangible or intangible, it can be created over the short, medium and long term, and is not limited to the organisation but can be created for others as well. It is important to acknowledge that value creation is complex and arises from the interaction between a wide range of factors.

Organisational capital



Source: Adapted from the Consultation Draft of the International <IR> Framework³

Guiding Principles and Content Elements

While the purpose of the Framework is to assist organisations with the process of integrated reporting, the requirements of the Framework are principles based and do not focus on rules for measurement or disclosure of individual matters or the identification of specific key performance indicators.

The Framework puts forward Guiding Principles and Content Elements to give direction to the content of an integrated report. The Guiding Principles inform the content of the report as well as how the information is presented.

The Content Elements outline the categories of information required to be in an integrated report in order to communicate the organisation's particular value creation story.

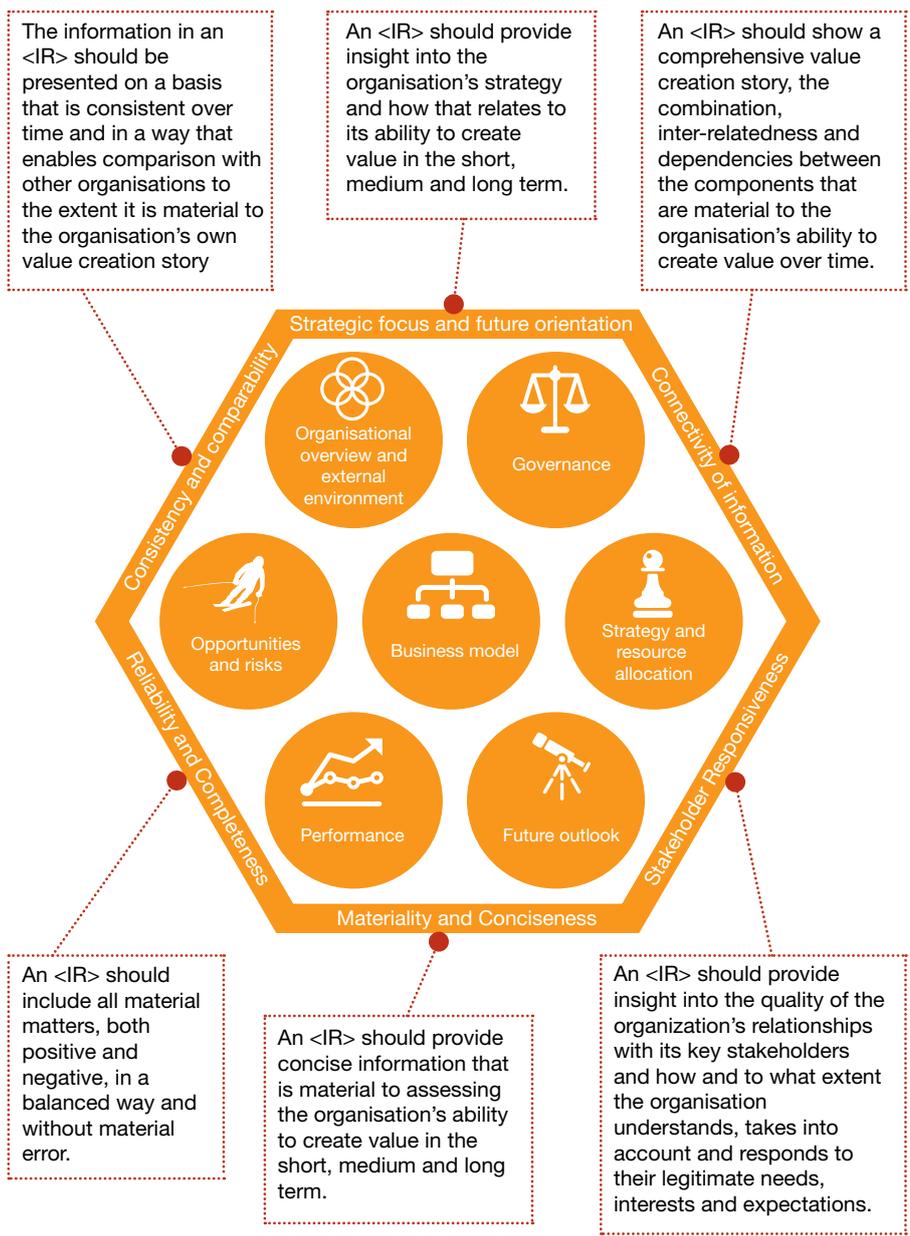
The Framework provides the following Content Elements:

- Organisational overview and external environment
- Governance
- Opportunities and risks
- Strategy and resource allocation
- Business model
- Performance
- Future outlook

These elements are not intended to appear as independent sections of the report. Rather, the purpose of the report is to integrate these elements in a meaningful way by answering the question posed by each element.

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Guiding Principles and Content Elements



Source: Adapted from the Consultation Draft of the International <IR> Framework⁴

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Findings



An integrated report should answer the question:

What does the organisation do and what are the circumstances under which it operates?

Source: Consultation Draft of the International <IR> Framework para 4.6

What it means

Communicating the context within which an organisation operates is often the first step in enabling stakeholders to understand how that organisation creates and sustains value.

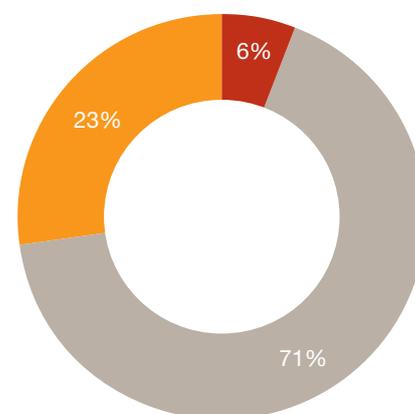
An integrated report should therefore communicate information to enable stakeholders to understand the markets the organisation competes in, why it has chosen to compete in that market, and the impact of trends that are driving strategic choices. This involves communicating about the general market environment including the key markets and environments that an organisation operates in, key underlying drivers of market growth historically and in the future, and the organisation's competitive landscape. An organisation should recognise the opportunities and risks presented by the external market that, through its strategic choices, the organisation is adapting itself to meet.

Findings

The majority of companies surveyed displayed potential to develop their reporting further.

61%
of companies linked strategic choices to external drivers

Reporting on organisational overview and external environment



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

Source: PwC analysis

Some of the most important information lacking in this area is comprehensive quantification of data such as expected market trends or rates of market growth. This indicates that while companies explain how markets have changed and grown historically, often only limited information is provided on the key factors that will impact them in the future.

Principle in practice

Good reporting should provide insight into:

- The organisation's:
 - culture, ethics and values;
 - ownership and operating structure;
 - principal activities, markets, products and services;
 - competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry);
- Key quantitative information (e.g. the number of employees, revenue and number of countries in which the organisation operates), highlighting, in particular, significant changes from prior periods; and
- Significant factors affecting the external environment.

Source: Consultation Draft of the International <IR> Framework para 4.7

The competitive landscape is explained



Source: PwC analysis

Competitive advantage

A tendency to avoid comprehensive discussion of companies' competitive landscape was also identified. Less than a quarter (19%) of companies surveyed succeeded in explaining market share, positioning within key markets and barriers to entry in specific markets. Many companies shied away from identifying key competitors.

Most companies surveyed did, however, provide valuable information on how strategic choices are directly linked to external drivers and trends.

How reporting can be developed

While it is often difficult to identify forward-looking information and quantify industry trends, this information is crucial to investors in assessing an organisation's ability to create value over the medium and long term, as opposed to providing short-term returns. Companies can therefore seize the opportunity by including robust reporting on the factors that may impact on their ability to create value in the longer term, as well as being specific about the competitive landscape.

What good reporting looks like

Example 1: Discovery

Company culture is demonstrated by explaining core values.

Operating structure, principal activities, products and services are illustrated in one graphic.

Key quantitative information.

Ownership percentage is disclosed for each business unit.

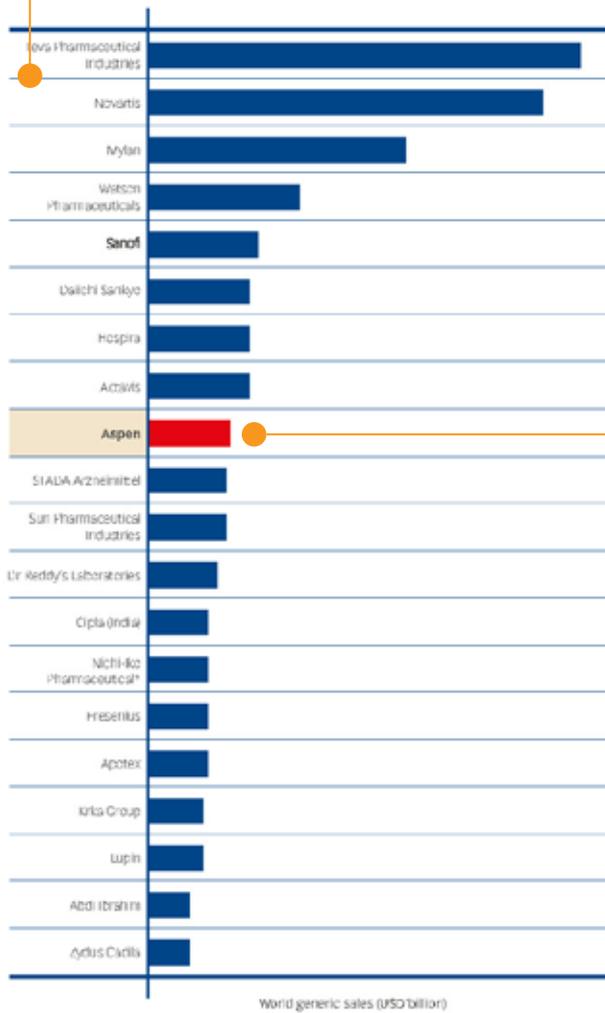
| Business Unit | Market | Metric | Description | Ownership % |
|--------------------|--------|--------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------|
| Discovery Vitality | SA | 1 600 944 members | Largest wellness programme in South Africa | 100% |
| Discovery Life | SA | 674 978 lives covered | Largest pure risk writer in South Africa | 100% |
| PRUPROTECT | UK | 132 616 lives covered | Top four provider in UK IFA channel | 75% |
| Discovery Invest | SA | 65 573 policies | Number one writer of endowment and voluntary purchase annuities | 100% |
| Discovery Insure | SA | 13 343 individual policies | 9% share of personal lines new business in South Africa at the current new business run rate | 75% |
| Discovery Card | SA | 231 302 card accounts | Largest stand alone credit card in South Africa | 100% |
| Discovery Health | SA | 2 664 573 lives covered (all schemes under management) | Manages largest open medical scheme in South Africa | 100% |
| PRUHEALTH | UK | 554 730 lives covered | Top four PNB provider in the UK | 75% |
| 中国平安 PING AN | CHINA | 561 900 lives covered | Number three in group high-end health insurance market | 20% |

Source: Discovery Integrated Annual Report 2012

Example 2: Aspen Pharmacare

Global ranking on worldwide generic pharmaceutical sales in 2011

Identity of competitors.



