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The Future of Corporate Reporting

A guide on integrated reporting highlighting the key content elements and principles of good reporting practices for your company

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Integrated Reporting – The Future of Corporate Reporting

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This publication is intended to be a resource for our clients, and the information herein was correct to the best of the authors' knowledge at the time of publication. Before making any decision or taking any action, you should consult the sources or contacts listed here. The opinions reflected are those of the authors.

Preface

Globalisation, regulation and increased stakeholder expectations have added significantly to the complexity of businesses in all major economies. Accordingly, over the last decades, the information used to manage businesses and support stakeholders' decisions has become similarly complex. Integrated reporting 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 environment within which it operates. The goal is to give a comprehensive picture of the organisation, thus helping management, investors and other stakeholders make better-informed decisions.However, a lack of clarity on what integrated reporting is really about, coupled with a limited number of best practice examples, makes it difficult for organisations to understand what needs to be in place for the journey towards integrated reporting.

To address this issue, the International Integrated Reporting Council (IIRC) has gathered leaders from a variety of sectors to develop a new approach to reporting, one which will meet the needs of the 21st century. The first result was the publication of the discussion paper "Towards Integrated Reporting – Communicating Value in the 21st Century" in September 2011, which offers initial proposals for the development of an International Integrated Reporting Framework and outlines the next steps towards the publication of an exposure draft in 2012. In this paper, we address the crucial issues in integrated reporting.

In Part A, we explain current trends and challenges, taking into consideration the IIRC discussion paper, and address some burning questions about integrated reporting. As figuring out the first steps towards integrated reporting can be difficult, we provide a roadmap that details how to start planning for implementation and what to consider in the process.

In Part B, we present a selection of illustrative examples from published reports. These samples effectively reflect the ideas behind integrated reporting, as expressed in the IIRC discussion paper, and thus can help to provide a better idea of what an integrated report could look like.

We would like to point out that this is only a collection of good practice examples which we have identified in current reports and which we think provide a broad picture of the implementation of the ideas of integrated reporting today. Hence, this collection is not comprehensive. Other good reporting examples may exist. Please, do not hesitate to present these practice examples to us for consideration in our next best practice edition.

Integrated reporting is still an area of continuous development, and it will be further shaped through the discussions triggered by the IIRC, the expected exposure draft, and the development of reporting practice. We will continuously monitor the reporting landscape and update this collection of illustrative examples as practices emerge.

Robert van der Laan
Partner integrated reporting

Arco ten Klooster
Director integrated reporting

Contents

A What integrated reporting is about

1 Current trends and the business case

Reporting is at a crossroads. The voices questioning whether the current reporting model gives a fair reflection of an organisation are getting louder. In addition, depicting not only the financial but also the social and environmental impact of an organisation is increasingly requested by both the investor community and a variety of other stakeholders, such as NGOs, customers, suppliers and new recruits. The current reporting model is not able to fulfil these demands. While in many countries corporations are required by law to include significant non-financial information in their reports, this information is often not provided in a coherent way with a clear link between economic drivers, financial information, and social and environmental impacts.

In the future, the success of companies will depend more and more on their ability to create value without depleting resources of any kind, whether natural, social, human or financial. Stakeholders will increasingly look for information on how companies connect their business strategy with their financial and non-financial performance.

The IIRC discussion paper seeks to address these needs by creating a new integrated reporting model that focuses on what is strategically important and material to understanding an organisation's capacity to create and sustain value in the short, medium and long term. Despite being more of a blueprint in its current form, the discussion paper gives a clear idea of the goals and benefits of integrated reporting and indicates what it takes to get there.

Organisations that are moving towards integrated reporting in anticipation of regulatory requirements could well develop a competitive advantage which can secure capital and credit, help in the war for talent, and build strong business relationships. Stakeholders will gain a better understanding of the quality and sustainability of performance through insight into external influences, strategic priorities and the dynamics of the chosen business model. The integration and alignment of internal processes will help the business from top to bottom to make better-informed decisions which again will foster a better understanding for stakeholders.

Those organisations that go down the road of integrated reporting will be rewarded by an increase in trust and market value.

2 Some burning questions about integrated reporting

What are the benefits of integrated reporting?

Integrated reporting moves beyond a silo approach of information gathering and reporting towards a more comprehensive assessment and presentation of a company's value and performance.

This offers various benefits, such as giving organisations a more holistic view of information relevant to their strategy, business model and ability to create and sustain value in the short, medium and long term. More specifically, potential benefits are:

