THE EVOLUTION TO INTEGRATED REPORTING: A Journey to the Next Stage of Corporate Reporting

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CORPORATE REPORTING

Critical for investor confidence

An essential element of corporate governance

Influences decisions and behavior of management

Influences decisions and behavior of shareholders and other stakeholders

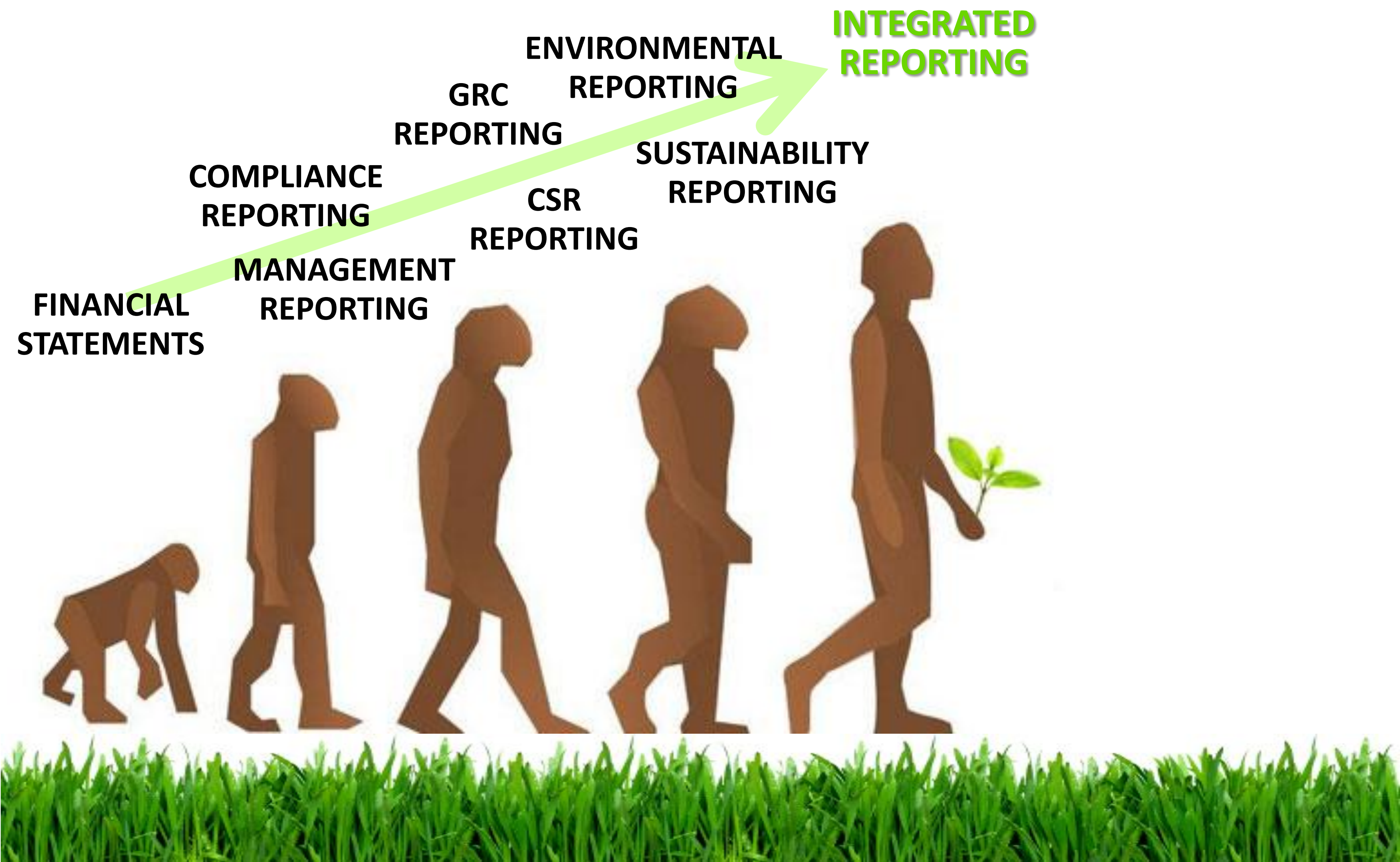
Affects resource allocation (financial, natural and human resources) in society

Influences perceptions of the company's customers, vendors, and employees

Shapes how a company sees itself and its role in society

Source: Prof. Robert Eccles, Harvard Business School

The Evolution of Corporate Reporting



GOOGLE SEARCH

- Environmental Reporting: 65 Million
- Compliance Reporting: 60 million
- Financial Reporting: 38 Million
- Management Reporting: 32 million
- CSR Reporting: 21 million
- Integrated Reporting: 7 million
- Sustainability Reporting: 3 Million
- GRC Reporting: 2 million

"We've overspent our financial, environmental, social and governance 'capital,' and now the debt's come due.