Source: EvaluatePharma (29 May 2012), coverage of 68 generic companies

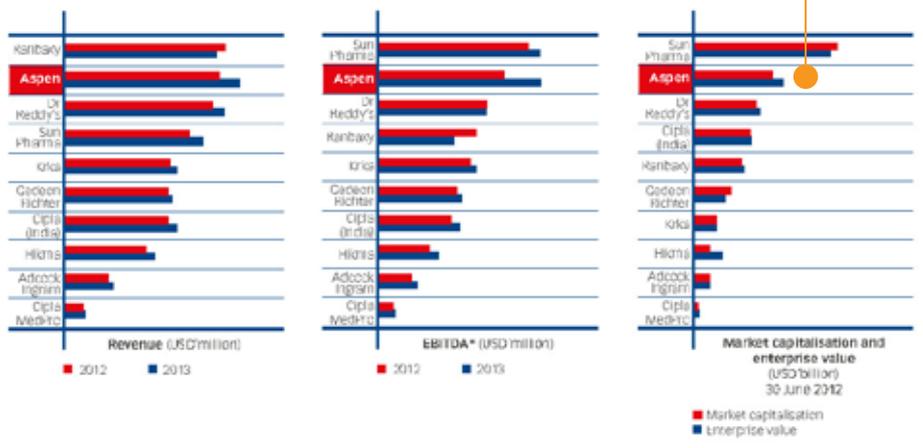
Note: Sales in 2011 based on company reported data (Apotex, Cipla, Dr Reddy's, Lupin and Sun based on forecast data for 2011).
* Nichi-ko's figure for 2011 reflects a 16-month period from 1 December 2010 to 31 March 2012, due to a change in fiscal year end.

Market position

Based upon the Group's results to 30 June 2011 compared to most recent available results for other generic-focused manufacturers worldwide, Aspen is ranked **ninth largest company by revenue.**

Emerging markets peer comparatives

Comparison to peers



Source: Aspen Pharmacare Holdings Annual Report 2012

Integrated reports should answer the question:

“How does the organisation’s governance structure support its ability to create value in the short, medium and long term?”

Source: Consultation Draft of the International <IR> Framework para 4.10

What it means

“An organisation’s ability to create and sustain value is determined inter alia by how it’s led and its governance.”⁵

Governance reporting provides the nexus between the social, environmental, economic and financial issues that impact on the organisation’s business and the development of strategy.

Effective communication about the governance of an organisation is therefore integral to the user’s appreciation of how those charged with governance are creating value.

Findings

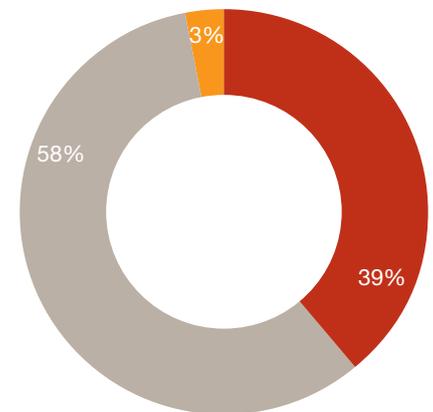
In analysing our overall results, the governance element emerged as an area where reporters did not provide much insight into their governance practices.

The overall finding was that the majority of reporters provide ‘boiler plate’ disclosures of their corporate governance practices, which do not reflect what those charged with governance have actually done in adding value to the company.

Companies assessed are comfortable reporting on board charters and terms of reference. There is an opportunity to integrate the reporting of the actions and responsibilities of those charged with governance with the operations and strategies of the company to provide a holistic view of governance.

39%
of companies showed clear opportunities to develop governance reporting

Reporting on governance



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

Source: PwC analysis

How integrated is the governance reporting?

The integration of governance reporting within the integrated reports was assessed. Our research found that just more than half (55%) of integrated reports were assessed to have not accomplished integration as there was minimal linkage between the narrative of the integrated report and the governance reporting.

The balance of the reports were assessed to be linked to some extent as cross references were provided to other aspects of the integrated report, including risk management and strategy.

16%
of companies describe the actual activities of the board and committees

Principle in practice

Good reporting should provide insight into:

- An organisation’s leadership structure, including the diversity and skills of those charged with governance;
- Specific processes used to make strategic decisions and to establish and monitor the culture of the organisation;
- Particular actions those charged with governance have taken to influence and monitor the strategic direction and risk management approach;
- How the organisation’s culture, ethics and values are reflected in its use of and effect on the various forms of capital, including its relationships with key stakeholders; and
- How remuneration and incentives are linked to value creation.

Source: Consultation Draft of the International <IR> Framework para 4.11

⁵ “Consultation draft of the international <IR> Framework”, IIRC, <http://www.theiirc.org/wp-content/uploads/Consultation-Draft/Consultation-Draft-of-the-InternationalIRFramework.pdf> (accessed August 2013)

Are boards reporting on what they're actually doing?

An emphasis has been placed on reporting on the actual activities undertaken by management and the board in discharging its responsibilities rather than reporting on the responsibilities, terms of reference and charters of the board and its committees.

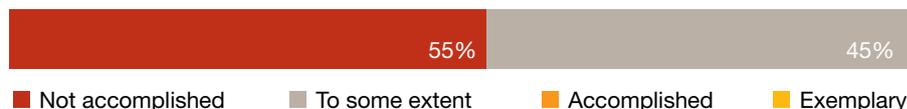
Thirty-five percent of reports disclosed only the responsibilities of the board and its committees and terms of reference and therefore did not accomplish effective reporting of governance practices.

Some description of the actual activities undertaken by the board was provided by 48% of reporters, while 16% of reports were assessed as having accomplished good reporting practice by reporting the actual activities of the board and providing examples or case studies of these activities.

In terms of providing more than basic disclosures about the board effectiveness review, 16% of reports were assessed as having accomplished good reporting. These reports included disclosure on the logistics and process undertaken in assessing the effectiveness of the board as well as extensive disclosure of the outcomes of the review.

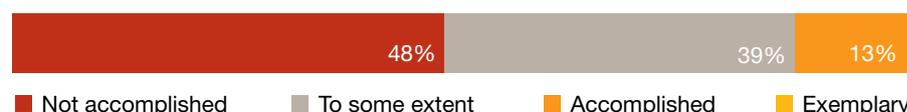
Brief mention of the logistics and the process of assessment of the board's effectiveness was made by 32% of reporters, while the remaining 52% of reporters were assessed as not accomplished and provided a description of logistics, the process and a limited discussion of the outcomes of the review.

Governance reporting integrated into other reporting



Source: PwC analysis

Targets for gender diversity on the board are discussed



Source: PwC analysis

A word on gender diversity

Gender and race are important factors to consider in achieving board diversity. In assessing the organisation's leadership structure, we reviewed integrated reports to determine if policies and targets for gender diversity have been disclosed.

No mention of a policy or a target for gender diversity could be found in 48% of reports, while 39% of reports provided brief reference to supporting policies on gender diversity.

Reporting assessed as accomplished in this area provided insight into the company's policy, evidence of actions taken and targets set to achieve gender diversity. This was demonstrated in 13% of the reports.

How reporting can be developed

Organisations that integrate governance reporting into their integrated report provide a more holistic view of the importance of governance to a business.

Reporting on actual activities undertaken by the board and the outcomes of these activities is more insightful than simply providing information about committee agendas and charters.

What good reporting looks like

Example 3: British American Tobacco

Summary terms of reference of the board committee are provided and are supplemented with details of the actual activities of the board.

Summary Terms of Reference

The CSR Committee is responsible for:

- reviewing and making appropriate recommendations to the Board as regards the Company's management of CSR and the conduct of business in accordance with the Statement of Business Principles;
- monitoring and reviewing the effectiveness of the Group's **strategy for, and management of, significant social, environmental and reputational issues;**
- reviewing and monitoring the Group's plans for, and progress towards, business sustainability; and
- monitoring the effectiveness of the CSR governance process.

The Committee's terms of reference are available at: www.bat.com/governance.

Committee evaluation

The Committee considered a report prepared by the Company Secretary on the effectiveness of the Committee as assessed during the evaluation of the Board in 2012. While the Committee was considered to be functioning well, a number of action points were identified:

Action points

Committee focus and forward agenda: Less focus on in-depth country presentations and increased focus on regulation and **human reduction (the Committee also finalised its forward agendas for 2013 in light of these new areas of focus).**

Peer review: A review of how the Company compares to its industry peers in terms of delivery and reporting of its CSR agenda (this is scheduled for 2013).

Committee composition: The addition of a member with scientific background would augment the Committee's skills. (Dr Richard Tubb was appointed to the Committee in January 2013).

Key activities of the CSR Committee in 2012

The CSR Committee held four scheduled meetings in 2012, including a meeting held at the end of February to review and give final approval to the Company's annual Sustainability Report. Other items considered by the Committee included:

CSR governance

- Feedback and update reports from the regional audit and CSR committees and consideration of CSR-related internal audit reports and recommendations, including in relation to the organisation of the Group's approach to environmental, health and safety issues.
- A continuing review of the potential reputational impact arising from incidents of non-compliance with the Standards of Business Conduct.

CSR policies and compliance

- Potential risks in the countries where the Group does business that are of potential concern from a human rights perspective and the measures and controls in place to mitigate these risks.
- Environmental, health and safety measures, including consideration of the 2012 performance data, to promote a safety behaviour culture throughout the Group, the recommendation for adoption by the Board of a revised Group Environmental Policy and the setting of new environmental targets.

- Adherence to the Group's International Marketing Standards (IMS) and the recommendation for adoption by the Board of the new International Marketing Principles, which replace the IMS and reflect developments in marketing, technology, regulation and stakeholder expectations.