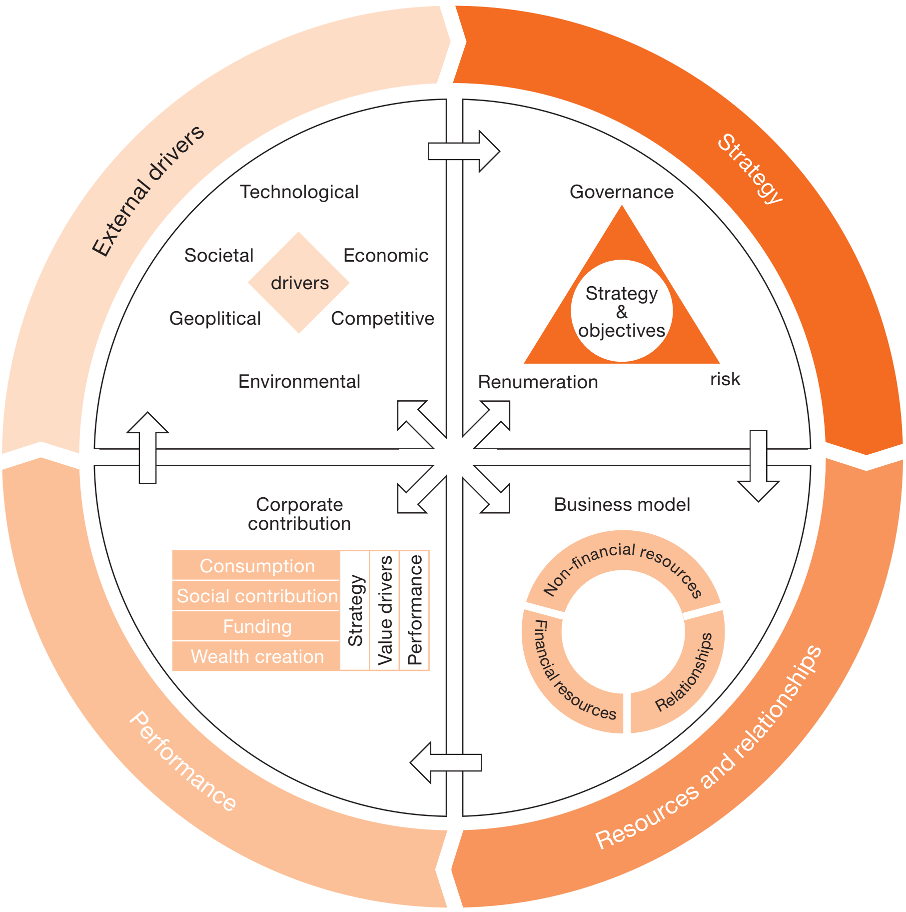
- greater access to and transparency of information from a wide range of both internal and external information sources, through integrated processes and the standardisation of information;
- streamlined reporting through more reuse of reporting elements, transparency and collaboration on reporting, and analytical concepts used by both internal and external analysts;
- more relevant and understandable information available for management and stakeholders to enable better decision-making;
- better allocation of capital and other resources;
- better access to capital markets and business partners;
- competitive advantage through cost savings, operational efficiencies and differentiation.

However, the roadmap to realising such benefits is not necessarily a simple one. It requires a comprehensive approach: understanding the company's strategy drivers, identifying key stakeholders and their specific expectations, and implementing processes to obtain the information necessary for an integrated approach to managing the business.

The integrated model set out below highlights the scope of the information that needs to be considered when assessing the information demands of an organisation, including the interdependencies between the various areas – external, strategic, business and performance. Regarding external drivers, companies might ask: What is the market and regulatory landscape like today, and how is it changing? What are the megatrends that are changing society now, and how will they impact markets in the future? With a view to the business model, relevant questions include: Are the business model and supply chain designed to withstand the impacts of climate change, technology failures and natural disasters? What assumptions have been made regarding the availability of resources?

Answering these questions within an integrated approach will give companies a much clearer picture of their industry, markets and broader environment as well as how to change products and services, business models and positioning to remain sustainable.

Fig. 1 Integrated model of main information areas and their interdependencies in the context of an organisation's environment



Source: PwC

Is integrated reporting an external reporting phenomenon or does it have wider ramifications?

Even though the IIRC discussion paper, which has triggered the current discussion about integrated reporting, initially provides a framework for external reporting, its aim is much higher. The idea of integrated reporting is focused on making some real changes to the existing corporate reporting model, both to external as well as internal reporting. An integrated report is merely intended to be one output of integrated reporting, which should reflect and will depend upon integrated thinking within an organisation. It is about understanding the relevance of various factors – financial as well as non-financial – and their inter-dependencies for the company's business model, and considering the insights formed with such a comprehensive approach in strategic and operational decisions. Ultimately, it is a topic with implications for management, steering, governance and culture of an organisation.

What does it take to realise the benefits of integrated reporting? And where is our company in terms of meaningful reporting and access to information for business decisions?

When organisations start thinking about an integrated reporting approach and identifying potential benefits for their business, it is critical that they ask whether their reporting presents a holistic picture of the organisation, and whether their sustainability approach is integrated into their business strategy. Below are some other crucial questions that should be asked at this point.

Fig. 2 Questions companies should ask when considering an integrated approach to reporting

External Reporting	Internal Reporting
Are key components of what makes my business successfull missing from our reporting?	Is too much time spent producing the numbers, rather than gaining real insigt?
Would I invest in my company based on what is presented externally?	Is reporting flexible enough to respond to change?
Is the market value of my company a fair reflection of the business?	Do we have the market insight and non-financial information needed to stay ahead or are we too dependent on historical, financial information?
Does the quality of our reporting make us more vulnerable than peers to a hostile takeover bid?	Do we have transparent performance measures with clear accountability for them?
Does my company's reporting show clear alignment between strategy, remuneration and KPIs?	Do we have a complete, timely picture of what's going on in the business financially and operationally?

Today, every management team needs to be able to put themselves in the shoes of a skeptical outsider, such as an investor, a new recruit, a customer or supplier. If done well, integrated reporting can secure capital and credit, help win the war for talent and build strong business relationships.

Source: PwC

A status quo analysis based on the outcome of such questions may be the first step on the road to implementing an integrated reporting approach.

Which standards have to be applied?

Despite increasing attention on and application of integrated reporting, there is still no common mandatory reporting standard. The only exception so far is South Africa, where companies listed on the Johannesburg Stock exchange have to provide an annual integrated report – or explain why they have not – according to the King III Code of Governance Principles. The IIRC discussion paper offers initial proposals for the development of a framework and gives some examples that reflect current ideas of how the integrated reporting principles could be addressed. However, these examples are not sufficient to provide a clear idea of what a good integrated report should look like. We also do not know what a future standard might call for. Nevertheless, we think that the principles of good reporting included in the discussion paper can be applied regardless of specific standard requirements. In addition, we see various reporting examples which reflect the ideas of integrated reporting very well and thus offer organisations aiming to move towards integrated reporting a foundation to build upon.