Integrated Reporting is the starting point to help us repay that debt."

Brad J. Monterio

INTEGRATED REPORTING

"This is a very important initiative that draws together the key actors across financial, environmental and social reporting. The concept of integrated reporting is coming of age."

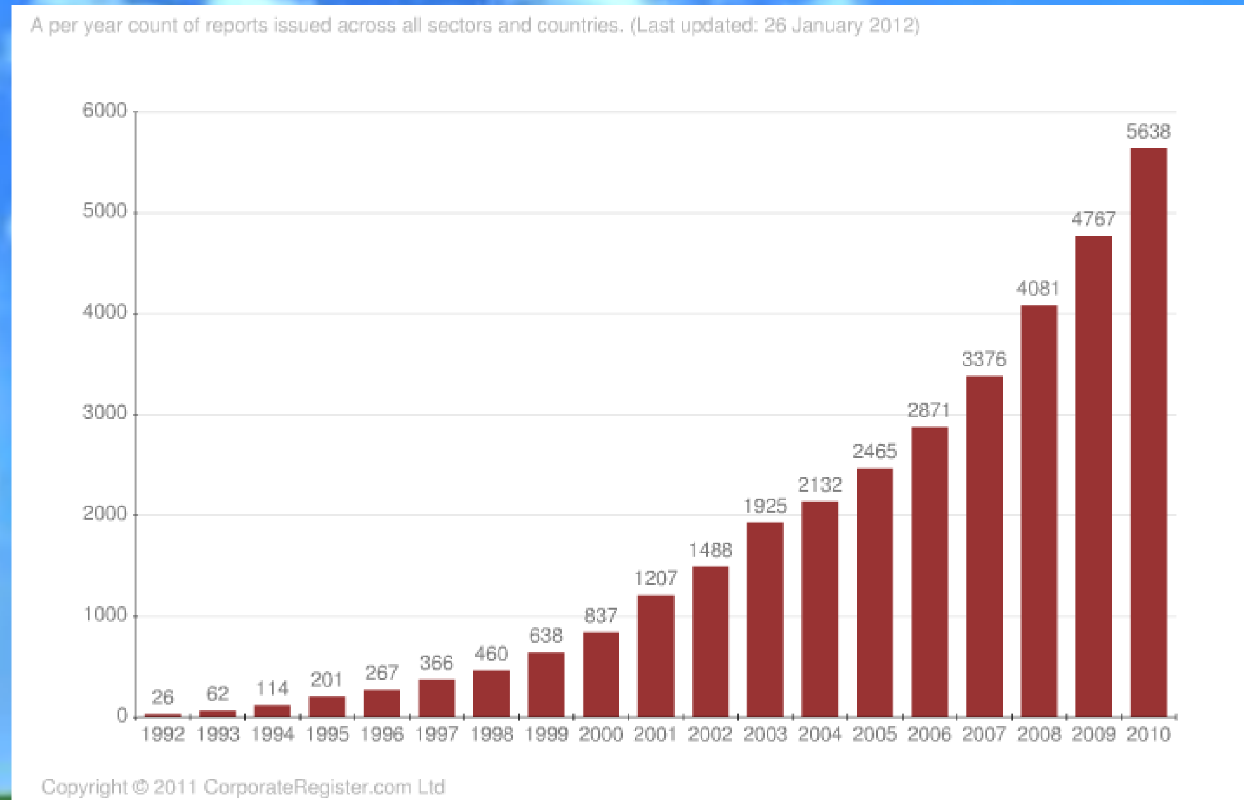
Hans Hoogervorst, Chairman, IASB

"Integrated Reporting demonstrates the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, Integrated Reporting can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing."