- A review of the current third term of the Biodiversity Partnership with three non-governmental organisations – the Tropical Biology Association, Earthwatch and Fauna & Flora International – focusing on biodiversity in agricultural landscapes and the ecosystems on which they depend in key areas where the Group sources leaf.

- Adherence to the Group's global approach to youth smoking prevention (YSP), a review of the list of targeted markets for YSP focus and of YSP-related activities.

- A review of the Group's corporate social investment activities and plans for new guidelines on the focus of spend.

Sustainability planning and reporting

- Central and local stakeholder dialogue activities during 2012 and plans for dialogue activities in 2013.
- A review of the 2011 Sustainability Report, including a summary of external feedback and endorsements, Ernst & Young LLP's Assurance Management report and approval for the Group's future approach to sustainability reporting.
- An assessment of the progress made against the 2011 sustainability goals and commitments.
- The re-engagement of Ernst & Young LLP to provide assurance services for a further one-year period.

Board committees undergo an effectiveness review and the results of the review are disclosed.

Action points that have emerged from the committee effectiveness review have been provided.

Actual activities undertaken by the board committee during the year have been disclosed.

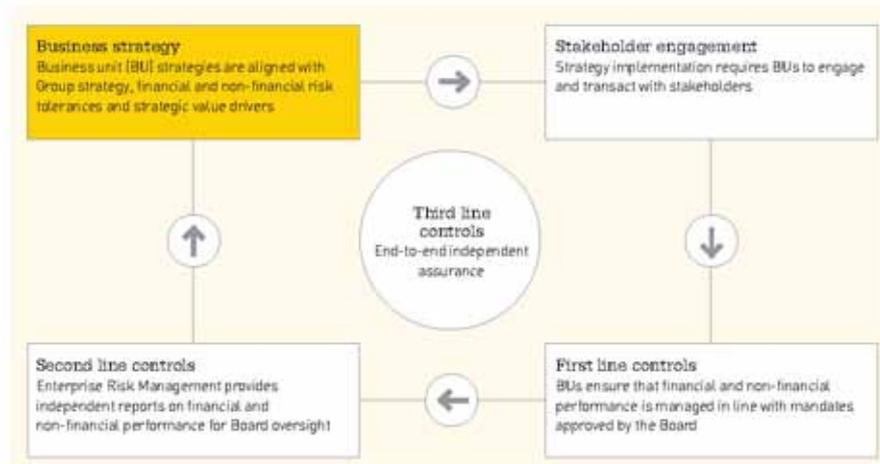
Source: British American Tobacco Annual Integrated Report 2012

Example 4: FirstRand

Integrated governance model

"FirstRand's integrated approach to managing financial and non-financial issues ensures the alignment of Group objectives with the long-term interests of its stakeholders. This creates an environment where every transaction with every stakeholder can be seen as an opportunity to support the sustainable development of the economies in which the Group operates."

An integrated approach to governance of financial and non-financial capitals is demonstrated



Source: FirstRand Annual Integrated Report 2012

Opportunities and risks

An integrated report should answer the question:

What are the specific opportunities and risks that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?

Source: Consultation Draft of the International <IR> Framework para 4.13

What it means

Value creation is significantly affected by an organisation's ability to embrace opportunities and effectively manage risk. An integrated report should identify these opportunities and risks, and explain the strategic direction the organisation has chosen and the actions it has undertaken to manage these.

Effective communication in this area includes providing insight into the risk identification and management process of an organisation, the specificity of the risks identified to the organisation and clear discussion of the implications of the identified risks on the organisation's ability to create value.

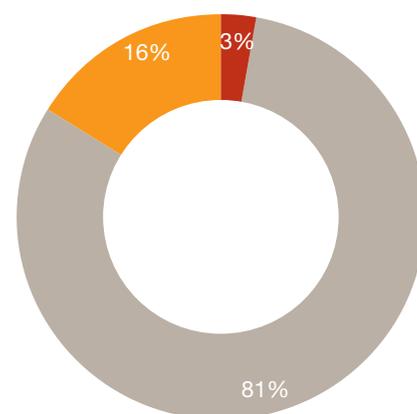
Findings

The vast majority of companies surveyed showed potential to develop their integrated reporting further.

48%

of companies integrated risks into other aspects of the report

Reporting on opportunities and risks



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

Source: PwC analysis

While most companies included narrative information about identified risks specific to the company, only 10% supported the discussion with quantified information, such as through key performance indicators (KPIs).

Risk dynamics

A mere 13% of companies provided good insights into the dynamics of their risk profiles by including information about the impact and probability of identified risks, as well as how risk profiles may change over time.

Principle in practice

Good reporting should provide insight into:

- The specific source of opportunities and risks, which may be internal, external or, commonly, a mix of the two;
- The organisation's assessment of the likelihood that the opportunity or risk will come to fruition and the magnitude of its effect if it does. This includes consideration of the specific circumstances that would cause the opportunity or risk to come to fruition; and
- The specific steps being taken to create value from key opportunities and to mitigate or manage key risks, including the identification of the associated strategic objectives, strategies, policies, targets and performance indicators.

Source: Consultation Draft of the International <IR> Framework para 4.15

Insights into the dynamics of the risk profile are provided



Source: PwC analysis

How reporting can be developed

Opportunities and risks are fundamental and pervasive to organisations' value creation activities. It is therefore paramount to integrate discussions relating to opportunities and risks throughout the integrated report and avoid limiting risk reporting to a stand-alone section.

Companies that include information about the potential impact and probability of risks occurring provide stakeholders with valuable information about those risks that may influence the company's ability to create value over the short, medium and long term. This could also include linking risks to KPIs or quantifying risks in a meaningful way.

23%

of companies make specific reference to risk appetite

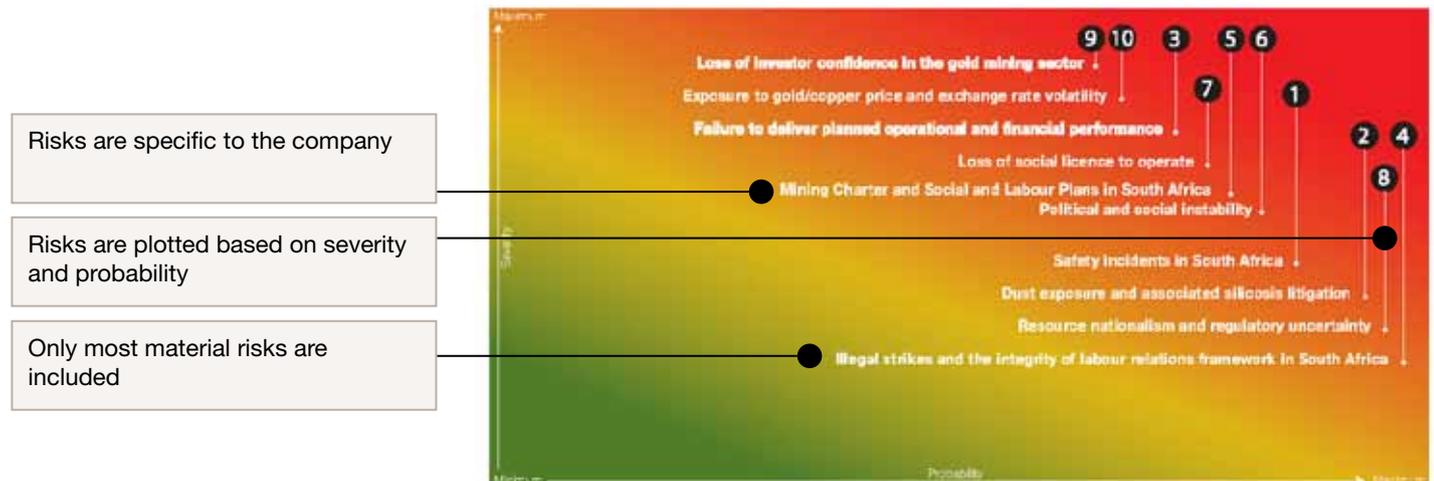
What good reporting looks like

Example 5: SABMiller

| Principal risk | Context | Specific risks we face | Possible impact | Mitigation | Relevant strategic priorities |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Industry consolidation | The global brewing and beverage industry is expected to continue to consolidate. There will continue to be opportunities to enter attractive growth markets, to realise synergy benefits from integration and to leverage our global scale. | <ul style="list-style-type: none"> Failing to participate in value adding transactions. Paying too much to acquire a business. Not implementing integration plans successfully. | Lower growth rate, profitability and financial returns. | <ul style="list-style-type: none"> Potential transactions are subject to rigorous analysis. Only opportunities with potential to create value are pursued. Proven integration processes, procedures and practices are applied to ensure delivery of expected returns. Activities to deliver synergies and leverage scale are in place, monitored closely and continuously enhanced. Develop non-traditional capabilities to enter and grow profitably in new markets. | <ul style="list-style-type: none"> Creating a balanced and attractive global spread of businesses. Consistently raising the profitability of local businesses, sustainably. |
| Change in consumer preferences | Consumer tastes and behaviours are constantly evolving, and at an increasingly rapid rate. Competition in the beverage industry is expanding and becoming more fragmented, complex and sophisticated. | <ul style="list-style-type: none"> Failing to ensure the strength and relevance of our brands with consumers and customers. Failing to respond in an adequate and timely manner to rapidly changing consumer preferences and behaviours. Failing to continue to improve our commercial capabilities to deliver brand propositions that meet consumer, shopper and retailer needs. | Market positions come under pressure, lower top-line growth rate and profitability. | <ul style="list-style-type: none"> Ongoing evaluation of our brand portfolio in every market to ensure that they target current and future opportunities for profitable growth. Building our brand equities through innovation and compelling marketing programmes. Ensuring we have deep understanding of changing consumer and industry dynamics in key markets, enabling us to respond appropriately to issues which may impact our business performance. Continual advancement of the SABMiller Marketing Way which sets out the best practice approach for our commercial processes. Focus on monitoring and benchmarking commercial performance and developing the critical commercial capabilities that are required in order to win in local markets. | <ul style="list-style-type: none"> Developing strong, relevant brand portfolios that win in the local market. Consistently raising the profitability of local businesses, sustainably. Leveraging our skills and global scale. |
| Management capability | We believe that our people are our enduring advantage and therefore it is essential that we develop and maintain global management capability. | <ul style="list-style-type: none"> Failing to identify, develop and retain a sufficient pipeline of talented managers for the present and future needs of the group. | Lower long term profitable growth. | <ul style="list-style-type: none"> Further develop our leadership talent pipeline through our Global Talent Management model and strategic people reengineering. Sustaining a strong culture of accountability, empowerment and personal development. Standardisation of key processes and best practices across the group through the roll-out of the SABMiller Way. Recognising strong performance through appropriate reward structures. | <ul style="list-style-type: none"> Developing strong, relevant brand portfolios that win in the local market. Consistently raising the profitability of local businesses, sustainably. Leveraging our skills and global scale. |

Source: SABMiller Annual Report 2012

Example 6: Gold Fields



- Risks are specific to the company
- Risks are plotted based on severity and probability
- Only most material risks are included

Source: Gold Fields Limited Integrated Annual Review 2012

An integrated report should answer the question:

Where does the organisation want to go and how does it intend to get there?