We have composed a selection of these examples in Part B of this publication.

Is an integrated report a "one size fits it all" solution?

In essence, an integrated report should tell the story of the company. This includes historical financial information as well as information which is forward-looking, explains the company's strategic direction, and discusses targets, risks and opportunities to be addressed. The structure and length of the report thus depend on the complexity of the company's business. However, the report should focus only on the matters that the organisation considers most material to long-term success. This again leaves room for a different understanding of the scope of reporting and will lead to diversity in integrated reporting practices.

Is an integrated report an additional document organisations need to produce?

According to the IIRC discussion paper, the main output of integrated reporting is a single report that the IIRC anticipates will become an organisation's primary report, replacing rather than adding to existing reporting. However, the reduction of current reporting to one short integrated report, as envisaged by the IIRC, is currently not realistic given the numerous existing regulatory reporting requirements. Hence, companies will have to find alternative reporting solutions, such as combining existing reports or preparing an integrated report in addition to mandatory reporting. But in any case, the integrated report should be the primary reporting vehicle and thus provide a clear reference point for other communications, such as detailed financial reports or other specific compliance information, detailed sustainability information or investor presentations. Much of this information might move to an online environment, reducing clutter in the primary report.

Further alternative ways of structuring an integrated report – as long as organisations are bound by existing reporting requirements – are discussed in Section 4.

When is my company ready for an integrated report?

In theory, every company can get ready at any time. However, depending on the size and complexity of an organisation as well as the maturity of its reporting, a move towards integrated reporting may need longer preparation. Fortunately many companies will not need to start the process from scratch, because they already publish a transparent, investor-oriented annual report, sustainability information, KPIs and other information required for integrated reporting. However, such information is often not linked to their strategy and business model. Therefore, moving towards integrated reporting will mean restructuring the underlying reporting and internal processes. In some organisations, the structures may be so complex and fragmented that companies may even consider establishing a new structure with processes designed specifically for integrated reporting.

Given the developments and the potential benefits of integrated reporting, organisations should consider moving towards integrated reporting in anticipation of regulatory requirements. It may help them to make a difference as first movers and thus give them a valuable competitive advantage. For those who do not report on non-financials yet, integrated reporting can be an opportunity to move to a more comprehensive and meaningful reporting that meets future requirements from the outset.

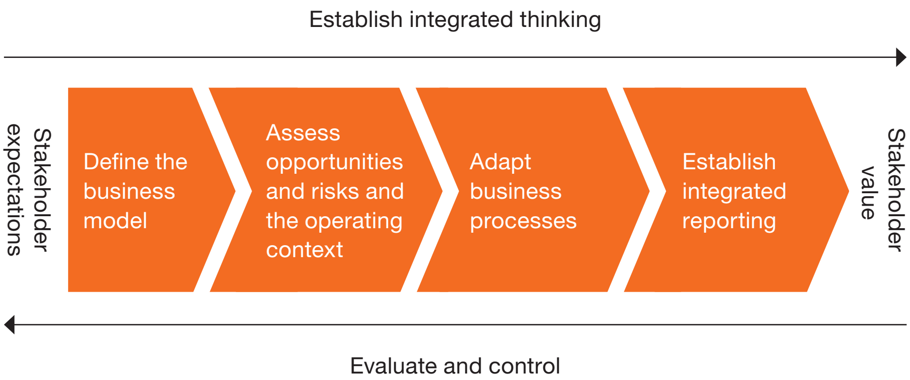
3 Roadmap to integrated reporting

Integrated reporting provides all necessary information for internal purposes while at the same time offering appropriate information to shareholders and other stakeholders. This requires one pool of data from which the company is able to select the relevant information for the respective purpose (eg, internal and external reporting, financial and non-financial reporting). Integrated reporting is a holistic discipline which is based upon interlinking all kinds of data sets. This also means that relevant data, including non-financial information, must be made available on a regular, timely and reliable basis.

Once integrated reporting is fully implemented, the integrated report will simply reflect internal processes, materiality discussions and stakeholder engagement. To get there, it is necessary to have cooperation across the various areas in the company and the involvement of stakeholders. In parallel to setting the basis for integrated reporting, the structure of the report and the overall communication concept may be developed in steps.

The roadmap below, followed by explanations of each phase, outlines the steps to be taken on the road to integrated reporting.

Fig. 3 Steps on the road to integrated reporting



Source: PwC

Start with a status quo analysis

As outlined in the previous section, a move towards integrated reporting should start with a status quo analysis that will help to uncover the main issues and to identify focus areas in the process of implementation. This sets the starting point for the development of a roadmap to integrated reporting.

Briefly summarised, companies will need to:

- understand where they are in terms of reporting as well as what level of integration they want to achieve and in what time frame;
- analyse their current business model and develop a good understanding of the relevant value drivers, including those related to social and environmental impacts;
- assess risks and opportunities along the value chain under consideration of financial, social, environmental, economic and governance issues and trends;
- define strategic objectives under consideration of stakeholder expectations and sustainability issues;
- define material KPIs to track performance;
- implement necessary organisational changes, in particular concerning the structures, processes and systems for gathering data on, monitoring, controlling and reporting on performance;
- build awareness around the new reporting approach and the meaning of integrated thinking;
- decide what information to communicate and how to present it.