The IIRC (www.theIIRC.org)

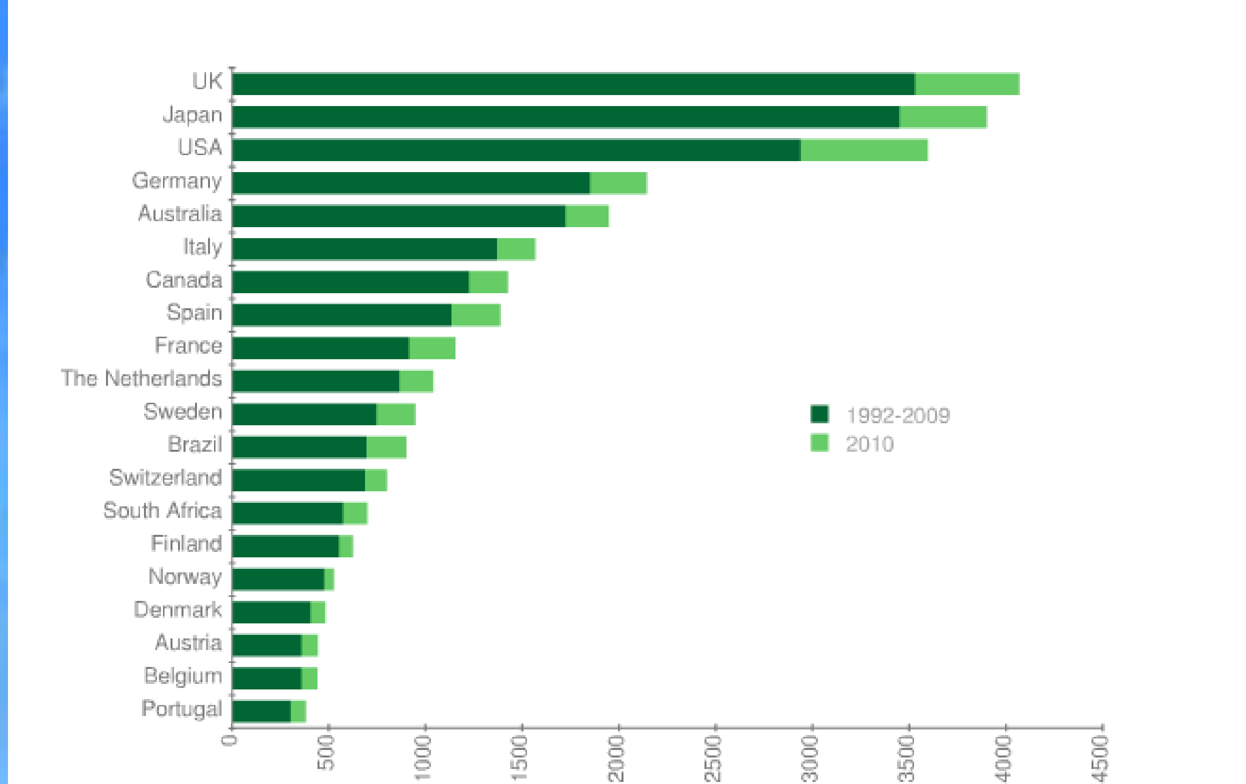

INTEGRATED REPORTING
▪Evolution
▪Journey
▪Challenges ➡ Missing Links
▪Story ➡ Opportunities
▪Economic value