Source: Consultation Draft of the International <IR> Framework para 4.18

What it means

The importance of an organisation's strategy is highlighted by the fact that strategic focus is one of the guiding principles of the <IR> Framework, as well as a Content Element.

A good strategy is the frame of reference for all the value creation decisions and activities that an organisation may engage in. An organisation should communicate what it is trying to achieve, where it is trying to compete, how it will achieve its goals and how it will measure progress.

39%
of companies discussed targeted time frames for implementing strategic objectives

Principle in practice

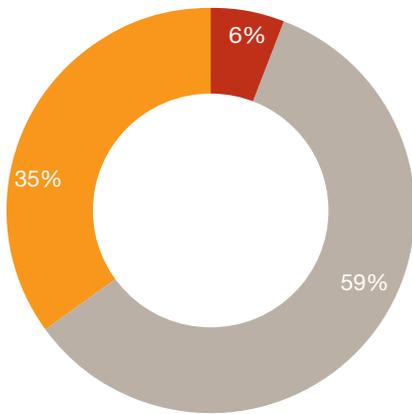
Good reporting should provide insight into:

- The organisation's short, medium and long-term strategic objectives;
- The strategies it has in place, or intends to implement, to achieve those strategic objectives;
- The resource allocation plans it has in place, or intends to put in place, to implement its strategy; and
- How it will measure achievements and target outcomes for the short, medium and long term.

Findings

Nearly half of companies surveyed demonstrated effective communication relating to strategy and resource allocation.

Reporting on strategy and resource allocation



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

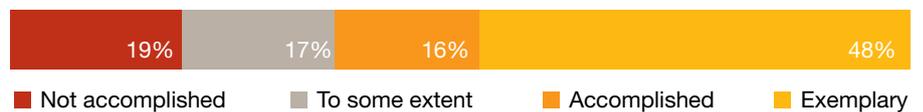
Source: PwC analysis

Source: Consultation Draft of the International <IR> Framework para 4.19

Almost all companies (97%) surveyed made some kind of statement relating to overall ambition, and nearly three quarters (74%) of companies surveyed had comprehensive discussion surrounding how strategic priorities are aligned to overall goals.

More than half (64%) of companies surveyed reported on the outcomes of strategic activities and clearly set out performance measures that management use to monitor whether these are being achieved.

Outcomes of strategic priorities are reported on



Source: PwC analysis

What good reporting looks like

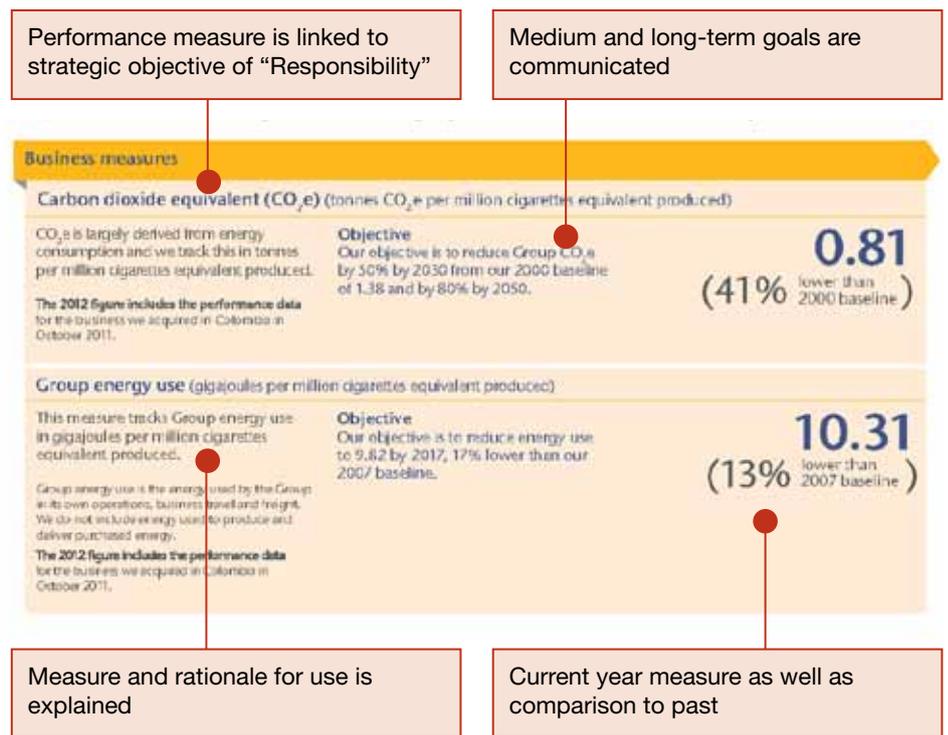
How reporting can be developed

Incorporating strategic priorities as a common theme throughout a report demonstrates how integrated strategy is in a company's value creation journey.

Including time frames and targets for achieving strategic priorities also enables stakeholders to assess whether companies are making progress towards achieving their ambitions.

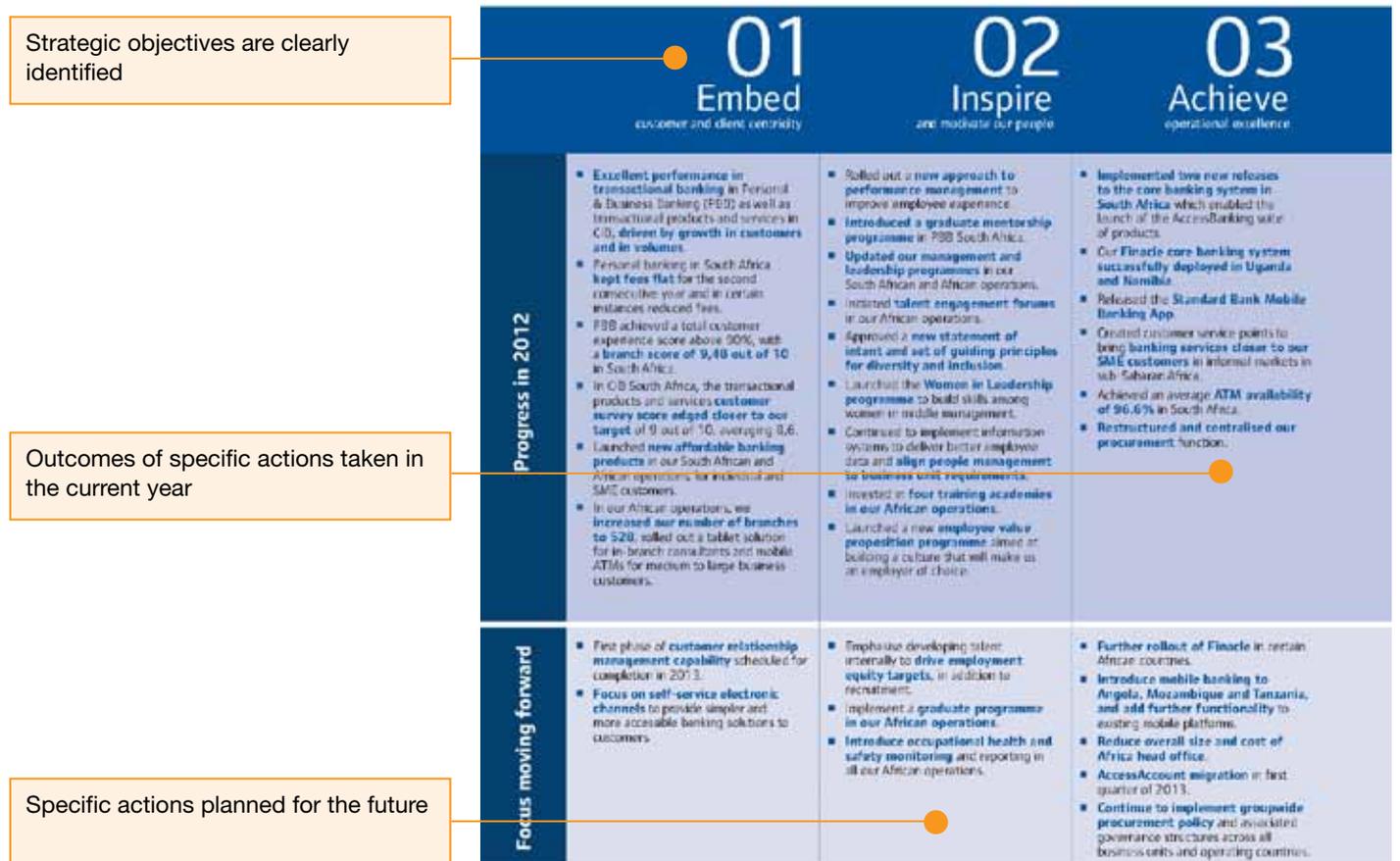
48%
of companies reported on specific actions taken to achieve strategic priorities

Example 7: British American Tobacco



Source: British American Tobacco Annual Report 2012

Example 8: Standard Bank Group



Source: Standard Bank Group Annual Integrated Report 2012

Business model

An integrated report should answer the question:

What is the organisation's business model and to what extent is it resilient?

Source: Consultation Draft of the International <IR> Framework para 4.21

What it means

The business model is at the heart of an organisation and draws from the different capitals as inputs and converts them into outputs by means of the organisation's business activities.

