

OUTLOOK: INFORMATION PAPER

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#IRCSACConf20

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REPORTING ON OUTLOOK IN THE INTEGRATED REPORT: AN
INFORMATION PAPER

Available on www.integratedreportingsa.org

Purpose of the Information Paper

“To inform those preparing integrated reports, executives and members of the governing body who are responsible for guiding and approving integrating reports.

Also useful to the users of reports to enhance their understanding and expectations of information on Outlook.”

The Paper aims to:

- Clarify the nature of Outlook
- Highlight responsibility of governing body in the disclosure of Outlook
- Emphasise benefits of meaningful Outlook information
- Identify challenges and weaknesses in current reporting
- Consider the <IR> Framework’s guidance
- Suggest key considerations for disclosure

Outlook unpacked

When addressing the Outlook Content Element, ask:

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

Challenges

- **Concern of overstepping legal, regulatory or stock exchange requirements**
- **Concern about influencing stakeholder engagements or reducing competitive advantage**
- **Misinterpretation could result in reputational and legal liability**
- **Concern about creating unrealistic expectations**
- **No clear strategy, robust processes or scenario analysis**
- **Uncertainty as to what is required**

Weaknesses

- **Information not material to the value creation process**
- **Vague or generic**
- **Lack of connectivity to external environment, strategy, risks and opportunities, performance, material matters**
- **Lack of supportive information**
- **Focus on the short-term**
- **Lack of original material**
- **Outlook given insufficient consideration**

Outlook: what it is, and what it is not

- Leadership's view of material factors affecting strategy achievement in the future
- It is **not** guidance, forecasts or projections, **nor** a guarantee of future financial performance
- It is **not** a commitment to future performance

Material factors in achieving strategic objectives

- **Controllable**
- **Uncontrollable**
- **Internal**
- **External**

Benefits of meaningful Outlook information

- **Completes the value creation, preservation or erosion story**
- **Gives stakeholders appreciation of uncertainties, challenges, opportunities**
- **Transparency of can improve stakeholders' trust**
- **Assists in managing expectations**
- **Demonstrates leadership's understanding of anticipated environment, preparedness and ability to respond**
- **Contributes to a balanced report**

Key considerations in the disclosure of meaningful Outlook information

- **Short-, medium- and long-term strategic objectives and strategy**
- **Challenges, uncertainties and implications**
- **Expected changes in industry and external environment**
- **Expected opportunities**
- **Realistic expectations and assumptions grounded in sound analysis**
- **Connectivity between actual performance and targets and future targets**

Outlook Content Element: The <IR> Framework

- **Expectations of external environment**
- **The effect on the organisation**
- **Preparedness to respond to challenges and uncertainties**
- **Ability to turn opportunities to deliverables**
- **Availability, quality and affordability of capitals to achieve strategic objectives**
- **Assumptions**
- **Comparisons of actual performance to targets**
- **Legal or regulatory requirements**

Illustrative examples used in the paper

- *“Redefine Properties Limited Integrated Report 2018: shows the strategic objectives, KPIs and targets, and the strategy for the short, medium and long-term.” See page 11 of the Paper*
- *“Anglo American Platinum Limited 2018 Integrated Report: shows the uncertainties and challenges, and their potential implications, linked to the strategic objectives. Information is given on the company’s response through mitigation and the available opportunities.” See page 12 of the Paper*
- *“Nedbank Group Integrated Report 2018: The industry disruptor and the related increased competition is explained with the company’s view of the potential effects and opportunities, with links to strategic objectives, strategy and risks.” See page 13 of the Paper*
- *“Pick n Pay Group Limited Integrated Report 2019: shows prospects in different market segments and growth opportunities.” See page 14 of the Paper*

THANK YOU AND QUESTIONS



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