CSR REPORTING TRENDS

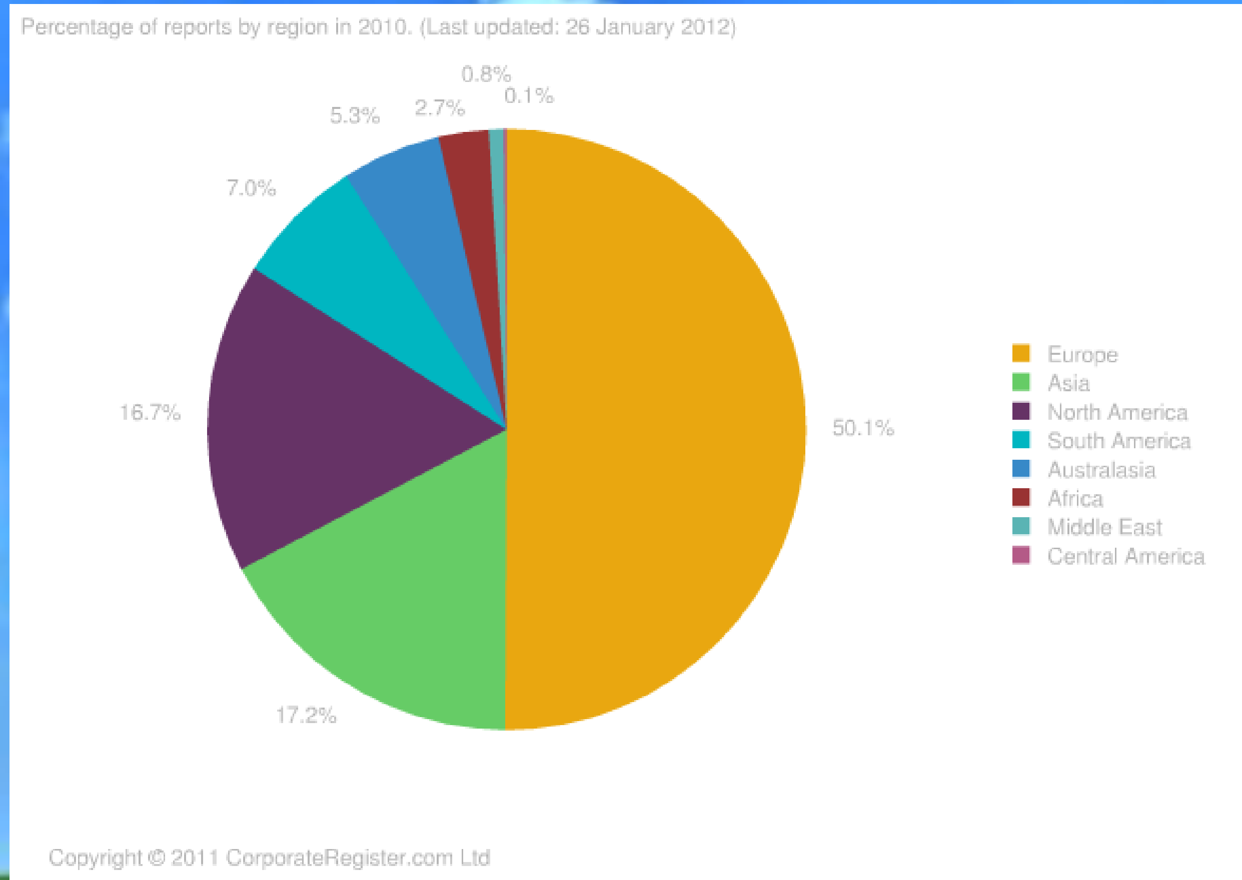


CSR REPORTING TRENDS

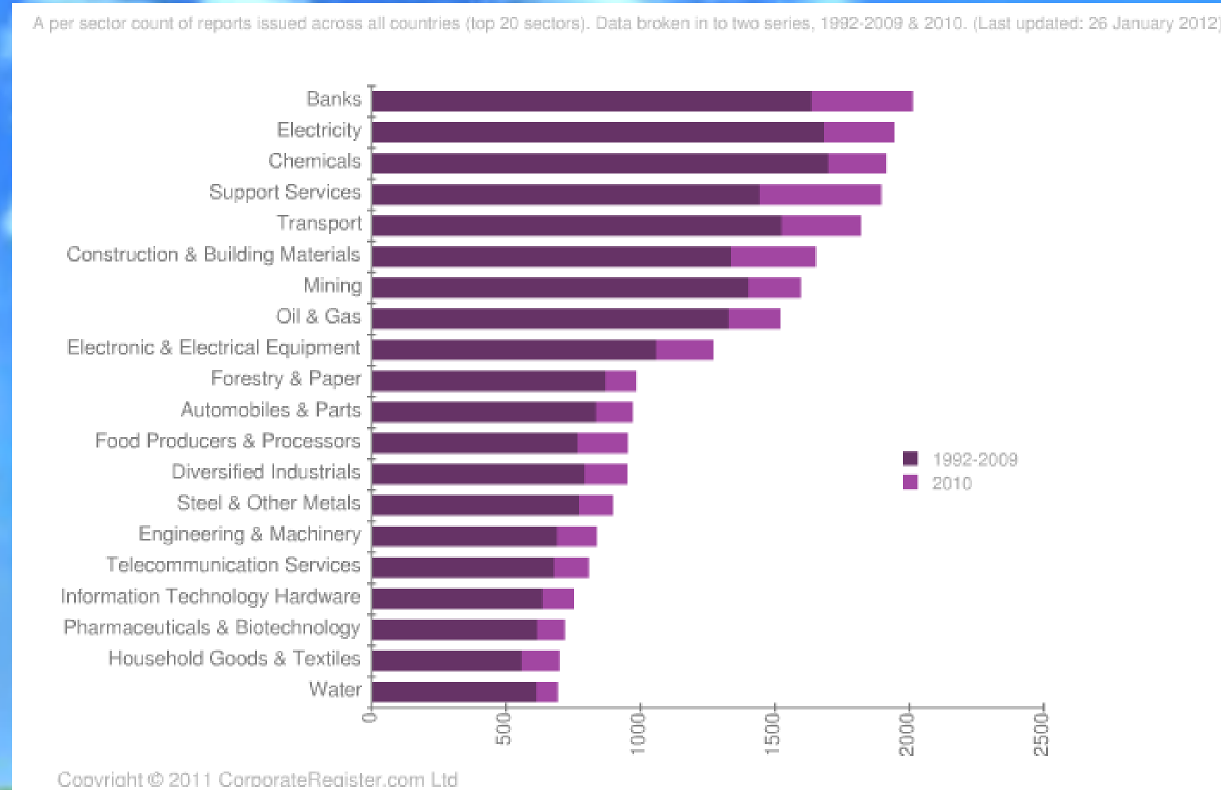
A per country count of reports issued across all industry sectors (top 20 countries worldwide). (Last updated: 26 January 2012)