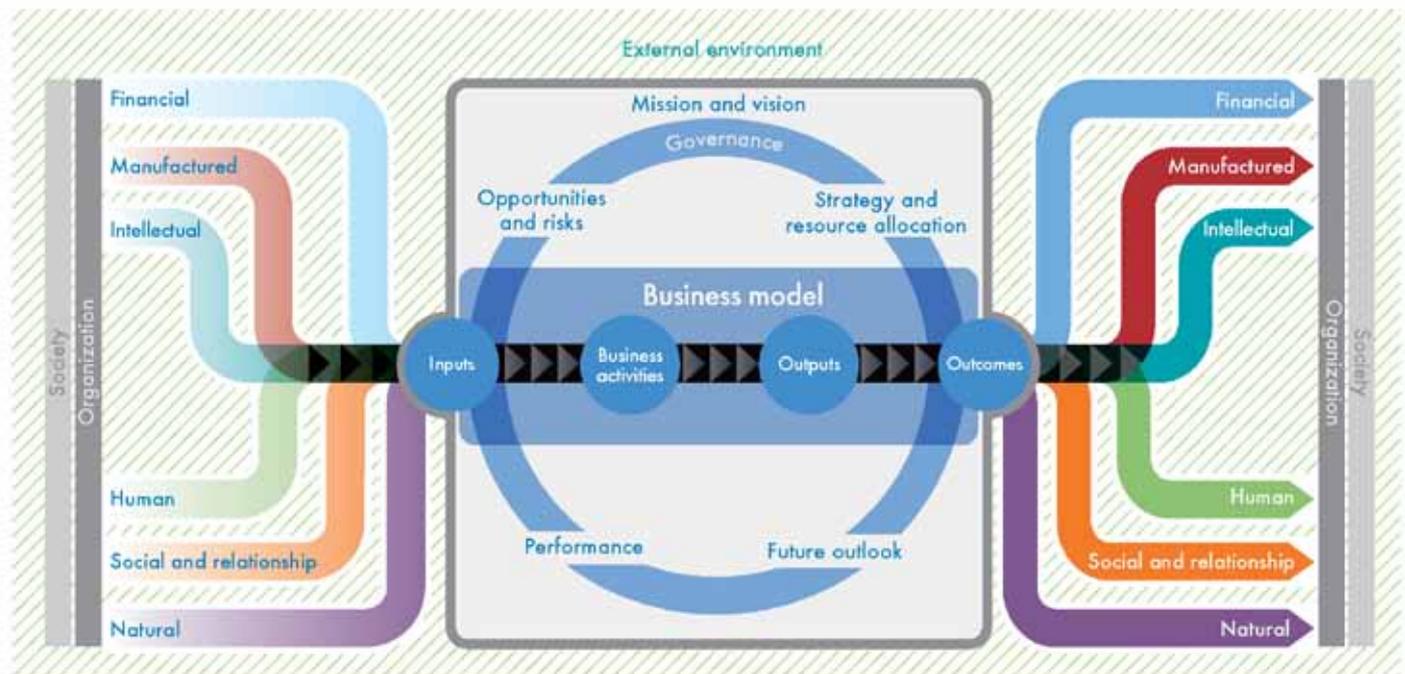
This process leads to outcomes that in turn impact on the capitals, which are not necessarily identical to those used in the input phase.

This complex interconnection between an organisation and its environment is the core of value creation.

55%
of companies identify and describe material capital inputs into the business model

An organisation should explain the resources and relationships that it relies on to deliver its strategy, how dependent it is on them, how it manages them and how it monitors success.

The value creation process



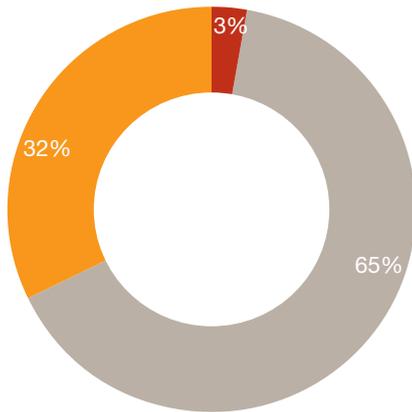
Source: Consultation Draft of the International <IR> Framework⁶

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Findings

Most companies accomplished effective reporting at some level. While the majority still have potential to develop, a large number of companies clearly demonstrated effective communication.

Reporting on the business model



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

Source: PwC analysis

Many companies (55%) identified material capital inputs into the business model, as well as the differentiators and value-adding activities within the business model used to execute strategy and implement priorities.

45%
of companies integrated discussion of their business model with other elements of the report

Principle in practice

Good reporting should provide insight into:

- Key inputs and how they relate to the capitals from which they are derived;
- Key business activities, considering such factors as:
 - How the organisation differentiates itself in the market place;
 - The extent to which the business model relies on revenue generation after the initial point of sale;
 - How the organisation approaches the need to innovate;
 - How the business model has been designed to adapt to change;
- Key outputs, explaining the products and services that the organisation places in the market, and material by-products and waste;
- Key outcomes in terms of the capitals, including both internal outcomes and external outcomes.

Source: Consultation Draft of the International <IR> Framework para 4.22

Insights given into dependency on certain resources and relationships



Source: PwC analysis

Thoughts on dependency

Less than a quarter (19%) of companies gave insight into their dependency on certain resources and relationships inherent in the business model. More than 90% of companies integrated their discussion of the business model with other elements of the report.

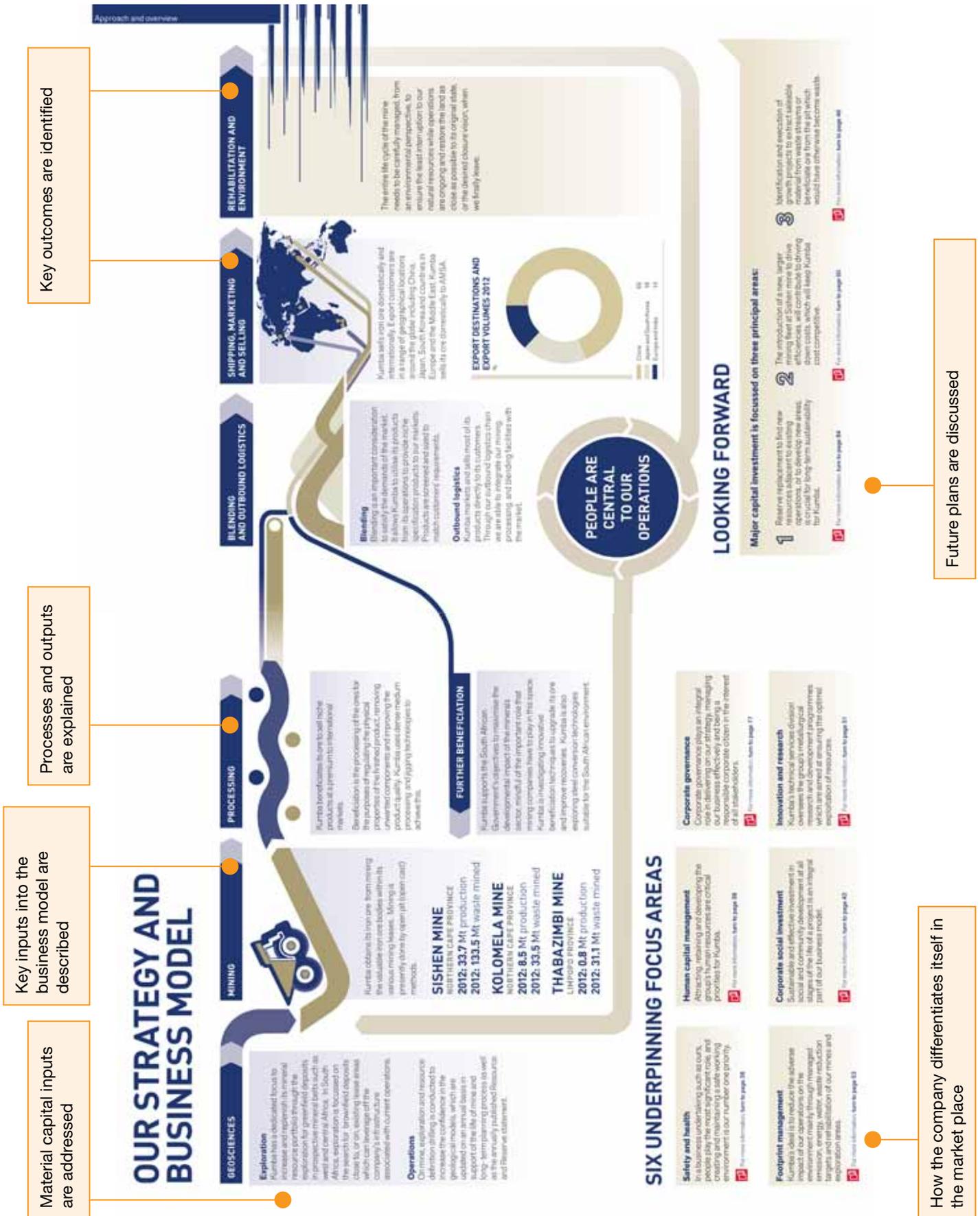
How reporting can be developed

Given the complexity of organisations' relationships with the external environment, resources and relationships, organisations should carefully consider the communication of this complexity to stakeholders. This is especially true where organisations are dependent on scarce resources or significant relationships to create value.

Many organisations neglect to discuss the role of the corporate centre in the delivery of strategy. How an organisation functions on a central level may provide insights into how the different elements of the business model are managed and monitored, as the corporate centre is often the main driver of the different value-creating activities of an organisation.