Define the business model

With the aim of offering a broader explanation of performance than traditional reporting, defining the business model in the context of integrated reporting means considering all the relevant capitals on which performance depends, and explaining their role in how the company seeks to create and sustain value. Capitals can be conceived as resources and relationships which are used by the organisation, affect it or are affected by it. Depending on individual circumstances, the organisation needs to categorise relevant capitals and decide on their importance. The following categories of capitals could be taken into account:

- Financial capital
- Manufactured capital
- Human capital
- Brand/customer capital
- Natural/social capital
- Intellectual capital

Ideally, the reporting framework is built around the business model, although how closely the two are aligned depends on the level of integration of the relevant capitals. A recommended first step is an analysis of the level of integration of these value drivers in current reporting and a comparison with the desired future level of integration to identify gaps and actions to be taken.

Assess opportunities and risks and the operating context from an integrated view

Opportunities and risks arise from the current business model and provide impetus for the company's further development. Consideration of the different categories of capitals can conflict with various stakeholder expectations and the environment in which the organisation operates. Therefore, it is crucial to develop an understanding of interdependencies between financial and non-financial goals.

Hence, decision-makers need to formulate strategic objectives that also consider stakeholder expectations and sustainability aspects and to define and implement concrete measures in their strategy to address them.

In the next step, companies should define material financial and non-financial KPIs to continuously measure and monitor sustainable business activities. When properly identified, specified and aligned with the business strategy, these KPIs focus the attention of the management, investors and other stakeholders on the issues most material to the business model and financial prospects of the company, as well as on the most important impacts on society and the environment. Making non-financial KPIs measurable may be a complex exercise for some KPIs. However, various approaches have evolved that make the measurement and even monetising of ecological and social indicators possible (see, for example, Puma's environmental profit and loss account).

Adapt business processes

To monitor and manage the business using an integrated approach, non-financial information must be gathered on a more timely and more frequent basis. Ultimately, this means that all business processes need to be adapted to fit the integrated organisation. This includes implementing processes for non-financial information to gain robust data collection and administration of all material KPIs, establishing a control environment for data gathering and consolidation of non-financial data, and aligning financial and non-financial reporting processes.

Expected benefits and challenges of integrated reporting – Statements from a PwC survey on integrated reporting

"We need to demonstrate that we are capable of handling future developments in all areas. What better way to do so than by presenting our efforts to achieve sustainability? And what better way to show our understanding of economic processes than with a rapid integration of financial and non-financial data?"

"Financial reporting can be completed very quickly. Right now, sustainability reporting requires significantly more time, and poses a challenge in terms of data collection and processing."

"The reports have got to become more firmly integrated; they have got to form one unified report. The main statements have got to be consistent – aside from a common language for describing items, a formal integration is also necessary. The reports have also got to be incorporated across all corporate communications."

Further, companies will have to establish integrated monitoring processes for all new KPIs or those that have not been covered by adequate controlling in the past. Also, many companies will have to develop solutions to make certain KPIs reliably measureable and available on a regular basis at reasonable cost.

Finally, the implementation of the integrated approach will require awareness across the whole organisation. Senior management needs to get involved right up front, and employees should be involved from the beginning and be trained in the objectives and use of integrated reporting. This will help to align processes, unite different parts of the organisation and establish sustainable integrated thinking.

Establish integrated reporting

The goal of integrated reporting is to depict the effects of the reciprocal relationships between an organisation's strategy, governance, performance and prospects within the economic, social and environmental context in which it operates.

An integrated report should provide information that is relevant for each of the different stakeholder groups and allow them to compare and evaluate sustainable actions. This makes it essential to give non-financial KPIs a monetary value, as Puma has recently done in its first environmental profit and loss account, or to point to potential financial impacts. The challenge is to find the right balance of financial and non-financial metrics and insightful narrative.

Integrated reporting as a driver for innovative communication concepts? – Statements from a PwC survey on integrated reporting

"Company reports will still play role in the next 10 years, but they will be digital, published earlier and strongly oriented on social changes and new realities."

"The interests of stakeholder groups will change, and that means reporting must change as well. [...] It will need to address the specific requirements of the target stakeholders, for example by achieving greater transparency."

"Newly emerging groups of readers may also expect a different type of reporting. Right now we cannot say what it will be like – we have to wait and see."

"The future belongs to the internet. [...] Moreover, today's stakeholders demand information that is more up to date, and they will no longer be fobbed off with an annual report."

In addition to deciding what information to present, companies need to think about how to present it. It may be difficult to depict such complex reciprocal relationships in a uniform document, so the question arises: Which media can be used to structure and publish an integrated report in a clear and easily accessible way that suits stakeholders best? Would it be possible to replace a hard copy of the report with a regularly updated, customised and interactive online version that provides each stakeholder group with the data it considers most relevant, which can be downloaded and used as needed?

A general gap analysis of current reporting content and structures compared with the requirements of integrated reporting can provide helpful answers to the questions above. Further, a company should assess which level of integration and, as the case may be, assurance is realistic before deciding what information it wants to present and where it wants to report it. As previously explained, the integration of the reported information into one report can be limited through existing regulatory requirements, in particular if third-party verification is required or desired.

Interviews with different stakeholders have shown that the focus of the report and the availability of information are especially important. Therefore, it may also be recommended to get stakeholders' views in the process of determining the reporting structure and media. Finally, the design and presentation of an integrated report is a journey, as is integrated reporting in general. Once published, a company's first integrated report will not be the end but the starting point for the next steps of the integration process (improving data quality, aligning other publications, etc).

The next sections aim to provide a better idea of what such an integrated report could look like.