CSR REPORTING TRENDS



CSR REPORTING TRENDS



CSR REPORTS WITH FORMAL ASSURANCE STATEMENT

Country	2002 (%)	2005 (%)	2008 (%)
France	14	40	73
Spain	27	44	70
Italy	66	70	61
UK	53	53	55
Denmark	45	31	46
Netherlands	38	40	44
Australia	42	43	42
South Africa	100	22	36
Sweden	15	5	33
Finland	29	19	30
Norway	20	33	30
Japan	26	31	24
Canada	10	10	19
USA	2	3	14

Source: KPMG *International Survey of Corporate Responsibility Reporting 2008*, p. 56-58

INTEGRATED REPORTING COMBINES…

FINANCIAL REPORTING WITH

- Sustainability Reporting
- ESG Reporting
- Corporate Social Responsibility Reporting
- Environmental Reporting
- Balanced Scorecards
- Triple Bottom Line
- Risk Reporting
- KPIs
- Business Excellence

INTEGRATED REPORTING STAKEHOLDER ECOSYSTEM

EXTERNAL STAKEHOLDERS

Investment Community

Institutional Investors
Retail Investors

Infomediaries

Media
Social Media
Data Aggregators
Financial Publishers

Overseers

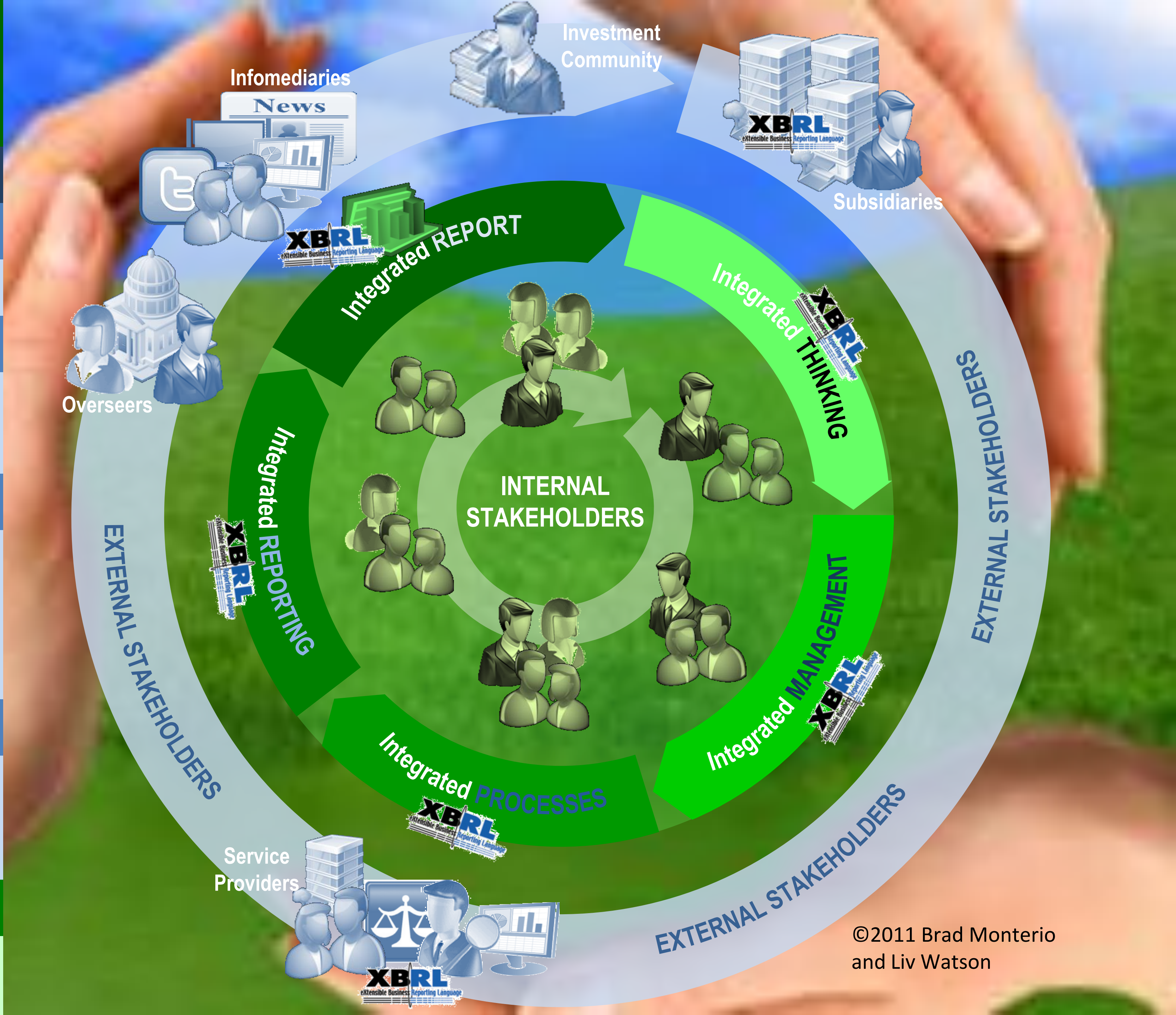
Regulators
Lawmakers
Policy Makers
Central Banks
NGOs
Community Groups
Associations

Service Providers

External Auditors
External Legal
Professional Services
Technology Vendors
Trading Partners

INTERNAL STAKEHOLDERS

Management
Employees/Staff
Board/Governance



WHY PRACTICE INTEGRATED REPORTING

- Shows commitment to being sustainable
- Helps integrate sustainability into strategy and operations for a better managed company
- Commitment to sustainability is good for shareholders
- Improves engagement with other stakeholders, especially employees and customers
- Improves reporting transparency
- Simplifies external reporting
- Positions company as leader and innovator

WHY PRACTICE INTEGRATED REPORTING

- Improves relationship with investment community
- Enhances access to capital
- Strengthens relationships within communities through stakeholder engagement
- Improves reputation and strengthens brand
- Meets compliance/regulatory needs

CHALLENGES TO INTEGRATED REPORTING

- "Closing the non-financial books" on time
- Required level of inter-functional coordination
- Deciding on appropriate level of detail
- Deciding what's material or not
- Lack of agreed-upon standards and audit (vs. assurance) methodologies
- Poor understanding of the relationship between financial and non-financial performance
- Getting the attention of investors for non-financial information

MISSING LINKS

Standardization

Comparability

Materiality

Complexity

Stakeholder engagement

Assurance

Trust

OPPORTUNITIES

- Tell your story your way
- (re)Build trust
- Grow economic value
- Restore the balance
- Improve transparency
- Manage entire supply chain
- Mitigate reputation risk
- Save money
- Build long term value
- Attract capital