What good reporting looks like

Example 9: Kumba Iron Ore

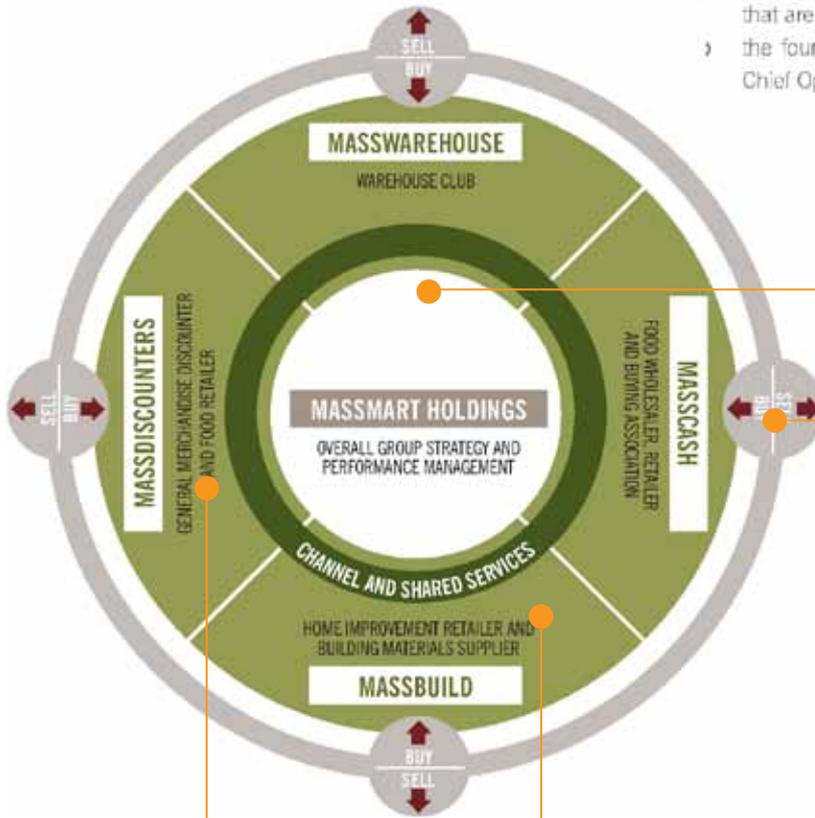


Source: Kumba Iron Ore Limited Integrated Report 2012

Example 10: Massmart

The model operates through four entities:

- › Massmart Holdings, the shareholder of the operating Divisions that consolidates the Group's financial, treasury, tax and company secretarial functions and is headed by the Financial Director;
- › Channel, where Divisions can share best practice and develop mutually beneficial collaborative efforts;
- › Shared Services, which handles those activities identified by Channel that are more cost effective to share across Divisions; and
- › the four operating Divisions themselves, who report directly to the Chief Operating Officer.



Role of the corporate centre is described

Inputs and outputs are identified

Products that the company places into the market are identified

Clear description of the business activities of the company

MASSMART IS A MANAGED PORTFOLIO OF FOUR DIVISIONS, EACH FOCUSED ON HIGH-VOLUME, LOW-MARGIN, LOW-COST DISTRIBUTION OF MAINLY BRANDED CONSUMER GOODS FOR CASH, THROUGH 348 STORES IN 12 COUNTRIES IN SUB-SAHARAN AFRICA.

Explanation of how the company differentiates itself in the marketplace

Source: Massmart Annual Report 2012

Integrated reports should answer the question:

“To what extent has the organisation achieved its strategic objectives and what are its outcomes in terms of the effects on the capitals?”

Source: Consultation Draft of the International <IR> Framework para 4.27

What it means

Underpinning the focus on integrated reporting is a strong appreciation that the success of organisations is inextricably linked to three interdependent factors: society, the environment and the global economy.

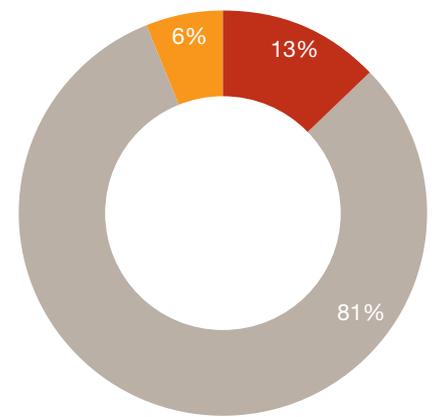
Performance reporting has similarly evolved from reporting on financial measures of success to a more holistic approach that includes reporting on social and environmental performance.

Findings

The overall results indicate that with only 6% of reporters effectively communicating their holistic performance to users, there is great potential to improve performance reporting in integrated reports.

51%
of companies provide clear alignment between KPIs and remuneration policies

Reporting on performance



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

Source: PwC analysis

Principle in practice

Good reporting should provide insight into:

- Quantitative indicators with respect to targets, value drivers, and opportunities and risks, explaining their significance and implications and the methods and assumptions used in compiling them;
- The organisation’s effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain; and
- Linkage between past and current performance, and between current performance and future outlook.

Source: Consultation Draft of the International <IR> Framework para 4.28

KPIs are explicitly identified



- Not accomplished
- To some extent
- Accomplished
- Exemplary

Source: PwC analysis

Quantitative measurement

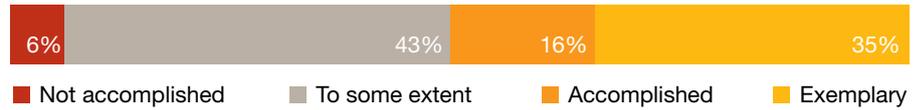
Quantitative indicators of performance such as KPIs can help increase comparability and are particularly helpful in expressing and reporting against targets.

Our research found that 84% of companies explicitly identified KPIs. On average, companies reported 24 KPIs in their integrated reports, of which eight were financial KPIs, 10 were operational and six related to sustainability.

KPIs: Quantity vs quality

While inclusion of quantitative KPIs may create the impression that performance has been well disclosed, it is important to assess the usefulness and quality of the KPIs identified.

KPIs are aligned to strategic objectives



In providing a context for the KPIs reported on, 81% of reports showed room for improvement both in qualitatively defining the KPIs and providing a rationale for their use. The remaining 19% of reports defined their KPIs and explained within the context of their business why they had been used.

It is encouraging to note that almost half of all KPIs reported are aligned to strategic priorities (51% of reports assessed) that reinforce the principle of integrated thinking. Of these, three-quarters explicitly linked their KPIs to their strategic priorities and were assessed as exemplary reporters.

71%
of KPIs are quantified

42%
of companies provide comparable benchmark data for KPIs

Source: PwC analysis

Trend and comparable benchmark data is recognised as providing useful context for the results of the KPIs reported on. The majority of reports (84%) do provide trend data for their KPIs, allowing users to make year-on-year comparisons.

However, only 3% of the reports provided industry benchmark data against which users can assess the performance of the company.

In the majority of cases, where trends have been established, information has not been provided regarding the reasons for movements from the prior year, particularly where targets have not been met.

Future targets for KPIs reported on enhance the accountability of management. An overwhelming majority of reports (90%) do not provide future targets for KPIs, or only partly provide future targets for KPIs. Just 10% of reports provide quantified future targets for all KPIs.

Our overall assessment of KPIs indicates that while most organisations are explicitly identifying KPIs and disclosing a large number of KPIs, the KPIs reported on are not communicated on in the context of the business.

Linking performance and remuneration

A greater emphasis has been placed on aligning KPIs with remuneration policies to enhance the transparency of management and board remuneration.

KPIs should be aligned to strategic priorities, which in turn drive the remuneration policies of the company.

Enhancing the quality of KPIs

- Tailor KPIs to be relevant to the organisation;
- Report KPIs that are consistent with measures used by those charged with governance in assessing the performance of the organisation;
- Present KPIs with targets, forecasts or projections over the short and medium-term;
- Present for past periods to establish a trend and with industry benchmarks;
- Present against previously reported targets, forecasts or projections to enhance accountability;
- Report consistently over periods;
- Present measurement techniques and assumptions made with qualitative information; and
- Report on reasons for significant variations from targets, trends or benchmarks and why they are or are not expected to reoccur.

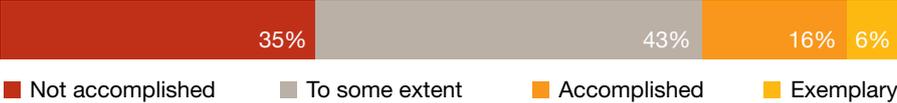
How reporting can be developed

Organisations can enhance the quality and usefulness of KPIs reported by making them specific to their business and providing clear targets and industry benchmarks against which they can be measured.

Where trends are provided to assist in year-on-year analysis, management commentary should accompany these trends to enable users to understand the movements in KPIs.

Providing a clear link between KPIs and the organisation’s strategy and remuneration policies will enhance the quality of disclosure around remuneration.

Alignment of KPIs with remuneration policies



Source: PwC analysis

An analysis of our findings found that 35% of integrated reports show no meaningful alignment between KPIs and remuneration policies, while 43% demonstrate only some KPIs that align with remuneration policies.

Clear alignment between KPIs and remuneration policies was demonstrated in only 16% of reports. However, only 6% of the reports assessed provided progress reports on whether targets were actually achieved and if targets were not achieved, the reasons for the underperformance.

What good reporting looks like

Example 11: Gold Fields

Integrates the strategic requirement, key stakeholders who would be affected, stakeholder risk or opportunity with performance, strategic actions to be undertaken in the following year and remuneration in a format that is easy to follow.

The context of the KPI reported on is provided as well as its importance to the organisation.

KPIs are explicitly identified and quantified.

3.3.2 Strategic performance dashboard
Figure 3.9: Group strategic performance dashboard

| Strategic requirement | Key stakeholders | Stakeholder risk/opportunity | What we measure |
|----------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| A winning, safe, healthy and productive team | Employees/trade unions/Regulators | <ul style="list-style-type: none"> Moral imperative to protect those who work for us Protection of reputation Avoidance of operational disruption Potential for regulatory sanctions – including safety-related stoppages Potential for future legal liabilities Maintenance of a safe, healthy, motivated and productive workforce | Lost Time Injury Frequency Rate (LTIFR) Culture and Climate ratings ¹ |
| | Investors | <ul style="list-style-type: none"> Attraction and retention of the best talent in a competitive global labour market Maintenance of a sustainable skills pipeline Maintenance of constructive labour relations to avoid operational disruptions | |
| The most trusted and valued mining partner | Local communities | <ul style="list-style-type: none"> Ability to secure new mining licences Ability to meet legal and regulatory requirements | Local Economic Contribution (US\$ billion) |
| | Host governments | <ul style="list-style-type: none"> Ability to access financing to grow the operational base Access to high-potential, higher-risk growth opportunities | Healthy drinking and productive water to employees and affected communities |
| | Civil society | <ul style="list-style-type: none"> Maintenance of stable production at established operations Ability to maintain our energy and carbon emission reduction programme | Energy (GJ) per ounce of gold produced Environmental incidents greater than Category 2 |

Reports on the key stakeholders driving the prioritisation of each strategic requirement.

Explains how the relative strength of its value-adding activities and measures of success are determined, i.e. use of performance measures and the quantification of these.

Example 11: Gold Fields (cont.)

Trend data is provided for KPIs reported on.

Strategic actions to be undertaken in the following year have been disclosed.

