

Integrated Reporting Committee (IRC) of South Africa

# DISCLOSURE OF PERFORMANCE AGAINST STRATEGIC OBJECTIVES AN INFORMATION PAPER

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# Purpose

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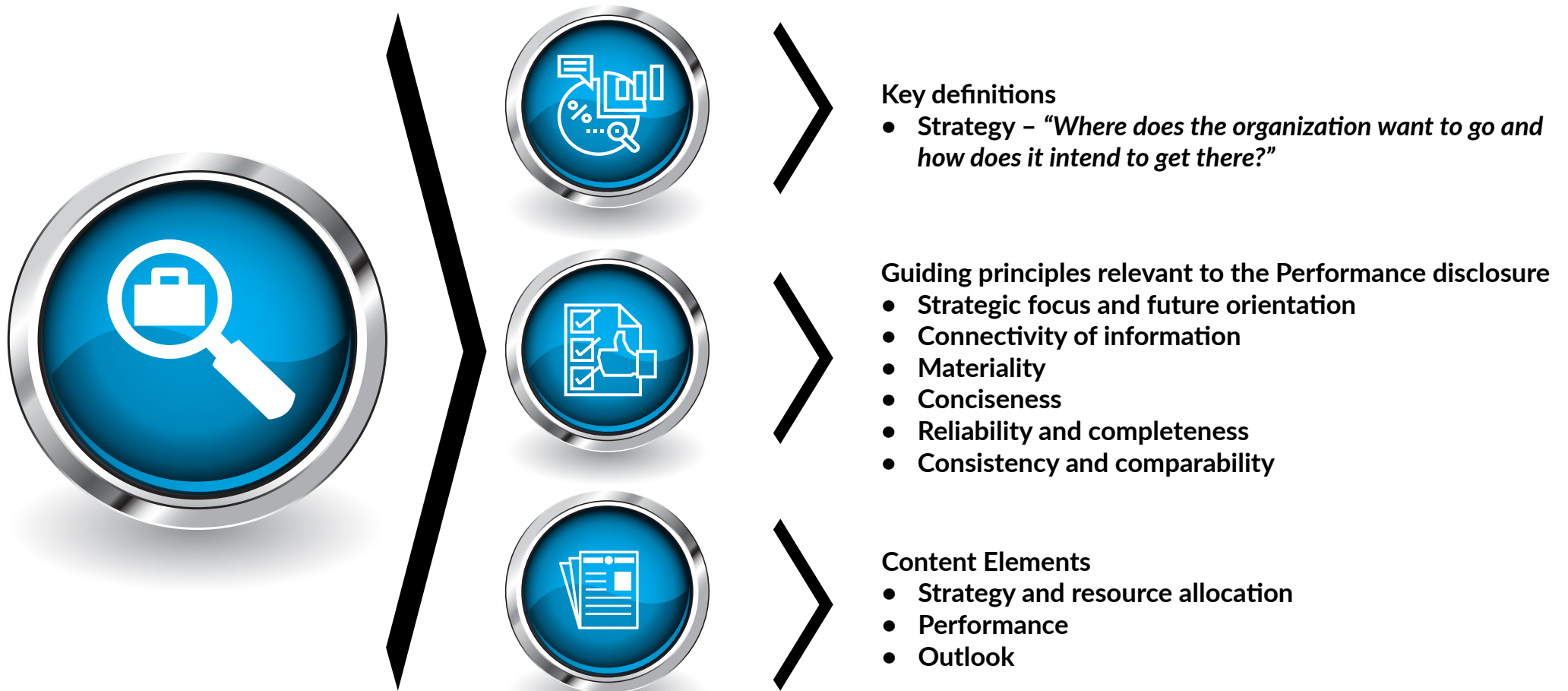
The Integrated Reporting Committee (IRC) of South Africa has developed this Information Paper to assist organizations achieve better practice in disclosing performance against strategic objectives in the integrated report.

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# Challenges and Weakness in Disclosure of Performance

- Determining KPIs that accurately reflect the achievement of strategic objectives.
- Systems need to be established for reliable performance information on the five capitals other than financial.
- Strategic objectives, targets and the strategy to achieve them are not clearly identifiable in reports.
- Targets are disclosed for the short-term, but not the medium- and long-term.
- The strategy to achieve the targets is stated in broad terms without a time frame.
- There tends to be more focus on financial capital than the other five capitals.
- The resource allocation plans (covering all the capitals needed to achieve strategy) are not often disclosed.
- Performance has a direct connection to strategic objectives, yet this link can be missing in reports.
- Including reams of performance KPIs obfuscates the key figures.
- Variances in performance against the targets are not explained, nor is the impact on the organization and remedial action taken.
- Trend analysis of past performance (say three or five years) is not provided despite the usefulness of this information.
- Performance is not linked to the outcomes on the capitals.