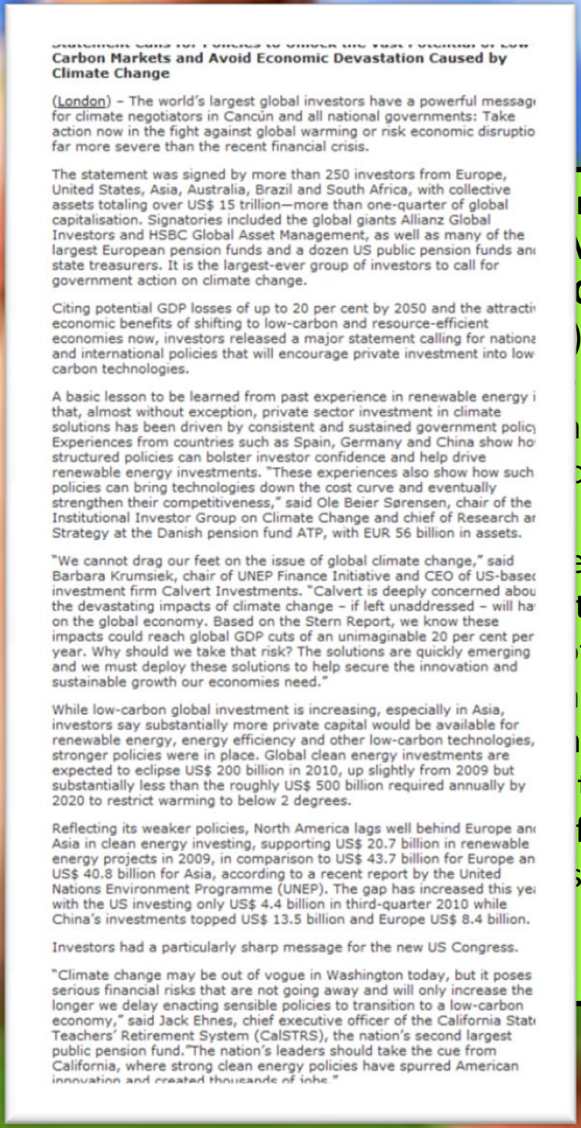
LEADING REPORTERS

novozymes Rethink Tomorrow
ASN Bank
Vancity
indra
BC hydro
TNT sure we can
AVIVA
AngloAmerican
AEP AMERICAN ELECTRIC POWER
SOUTHWEST.COM
AKZO NOBEL
syngenta
novo nordisk
van Gansewinkel Groep
HSBC
natura BRASIL
PHILIPS sense and simplicity
RENAULT
ARACRUZ
BT
Rabobank
ALSTOM
SAS Group
Takeda
SOLARWORLD
CIBC
United Technologies
ALTRON ALLIED ELECTRONICS CORPORATION LIMITED
COLLAHUASI
ANGLO PLATINUM
NOVARTIS
HYDRO
AXA
PotashCorp Helping Nature Provide
PEPSICO INTERNATIONAL
BASF The Chemical Company

HOW TO SPEED ADOPTION?

- Missing links need to be connected
- Companies must take responsibility to act
- Innovation by many constituencies is necessary
- Support from investment community vital
- Standards essential – XBRL is part of it; must be global
- Legislation and regulation will ultimately be required
- Support from civil society will encourage others to act

INVESTMENT COMMUNITY SUPPORT WEAK… BUT GROWING



Carbon Markets and Avoid Economic Devastation Caused by Climate Change

(London) – The world's largest global investors have a powerful messag for climate negotiators in Cancún and all national governments: Take action now in the fight against global warming or risk economic disruptio far more severe than the recent financial crisis.

The statement was signed by more than 250 investors from Europe, United States, Asia, Australia, Brazil and South Africa, with collective assets totaling over US$ 15 trillion—more than one-quarter of global capitalisation. Signatories included the global giants Allianz Global Investors and HSBC Global Asset Management, as well as many of the largest European pension funds and a dozen US public pension funds an state treasurers. It is the largest-ever group of investors to call for government action on climate change.

Citing potential GDP losses of up to 20 per cent by 2050 and the attracti economic benefits of shifting to low-carbon and resource-efficient economies now, investors released a major statement calling for nationa and international policies that will encourage private investment into low carbon technologies.

A basic lesson to be learned from past experience in renewable energy i that, almost without exception, private sector investment in climate solutions has been driven by consistent and sustained government policy Experiences from countries such as Spain, Germany and China show ho structured policies can bolster investor confidence and help drive renewable energy investments. "These experiences also show how such policies can bring technologies down the cost curve and eventually strengthen their competitiveness," said Ole Beier Sørensen, chair of the Institutional Investor Group on Climate Change and chief of Research ar Strategy at the Danish pension fund ATP, with EUR 56 billion in assets.