Explicit linkage is made between achieving strategic priorities and KPIs and CEO remuneration

| Performance in 2011 | Performance in 2012 (incl. Sibanye Gold) | Planning in 2013 (excl. Sibanye Gold) | Impact on CEO remuneration ¹ |
|-----------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| 4.63 | 5.18 ² | <ul style="list-style-type: none"> Engineering-out of safety risks and health risks (p68) Enhanced safety enforcement measures, including increased resourcing (p67) Cultural/behavioural change (p68) Preparation for potential asbestos litigation in South Africa (p137) Maintenance of OHSAS 18001 certification Development of a new Employee Charter Ongoing competitive remuneration and benefits strategy (p10, 130) Proactive leadership development and talent management programme (p132 – 133) Delivery of world-class training (p133) Ongoing, proactive engagement with unions and employees (p130) | <ul style="list-style-type: none"> % of Group Objectives: 30% % of Personal Objectives: 27% |
| n/a | Implementation starting 2013 | <ul style="list-style-type: none"> Development of a new Society Charter Ongoing and constructive engagement with governments and communities Maintenance of ISO 14001 certification Delivery of shared value through our new Community Promises (p145) Development of new Community Handbook (p148) Review of the UN Ruggie Framework to analyse human rights performance and ensure best practice Roll-out of our new Water Strategy (p91) Ongoing minimisation of negative environmental impacts (p91) Sustained focus on the integrated Energy and Carbon Management Strategy (p90) | % of Personal Objectives: 18% |
| Implementation started 2012 | 8.30 | | |
| n/a | Implementation starting 2013 | | |
| 6.97 | 7.56 | | |
| 5 | 7 | | |

Source: Gold Fields Integrated Annual Report 2012

Example 12: Aspen Pharmacare

KPIs are explicitly identified.

The implication of the actual performance as per the disclosed indicator on the business has been provided.

| Key performance indicator | Relevance of indicator to the business | Achievement | | | Implication of performance to the business |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | 2012 | 2011 | 2010 | |
| Supplying customers with high quality and safe products | | | | | |
| Number of product recalls for quality-related reasons | Product recalls represent those products which the regulatory authorities determine to be potentially harmful to patients and consequently require to be recalled from all customers to which they were supplied. Product recalls are an indicator of the extent to which quality systems are effective | 5 | 3 | 2 | Two products recalled were for direct quality-related reasons and a further three products were recalled owing to stability/shelf life issues. No adverse effects to patients have been reported. Remedial action is being taken to address the causes of these recalls. |
| Adding economic value to stakeholders | | | | | |
| Return on ordinary shareholders' equity | Provides a measure of the productivity of ordinary shareholders' equity which can be benchmarked against other potential investments by shareholders | 17% | 16% | 20% | The conversion of preference shares to ordinary shares by Aspen's empowerment shareholder, in June 2012 resulted in some dilution of this ratio. Aspen's return on equity nonetheless represents a strong investment case for shareholders |

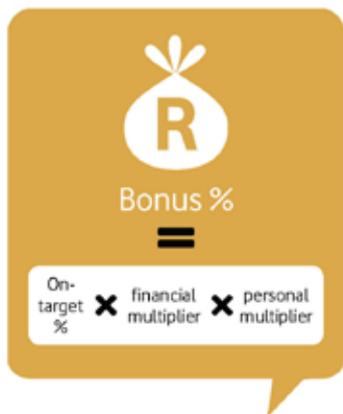
The relevance of the performance indicator for the business has been discussed as well as an explanation of what the KPI means.

KPIs are quantified.

A trend has been provided for the KPIs with at least two previous years of data reported on.

Source: Aspen Pharmacare Annual Integrated Report 2012

Example 13: Vodacom



| Position | % of GP at target | Incentive cap as % GP |
|---------------------|-------------------|-----------------------|
| Executive directors | 75 | 200 |
| Prescribed officers | 50 – 60 | 150 – 180 |

The personal multipliers are based on the performance of executives relative to their objectives. The financial multiplier for 2012 was based on financial targets, set by RemCo, of:

- service revenue (25% weighting);
- EBITDA (25% weighting);
- operating free cash flow (20% weighting); and
- competitive performance (30% weighting).

Description of how bonuses are calculated is provided

Financial targets used in calculating remuneration, aligning strategic priorities and remuneration are explained

Progress reported on targets identified with an explanation of why results were ahead of targets.

As competitive performance is a measure that may be subjectively calculated, the report states what competitive performance is in the context of the results.

The graphic below indicates the extent to which Group targets were met for the year ended 31 March 2012. Group service revenue was ahead of target mainly due to the international operations, EBITDA was ahead of target due to improved profitability in both our business segments and operating free cash flow was well ahead of target, due to growth in EBITDA, improved working capital and International operations making a positive contribution. Competitive performance is based on our relative performance in the South African market, where we held our market share relative to MTN for the 12 months ended 31 December 2011. We ended the financial year with a higher NPS than the prior year and ahead of our closest competitor. This resulted in an overall financial multiplier of 152.7% which together with the personal multiplier is used in determining the STI for the year.

| | Weight | Threshold | Target | Stretch | Score 0 – 200% | Weighted score |
|--------------------------|--------|-----------|--------|---------|-------------------|----------------|
| Service revenue | 25% | 0% | 100% | 200% | 160.1% | 40% |
| EBITDA | 25% | 0% | 100% | 200% | 135.8% | 34% |
| Operating free cash flow | 20% | 0% | 100% | 200% | 193.4% | 39% |
| Competitive performance | 30% | 0% | 100% | 200% | 133.3% | 40% |
| | | | | | Total | 152.7% |

Weighting of targets is explicitly provided

Source: Vodacom Annual Integrated Report 2012

Integrated reports should answer the question:

What challenges and uncertainties is the organisation likely to encounter and what are the potential implications for its business model and future performance?

Source: Consultation Draft of the International <IR> Framework para 4.33

What it means

In developing the Framework, it was recognised that much of what is currently reported tends to be backward-looking and fails to provide 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.

Therefore, in addition to reporting on performance during the reporting period, the integrated report should include a forward-looking statement concerning the organisation’s anticipated activities and performance objectives, informed by its assessment of recent performance and understanding of trends in the external and internal environment, including stakeholder expectations.

Findings

Our research found that 13% of reporters provided effective communication of their future outlook and how the company plans to create and sustain value over the medium and long term, while 87% of reports have the potential to develop their reporting in this area.

29%

of companies provided a comprehensive discussion of strategy and priorities to ensure the long-term viability of the business.

What is material?

To provide a context for the future viability of the organisation, it is important to understand the process undertaken by management in identifying material issues affecting its future viability.

A fifth (23%) of reports analysed did not discuss how material issues were identified, while 35% provided some discussion of how material issues are identified.

The remaining 42% of reports provided comprehensive reporting on identifying key issues such as descriptions of stakeholder engagement processes and outcomes.

Principle in practice

Good reporting should provide insight into:

- Anticipated changes over time;
- Information, built on sound and transparent analysis, about:
 - The expectations of senior management and those charged with governance about the external environment the organisation is likely to face in the short, medium and long term;
 - How that will affect the organisation; and
 - How the organisation is currently equipped to respond to the critical challenges and uncertainties that may arise.

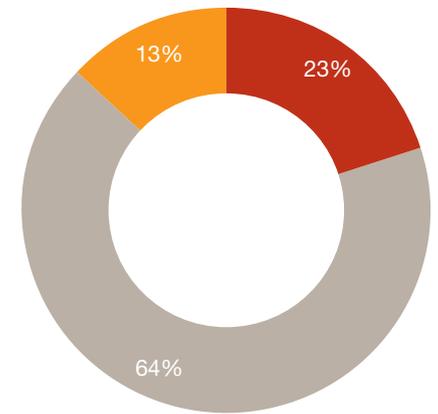
Source: Consultation Draft of the International <IR> Framework para 4.34

The process for identifying material issues that impact future viability is explained



Source: PwC analysis

Reporting on the future outlook



- Effective communication
- Potential to develop reporting
- Clear opportunities to develop reporting

Source: PwC analysis

The time frames of issues affecting future viability and targets that an organisation should consider in its reporting will vary depending on its business and investment cycles, industry context, strategies adopted and stakeholder expectations.

While 32% of reports provided time frames that are unclear, 68% do attempt to identify the time frame in which future viability has been considered, bearing in mind the nature of the company's business and industry.

Providing a future perspective

In assessing whether management discusses the expected availability and its future access to the material non-financial capital inputs that the organisation relies on to create value, only 6% of reports provided exceptional disclosure and a comprehensive discussion of all material inputs supported with quantified data.

One fifth (19%) of reports provided a discussion of all material inputs that the organisation is reliant on to create value, while 71% of reporters provided limited or no discussion of the material inputs and the availability of these, on which the organisation is reliant on to create value.

Discussion of the future availability of material capital inputs



Source: PwC analysis

The majority of reports assessed (71%) provided only some or no information regarding specific strategic actions required to address future availability of material capital inputs. The remaining 29% provided a comprehensive explanation of strategy and priorities to ensure the long-term viability of the business.

Overall, the results of the future outlook assessment show that integrated reports currently tend to provide information that is mostly backward looking and which is of limited relevance to users.

How reporting can be developed

The integrated report should provide a clear and appropriate demonstration of the time frame over which future viability has been considered, in the context of the nature of the company's business and industry.

Disclosing the specific strategic actions to be undertaken to address the availability of material non-financial capitals and provide future KPIs for strategic objectives identified communicates the future prospects and viability of an organisation to its stakeholders.

What good reporting looks like

Example 14: AngloGold Ashanti

Where targets have not been reported on (social performance), an explanation has been provided as to why the target has not been reported on and when reporting on these targets will commence.

Explicit targets against which KPIs are measured.

The targets are aligned to strategy and cross-referenced to strategy disclosure.

FIVE-YEAR TARGETS AND PERFORMANCE SCORECARD

OUR TARGETS

In 2010, the AngloGold Ashanti board agreed a set of five-year targets for the period 2011 to 2015. Our targets will drive the creation of real and long-term beneficial relationships with social and business partners within the company and the communities in which we operate. These targets relate to key areas of performance and define our vision of leadership in our sector. One target, that relating to social performance, was re-considered as we sought to identify and report on meaningful and quantifiable measures of impact. Consequently, we have not reported on these targets here. We expect to advise on these in the year ahead.

These five-year targets – listed below – are aligned with our strategy which is discussed on page 17. AngloGold Ashanti may not be able to reach these targets. Refer to the "Forward-looking statements" on page 1 of this report, to the section entitled "Understanding and mitigating our risks" on page 24 of this report, and to the document entitled "Risk factors related to AngloGold Ashanti's suite of 2012 reports" which is available on AngloGold Ashanti's online corporate report website www.aga-reports.com.