# <IR> Framework



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# Strategic Objectives, KPIs and targets

There are typically two parts to an organization's strategy:



- **Strategic objectives** – What the organization is trying to achieve in the short-, medium- and long-term, the targets set and how achievement will be measured. Resource allocation considerations



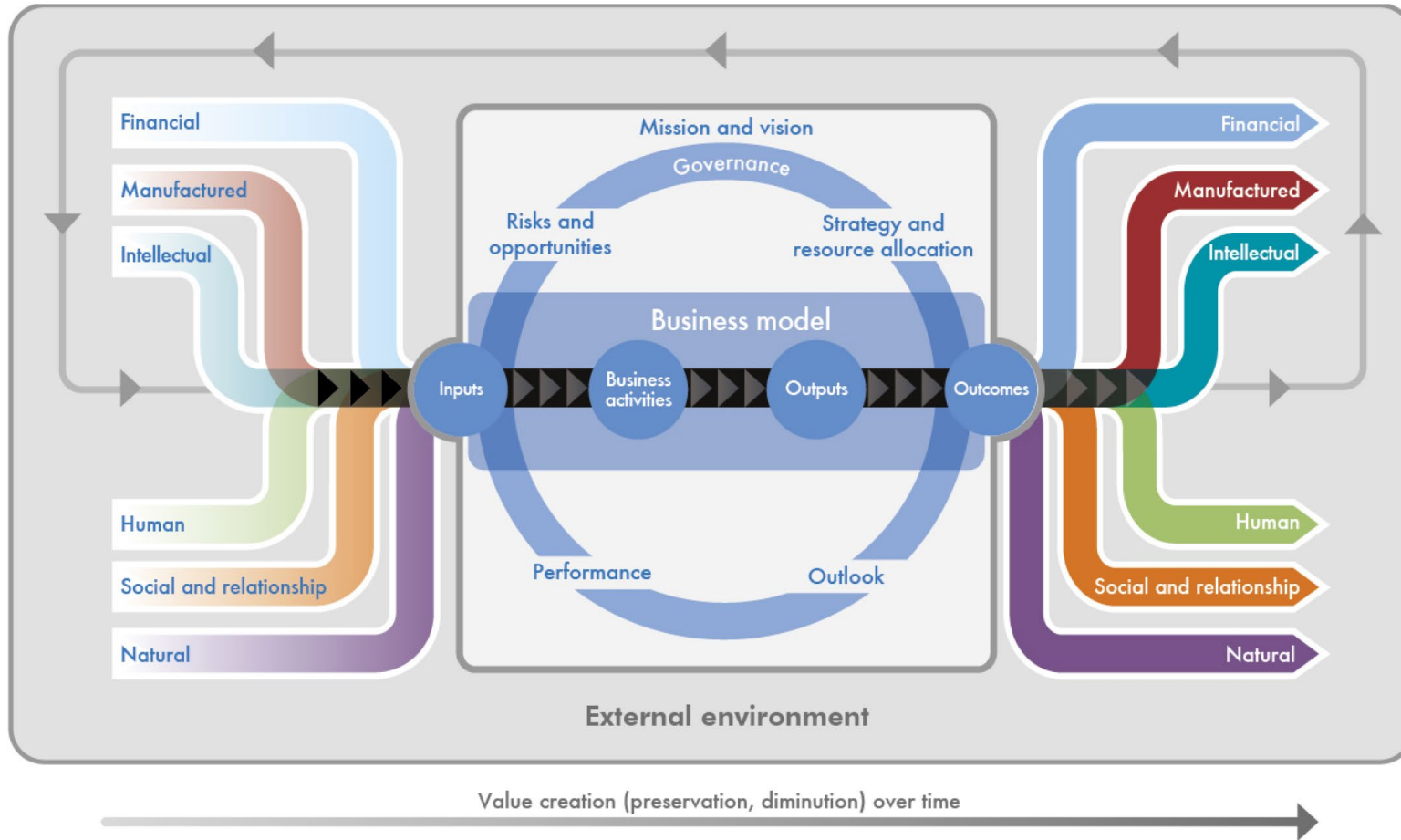
- **Strategy** (strategic initiatives and plans) – How the organization is going to achieve its strategic objectives, and the resources (capitals) required and allocated to implement strategy.

KPIs are used as quantifiable metrics to measure the achievement of strategic objectives. Positive or Negative Outcomes on the Capitals

Lead indicators

Lag indicators

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# Key Considerations



Showing connectivity between performance and strategic objectives



Using quantitative and qualitative information in performance disclosure



Linking performance to outcomes to show value creation



Showing cumulative performance against strategy



Trend information



Disclosing the reasons for variances of performance



Divisional performance



Connecting performance and remuneration



Connecting performance and outlook

Nedbank 2015 Integrated Report

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# Questions?

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# Acknowledgement

The IRC thanks the members of the Integrated Reporting Committee Working Group for their commitment and dedication in developing this Paper and especially the project leaders Claire Hoy and Thuto Masasa.



- Leigh Roberts (chairman)
- Adrian Bertrand
- Trevor Chandler
- Mark Hoffman
- Karin Ireton
- Corli le Roux
- Sven Lunsche
- Thuto Masasa
- Lelanie Sherman
- Sandy van Esch
- Mohamed Adam
- Stephen Bullock
- Jonathon Hanks
- Claire Hoy
- Wasfie Ismail
- Cathie Lewis
- Jayne Mammatt
- Mzila Mthenjane
- Graham Terry
- Stiaan Wandrag

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THANK YOU

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