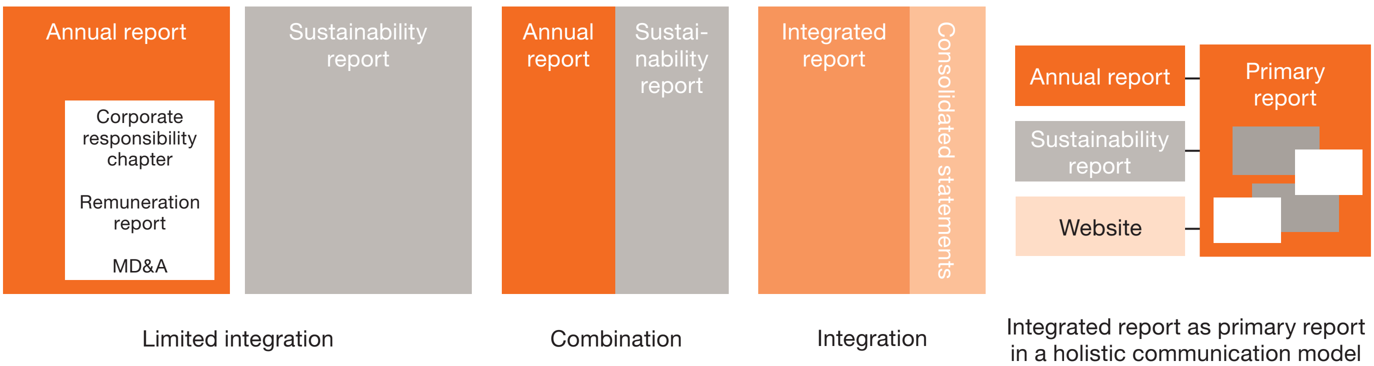
4 What should an integrated report look like?

As outlined in Section 2, an integrated report can take various forms, and a fully integrated approach to reporting will often be developed stages. Recognising existing regulatory barriers, the IIRC proposes alternatives in a first stage. Conceivable alternatives on the way to integrated reporting are:

- publishing a stand-alone integrated report as an addition to the legally required annual report and other mandatory or voluntary reporting;
- integrating the information usually included in additional reporting (eg sustainability report) with information suggested for an integrated report while maintaining an annual report that includes the financial report and the management commentary (combination);
- publishing one document that follows the guiding principles for integrated reporting and covers the content elements of an integrated report but still includes all regulatory financial and non-financial information (integration with retention of previously reported information).

Given this degree of freedom, we see and expect diversity in practice as long as there are no further-detailed requirements.

Fig. 4 Conceivable external reporting concepts



Source: PwC

However, in its proposed Framework for Integrated Reporting, the IIRC suggests guiding principles and content elements that should be considered in integrated reports, thus contributing to a more unified idea of what an integrated report should address.

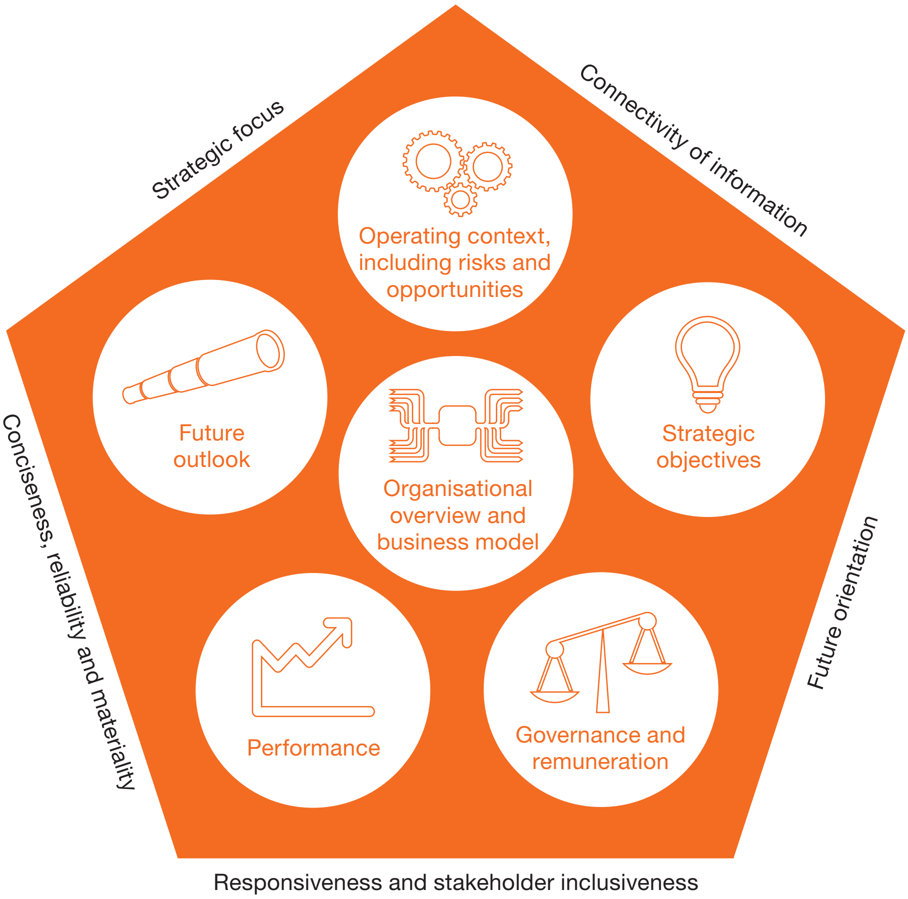
According to the discussion paper, the following five guiding principles should underpin the preparation of an integrated report:

- Strategic focus
- Connectivity of information
- Future orientation
- Responsiveness and stakeholder inclusiveness
- Conciseness, reliability and materiality

These principles should be applied in determining the content of an integrated report. The content should cover the following elements and make the interconnections between them apparent:

- Organisational overview and business model
- Operating context, including risks and opportunities
- Strategic objectives and strategies to achieve those objectives
- Governance and remuneration
- Performance
- Future outlook

Fig. 5 The guiding principles and content elements underpinning the preparation of an integrated report



Source: IIRC (ed.), Towards Integrated Reporting – Communicating Value in the 21st Century, 2011.