Five-year targets (2011 to 2015)

| Focus area | Five-year delivery target | Key performance indicator |
|--------------------|--------------------------------------------------------------------------|-----------------------------|
| Safety | All injury frequency rate (AIFR) of less than 9 per million hours worked | AIFR |
| Production volumes | Between 5.4Moz and 5.6Moz gold produced by 2015 | Total gold production (Moz) |

An explicit time frame has been provided for achieving the targets identified.

Focus areas address both financial and non-financial strategic priorities.

KPIs related to each focus area are explicitly identified.

Example 14: AngloGold Ashanti (cont.)

Specific strategic actions to be undertaken to achieve targets have been disclosed.

The base against which progress is measured is disclosed, allowing the user to assess performance in the current year against past performance.

Graphic representation of performance, past performance and target enhances the user's ability to understand the performance and future outlook.

OUR PERFORMANCE SCORECARD

As we have completed the second year into our target period, we report back to stakeholders on our performance in the following scorecard.

| Target | Progress | KPI | Performance in 2012 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------|
| Safety: | | | |
| <p>To achieve an AIFR of less than 9 per million hours worked, we must reduce our AIFR by 34% by 2015.</p> | <p>Base: Actual three-year rolling average 2008 to 2010 of 13.68 per million hours worked</p> <p>Actual 2012: 7.72 per million hours worked</p> | <p>AIFR (per million hours worked)</p> | <p>14% above target; 44% improvement on base</p> |
| Production volumes: | | | |
| <p>To produce between 5.4Moz and 5.6Moz of gold by 2015, we must increase production by at least 20% by 2015.</p> <p>Production in 2012 was adversely impacted by the unprotected strike in South Africa, as well as an increased number of safety-related stoppages. Expected future growth in production to come from Tropicana, Kibali and CC&M. The 2015 production target will be affected by asset sales as well as a decision taken in early 2013 to focus on higher margin areas in South Africa.</p> | <p>Base: 4.51Moz in 2010</p> <p>Actual 2012: 3.94Moz</p> | <p>Production (Moz)</p> | <p>27% below target</p> |

Where the actual results were below target, an explanation has been provided as to the reason for the underperformance.

The impact of adverse performance in the current year on achieving future targets has been discussed.

Both positive and negative trends have been disclosed without a bias for reporting positive trends.

Source: AngloGold Ashanti Annual Integrated Report 2012

Example 15: Aspen Pharmacare

Capitals have been integrated into core strategy by aligning strategic objectives with performance disclosures and actions taken during the year: Challenges experienced during the current year and expected in the future as well as the future outlook of the company.

In disclosing performance, both positive and negative performance during the year has been provided with quantification of some data.

| Strategic objectives <i>(As disclosed in the 2011 Annual Report. Amended and new objectives added in 2012)</i> | Performance of the past year |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>To maintain our position as the leading provider of pharmaceuticals in South Africa</p> | <p>Aspen has faced a challenging year having to endure a number of well-documented once-off headwinds. Mitigating actions which included the effective substitution of Seretide post patent with the authorised generic, Foxair, and the first to market generic entry of the once-a-day triple combination ARV, Tribuss, limited the impact of these headwinds. Inevitably these factors have resulted in a decline in market share. Nonetheless, Aspen remains the leading provider of pharmaceuticals in the private market with a 16% (2011: 17%) share and is also the leading provider of pharmaceuticals in the public sector.</p> <p>Following the negative growth in the first half of the year, the South African business returned to positive growth in the second half as the mitigating actions gained momentum.</p> |

Example 15: Aspen Pharmacare (cont.)

Challenges disclosed include both financial and non-financial constraints faced by the company.

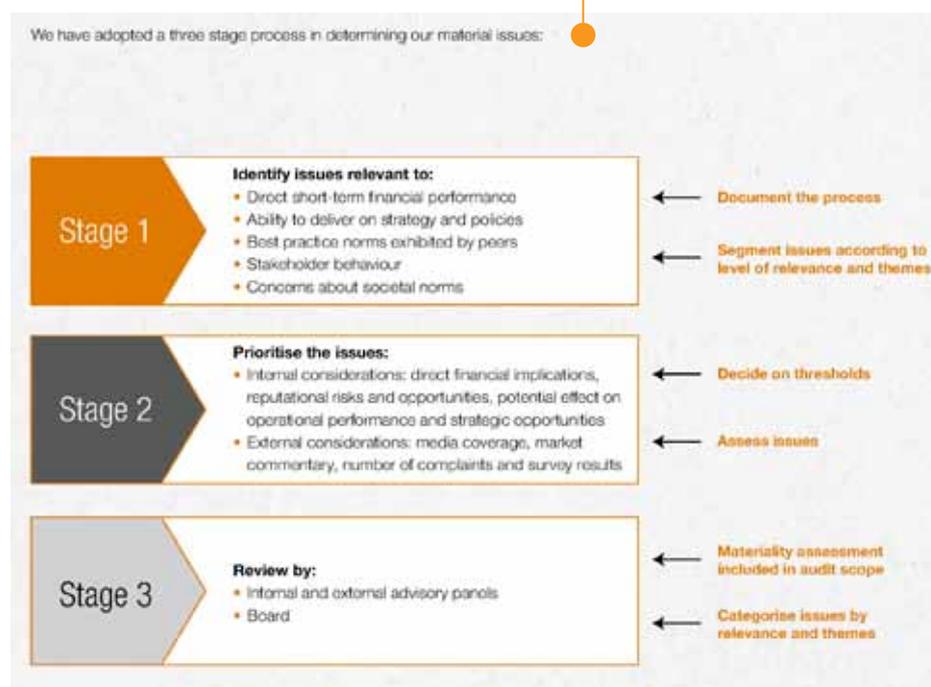
Future outlook disclosure considers the impact of current challenges faced on future expectations.

| Challenges | Outlook |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The South African pharmaceutical industry is competitive with most global players active in the territory.</p> <p>Price increases in the private market are regulated by the Department of Health. There was no increase in the Single Exit Price ("SEP") awarded in 2011 and the increase in 2012 was a modest 2.1%. As a local manufacturer bearing wage increases and energy costs rising at considerably higher rates, there is pressure on profit margins which can only be relieved by seeking greater efficiencies in production and procurement.</p> <p>The South African regulator has tabled draft legislation which will impact Aspen if/when implemented, namely:</p> <ul style="list-style-type: none"> • international benchmarking; and • capping of the logistics fees. <p>Aspen is actively involved in dialogue with the regulator regarding the proposed legislation through industry representative bodies. It is not possible to gauge the potential impact of the legislation upon Aspen given the stage of the process reached.</p> | <p>The influence of the once-off headwinds will be over in 2013 and Aspen is well placed to take advantage of its excellent positioning in the South African pharmaceutical sector.</p> <p>The public sector ARV tender is due for award in December 2012. In terms of amended regulations to the Preferential Procurement Policy Framework Act, certain pharmaceuticals on these tenders are designated for domestic production. As South Africa's leading manufacturer of pharmaceuticals, this is a favourable development for Aspen.</p> |

Source: Aspen Pharmacare Annual Integrated Report 2012

Example 16: AngloGold Ashanti

The company has provided a description of how it has identified its material issues.



Source: AngloGold Ashanti Annual Integrated Report 2012



Appendix 1: Companies surveyed

| Company | JSE Listing Code | Year end |
|------------------------------------------|------------------|-------------------|
| Absa Bank Limited | ASA | 31 December 2012 |
| African Rainbow Minerals Limited | ARI | 30 June 2012 |
| Anglo American Platinum Limited | AMS | 31 December 2012 |
| Anglo American plc | AGL | 31 December 2012 |
| AngloGold Ashanti Limited | ANG | 31 December 2012 |
| Aspen Pharmacare Holdings Limited | APN | 30 June 2012 |
| Assore Limited | ASR | 30 June 2012 |
| BHP Billiton plc | BIL | 30 June 2012 |
| The Bidvest Group Limited | BVT | 30 June 2012 |
| British American Tobacco plc | BTI | 31 December 2012 |
| Compagnie Financière Richemont SA | CFR | 31 March 2012 |
| Discovery Holdings Limited | DSY | 30 June 2012 |
| Exxaro Resources Limited | EXX | 31 December 2012 |
| FirstRand Limited | FSR | 30 June 2012 |
| Gold Fields Limited | GFI | 31 December 2012 |
| Growthpoint Properties Limited | GRT | 30 June 2012 |
| Impala Platinum Holdings Limited | IMP | 30 June 2012 |
| Imperial Holdings Limited | IPL | 30 June 2012 |
| Intu Properties plc | ITU | 31 December 2012 |
| Investec Bank Limited ¹ | INL | 31 March 2012 |
| Kumba Iron Ore Limited | KIO | 31 December 2012 |
| Massmart Holdings Limited | MSM | 31 December 2012 |
| Mediclinic International Limited | MDC | 31 March 2012 |
| Mondi Limited ¹ | MND | 31 December 2012 |
| MTN Group Limited | MTN | 31 December 2012 |
| Naspers Limited | NPN | 31 March 2012 |
| Nedbank Group Limited | NED | 31 December 2012 |
| Old Mutual plc | OML | 31 December 2012 |
| Remgro Limited | REM | 30 June 2012 |
| RMB Holdings Limited ² | RMH | 30 June 2012 |
| SABMiller plc | SAB | 31 March 2012 |
| Sanlam Limited | SLM | 31 December 2012 |
| Sasol Limited | SOL | 30 June 2012 |
| Shoprite Holdings Limited | SHP | 30 June 2012 |
| Standard Bank Group Limited | SBK | 31 December 2012 |
| Steinhoff International Holdings Limited | SHF | 30 June 2012 |
| Tiger Brands Limited | TBS | 30 September 2012 |
| Truworths International Limited | TRU | 30 June 2012 |
| Vodacom Group Limited | VOD | 31 March 2012 |
| Woolworths Holdings Limited | WHL | 30 June 2012 |

¹ Due to the dual listed nature of these entities, Investec Bank Ltd and Mondi Limited feature twice among the Top-40 companies listed on the JSE. The group integrated report has been assessed once as the content of both reports is contained therein.

² RMB Holdings Limited Integrated Report makes significant reference to the FirstRand Limited Integrated Report. The RMB Holdings Limited and FirstRand Limited Integrated Reports have therefore been assessed together.

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