"We cannot drag our feet on the issue of global climate change," said Barbara Krumsiek, chair of UNEP Finance Initiative and CEO of US-base investment firm Calvert Investments. "Calvert is deeply concerned abou the devastating impacts of climate change – if left unaddressed – will ha on the global economy. Based on the Stern Report, we know these impacts could reach global GDP cuts of an unimaginable 20 per cent per year. Why should we take that risk? The solutions are quickly emerging and we must deploy these solutions to help secure the innovation and sustainable growth our economies need."

While low-carbon global investment is increasing, especially in Asia, investors say substantially more private capital would be available for renewable energy, energy efficiency and other low-carbon technologies, stronger policies were in place. Global clean energy investments are expected to eclipse US$ 200 billion in 2010, up slightly from 2009 but substantially less than the roughly US$ 500 billion required annually by 2020 to restrict warming to below 2 degrees.

Reflecting its weaker policies, North America lags well behind Europe an Asia in clean energy investing, supporting US$ 20.7 billion in renewable energy projects in 2009, in comparison to US$ 43.7 billion for Europe an US$ 40.8 billion for Asia, according to a recent report by the United Nations Environment Programme (UNEP). The gap has increased this yea with the US investing only US$ 4.4 billion in third-quarter 2010 while China's investments topped US$ 13.5 billion and Europe US$ 8.4 billion.

Investors had a particularly sharp message for the new US Congress.

"Climate change may be out of vogue in Washington today, but it poses serious financial risks that are not going away and will only increase the longer we delay enacting sensible policies to transition to a low-carbon economy," said Jack Ehnes, chief executive officer of the California Stat Teachers' Retirement System (CalSTRS), the nation's second largest public pension fund. "The nation's leaders should take the cue from California, where strong clean energy policies have spurred American

Thursday, November 18th, 2010

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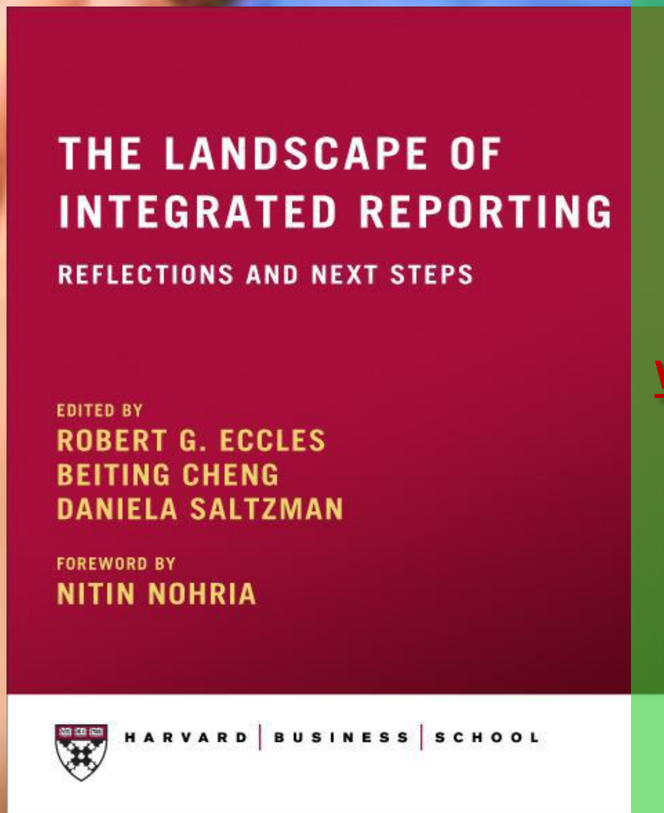
CHAOS OF FRAMEWORKS

SOLUTION MUST BE GLOBAL



"Sector, country-specific and proprietary frameworks for reporting on sustainability are at odds with what the market needs today. Solutions need to be global, uniform, consistent, comparable with current needs and extensible to meet current and future needs; they need to help the market understand an organization's sustainability practices, no matter in which country or industry sector they operate.

- Liv A. Watson & Brad J. Monterio

WHERE ARE YOU IN THE EVOLUTION TO INTEGRATED REPORTING?

DO YOU HAVE A SUSTAINABLE BUSINESS MODEL?

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