With this idea of principles and key content elements, the IIRC discussion paper provides a foundation for preparing an integrated report without additional explicit reporting requirements.

In Part B, we present selected reporting examples taken from published reports that take into account the proposed content elements and guiding principles and effectively reflect the ideas behind integrated reporting.

B What integrated reporting can look like – Illustrative examples

The way to integrated reporting is a journey that is still ahead of most organisations or has just begun. As there is no clear guidance yet of how an integrated report should look, and as the concept of integrated reporting will be shaped through the current discussions triggered by the IIRC, the unclear content of future standards for integrated reporting, and evolving reporting practice, will remain an area of continuous development over the next years. Therefore, we will continuously monitor the reporting landscape and regularly update our collection of illustrative examples.

To date, we have yet to see reporting that addresses all the requirements set out in the IIRC discussion paper. However, we have seen a lot of good reporting examples in different reports, and we have selected a number of examples that effectively illustrate single content elements and guiding principles.

Since the number of truly integrated reports is still limited, and since there is a number of partly integrated or combined reports, as well as annual reports and corporate responsibility reports that show elements of integrated reporting, we have not limited our selection to fully integrated reports, but considered all current report formats.

In the following, we present selected reporting examples that may give you a better idea of:
- how an integrated report can be structured;
- how each of the key content elements can be presented effectively;
- how the guiding principles show up in the reporting examples presented.

We have selected illustrative examples of effective structures for integrated reports and for the presentation of each of the six key content elements proposed in the IIRC discussion paper. In these examples we have simultaneously highlighted which specific guiding principles are reflected.

1 Structure of an integrated report

An integrated report should provide a full, concise and balanced picture of an organisation's overall performance that helps investors and other stakeholders to understand and assess its ability to create and sustain value in the short, medium and long term.

Hence, preparing and structuring an integrated report means more then linking financial reporting information with sustainability information through cross references. While for most organisations an integrated report cannot yet be the primary reporting vehicle that includes all necessary financial and non-financial information (because additional reporting is required by law), it should at least provide a clear reference point for all communications.

To guide readers through an integrated report that contains links to other reporting elements, organisations should explain the new reporting format. This includes what information it covers, how it links to other reporting information and how this is marked in the report. In this connection, an organisation should indicate which standards have been applied, to what extent the reported information has been verified by a third party, and how this is marked in the report. Finally, the structure of the integrated report should be explained, including, if necessary, significant links to other reports or cross referencing.

We start with good examples of introducing readers to reports that integrate reporting information, either in the form of a fully integrated report or an annual report that reflects good reporting practices.

Solarworld concisely explains how its integrated report is structured, what information it covers, where additional information is available, which standards have been applied in preparing the report, and which level of assurance is given.

WE ARE COMMITTED TO SUSTAINABILITY AND TRANSPARENCY

The principle of sustainability

The present integrated report combines financial and sustainability reporting. Following the claim of sustainability, we have streamlined the consolidated annual report: Especially relevant ecological and societal topics are extensively portrayed in the annual report. A "sustainability" factsheet contains an overview of the quantitative data. 86 *Factsheet Sustainability* • *p. 220* // At the end of each chapter of the group management report, information boxes refer to the details on our sustainability performance that are available online.

All further details of our sustainability performance are interactively prepared in the online report. In this way, we facilitate the demand-oriented search in the online report thus additionally reducing the printing effort in the spirit of sustainability. As a supplement to the ready-to-print PDF version on the Internet, we offer you the possibility of having a print-out made by us and sent to you (print-on-demand). → *Order card* • *p. 218* //

Comprehensive performance audit

We have had the entire reporting audited by BDO AG Wirtschaftsprüfungsgesellschaft. The information on the asset, finance and earnings situation is based on the requirements of the International Financial Reporting Standards (IFRS) and, where applicable, on German commercial law and the German accounting principles (German GAAP). Sustainability reporting follows the international guidelines (G3) of the Global Reporting Initiative (GRI) and has consistently reached the highest level of A+ since 2007. At the same time, it serves as a Communication on Progress (COP) for the implementation of the ten principles of the UN Global Compact.

The audit of the sustainability data has been conducted in line with the German principles of the proper audit review of reports in the area of sustainability identified by the German Institute of Certified Public Accountants (IDW). These principles include the requirements of the International Standard on Assurance Engagements (ISAE) 3000 and do in fact go beyond them.

Rounding differences may occur.

FOR YOUR GUIDANCE

→ *Cross reference to text passages in the Annual Group Report 2010* • *p. 000* //

00 *Cross reference to charts in the Annual Group Report 2010* • *p. 000* //

@ *www.internetlink.com* //

Cross reference to Details on Sustainability Performance 2010 • *p. S00* //

Cross reference to financial reports of prior years • *p. 000* //

Source: Solarworld AG Annual Group Report 2010, page 2

Electrolux has integrated its sustainability information throughout its annual report and additionally dedicated a section to how sustainability issues are relevant to the business strategy as well as goals and performance "for mainstream shareholders and stakeholders". Electrolux says that "being transparent about how the Group measures, manages and integrates these sustainability priorities into its business is an important part of the annual reporting process". It has therefore developed a comprehensive, three-tiered approach to reporting on sustainability. Integrating sustainability information into the annual report is the first tier; the second is an extensive GRI report, which is available online; and the third is a sustainability strategy report, which focuses on the four issues most relevant to the company and addresses the information needs of different stakeholder groups in a concise way. This reporting approach is explained on the website and in each of the reporting elements with clear links to the related other reporting elements.

Contents

Annual report
Sustainability information is integrated throughout the printed Annual Report. Written for shareholders and stakeholders, six pages are additionally dedicated to how sustainability issues are relevant to the business strategy, as well as goals and performance.

On-line annual report: Built around a clickable GRI index, the sustainability performance review is integrated into the on-line Annual Report. It shows how Electrolux performs against recognized sustainability indicators in a broader context. It is designed for socially responsible investors and other sustainability professionals. View at: www.electrolux.com/annualreport2010

Sustainability strategy report: Future InSight is an outlook report aimed at key audiences such as employees, retailers, customers and other business contacts. It is "forward-looking, focusing on how environmental and social challenges are driving innovation and shaping strategies and partnerships. To be launched in Q2, 2011.

Source: Electrolux GRI sustainability performance 2010

Man Group, the UK-based international alternative investment management company, uses an innovative annual report format to highlight the information that management sees as essential to understanding its business and to provide stakeholders with the information they want. The first section sets out the business story, using seven key questions about business performance. The second brings from the "back end" those financial items judged as crucial by management. The third section consolidates additional financial information.

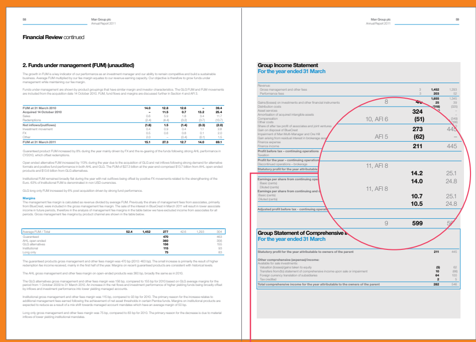
This year's Annual Report is different. We describe the essence of how our business works by answering a series of straightforward questions. We then provide more detailed information to complete the picture. We hope you find this straight talking approach useful and informative.

Source: Man Group Annual Report 2011

At the beginning of the financial review, a navigation page shows readers how to find their way around the new format.

The Financial Review contains information and explanations that give you an understanding of the results of our business strategy, financial performance, capital and liquidity. This information, together with the Additional Financial Information, comprises the consolidated financial statements of the Group.

Navigating the financial statements:



The primary statements are contained within the Financial Review (FR) together with narrative content.

If any information is detailed in the Additional Financial Information (AFI), this will be indicated in the notes as AFI 00.

A detailed index is provided opposite.

Audited information has been indicated in the Financial Review and Additional Financial Information by grey background shading.

Source: Man Group Annual Report 2011, pages 54–55

2 Key content elements and guiding principles

Index of illustrative examples with reference to respective key content elements and guiding principles

Guiding principles	Specification	Organisational overview and business model
Strategic focus	An integrated report provides insight into an organisation's strategic objectives, how those objectives compare to its ability to create and sustain value over time, and the resources and relationships the organisation depends on.	National Bank Australia (p. 24); Anglo American (p. 26); Akzo Nobel (p. 28); Marks & Spencer (p. 30)
Connectivity of information	An integrated report shows the connections between the different components of an organisation's business model, external factors that affect the organisation, and various resources and relationships the organisation and its performance are dependent upon.	Schiphol (p. 23); National Bank Australia (p. 25); Anglo American (p. 26); Marks & Spencer (p. 31)
Future orientation	An integrated report includes the management's expectations for the future, as well as other information to help report readers understand and assess an organization's prospects and the uncertainties it faces.	Anglo American (p. 27); Akzo Nobel (p. 29)
Responsiveness and stakeholder inclusiveness	An integrated report provides insight into an organisation's relationships with its key stakeholders, and to what extent the organisation understands, considers and responds to key stakeholders' needs.	Schiphol (p. 23); National Bank Australia (p. 24)
Conciseness, reliability and materiality	An integrated report provides concise, reliable information that is material to assessing an organisation's ability to create and sustain value in the short, medium and long term.	Schiphol (p. 22); National Bank Australia (p. 24); Anglo American (p. 27); Akzo Nobel (p. 29); Marks & Spencer (p. 30)

Operating context, including risks and opportunities	Strategic objectives and strategies to achieve those objectives	Governance and remuneration	Performance	Future outlook
National Grid (p. 33); American Electric Power (p. 35); Angloplatinum (p.41)	Solarworld (p. 45); BASF (pp. 48, 49); Unilever (p. 51)	Scottish and Southern Energy (p. 54)		Solarworld (p. 71)
National Grid (p. 33); American Electric Power (p. 35); Roche (p. 38); Siemens (p. 42)	BASF (pp. 48, 49)	British American Tobacco (p. 53); Scottish and Southern Energy (p. 54)	Vancity (p. 63); Puma (p. 67); Watercare (p. 69)	Solarworld (p. 71)
	Solarworld (p. 45); Natura (p. 46); Unilever (p. 51)		Landcom (p. 58); Vancity (p. 61); Novo Nordisk (p. 64)	Solarworld (p. 71); Philips (pp. 72, 73); Vodafone (p. 75); K+S (p. 76)
American Electric Power (p. 35); Natura (p. 37); Roche (p. 38); FMG (pp. 39, 40); Angloplatinum (p.41); Siemens (p. 42)				
Royal DSM (p. 34); American Electric Power (p. 35); Natura (p. 37); Roche (p. 38); FMG (pp. 39, 40); Angloplatinum (p.41); Siemens (p. 42); adidas (p.43)	Solarworld (p. 45); Natura (p. 46); TNT (p. 47); BASF (p. 48); BMW Group (p. 50); Unilever (p. 51)	Scottish and Southern Energy (p. 54); Royal DSM (p. 55); TNT (p. 56); RWE (p. 57)	Landcom (p. 59); Eskom (p. 60); Vancity (pp. 61, 62); Novo Nordisk (p. 65); Watercare (p. 69); Puma (p. 67)	Philips (pp. 72, 73); Vodafone (p. 75); K+S (p. 76)

Organisational overview and business model

2.1 Organisational overview and business model

This content element includes an introduction to an organisation's business model and activities as well as its potential to create and sustain value.

On the first narrative pages of its integrated report, **Schiphol** presents its four business segments, including revenues and operating results, and business model, thereby briefly addressing its mission, profile, activities, strategy and approach to involving stakeholders.

Conciseness

Materiality

Aviation

The Aviation business area operates at Amsterdam Airport Schiphol. It provides services and facilities to airlines, passengers and handling agents. The Netherlands Competition Authority (NMa) regulates the charges levied.

Sources of revenue: Airport charges (aircraft, passenger and security charges) and concession fees (paid by oil companies for the right to provide aircraft refuelling services).

Revenue
EUR 697 million
(1.4% vs '09)

Operating result
EUR 45 million
(-0.5% vs '09)

Consumers

The activities of the Consumers business area comprise developing, granting and managing concessions for shops, food service outlets, services and entertainment, operating shops and car parks, and marketing advertising opportunities at Amsterdam Airport Schiphol. In addition, through the Privium programme and the VIP-Centre, we offer services to the category known as 'premium passengers'.

Sources of revenue: Retail sales, concession fees, parking fees, rentals, advertising & media and other fees, and management fees.

Revenue
EUR 299 million
(5.1% vs '09)

Operating result
EUR 133 million
(28.5% vs '09)

Real Estate

The Real Estate business area develops, manages, operates and invests in property at and around airports at home and abroad. The property portfolio consists of operational and commercial property, of which the majority is located at and around Amsterdam Airport Schiphol.

Sources of revenue: The major source of revenue is the development and leasing of buildings and property. In addition, revenue is generated through the lease of land and the sale of property and buildings.

Revenue
EUR 173 million
(0.8% vs '09)

Operating result
EUR 97 million
(233.3% vs '09)

Source: Schiphol Group Annual Report 2010, page 8

Schiphol Group at a glance

Connectivity

Mission

We aim to rank among the world's leading airport companies. We create sustainable value for our stakeholders by developing AirportCities and by positioning Amsterdam Airport Schiphol as Europe's preferred airport. Schiphol ranks among the most efficient transport hubs for air, rail and road connections and offers its visitors and the businesses located at Schiphol the services they require 24 hours a day, seven days a week.

Profile

Schiphol Group is an airport operator, focusing particularly on AirportCities. A prime example of an AirportCity is Amsterdam Airport Schiphol. Europe's fifth-largest airport in terms of passengers and third-largest in terms of cargo. In addition to our Dutch operations (Amsterdam Airport Schiphol, Rotterdam The Hague Airport, Eindhoven Airport and Lelystad Airport), we have direct and indirect operations in the United States, Australia, Italy, Indonesia, Aruba and Sweden. Moreover, in 2008 we took a strategic 8% stake in Aéroports de Paris S.A.

Schiphol Group is structured and run as a commercial enterprise with a socio-economic function. These qualities are necessary for continued success in the competitive aviation industry, to secure long-term access to capital markets and to make it easier to attract and retain talented employees. In 2010, revenue totalled EUR 1,180 million, with a net result (attributable to shareholders) of EUR 169 million. Shareholders' equity at year-end 2010 amounted to EUR 3,109 million.

Activities

The operation of airports and the development of AirportCities involve three inextricably linked business areas: Aviation, Consumers and Real Estate. The integrated activities of Aviation, Consumers and Real Estate form the core of the AirportCity concept. This concept is not only applied to Amsterdam Airport Schiphol but also – either in part or in full – to other airports, particularly through the Alliances & Participations business area. Our revenues derived from this broad range of activities are made up for the most part of airport charges, concession fees, parking fees, retail sales, rents and leases, and income from our international activities.

Amsterdam Airport Schiphol is an important contributor to the Dutch economy. It serves as one of the home bases for Air France-KLM and its SkyTeam partners, from which these airlines serve their European and intercontinental destinations. Amsterdam Airport Schiphol offers a high-quality network serving 301 destinations.

Strategy

The maintenance and reinforcement of the Main Port's competitive position, and that of Amsterdam Airport Schiphol in particular, is the single most important objective on which our strategy is focused. This strategy combines the airport's socio-economic function with our entrepreneurial business operations. The interconnection and interaction between these two elements are crucial for the robust and future-proof development of Schiphol Group going forward. Corporate Responsibility is an integral part of this strategy and has been permeating increasingly all aspects of our operations.

Stakeholders

Stakeholder inclusiveness

Schiphol Group has many stakeholders and their interests can be quite divergent. We do our utmost to conduct an active dialogue with all our stakeholders. In this, and in everything else that we do, our core values play a key role: reliability, efficiency, hospitality, inspiration and sustainability. Achieving the ambition to be Europe's preferred airport calls for a culture driven by a desire to fulfil or, better yet, surpass the expectations of customers and local stakeholders.

Source: Schiphol Group Annual Report 2010, page 9

With its 42-page "Annual Review 2010" report, the **National Australia Bank** demonstrates how a short integrated report can provide a very good picture of the business and performance during the previous year. The illustration of their approach to corporate responsibility does not only provide a good overview of the material issues, goals and actions taken in each area, but it also sets the frame for the section on performance, which follows later in the report.

Strategic focus

Materiality, conciseness, responsiveness and stakeholder inclusiveness

CUSTOMER

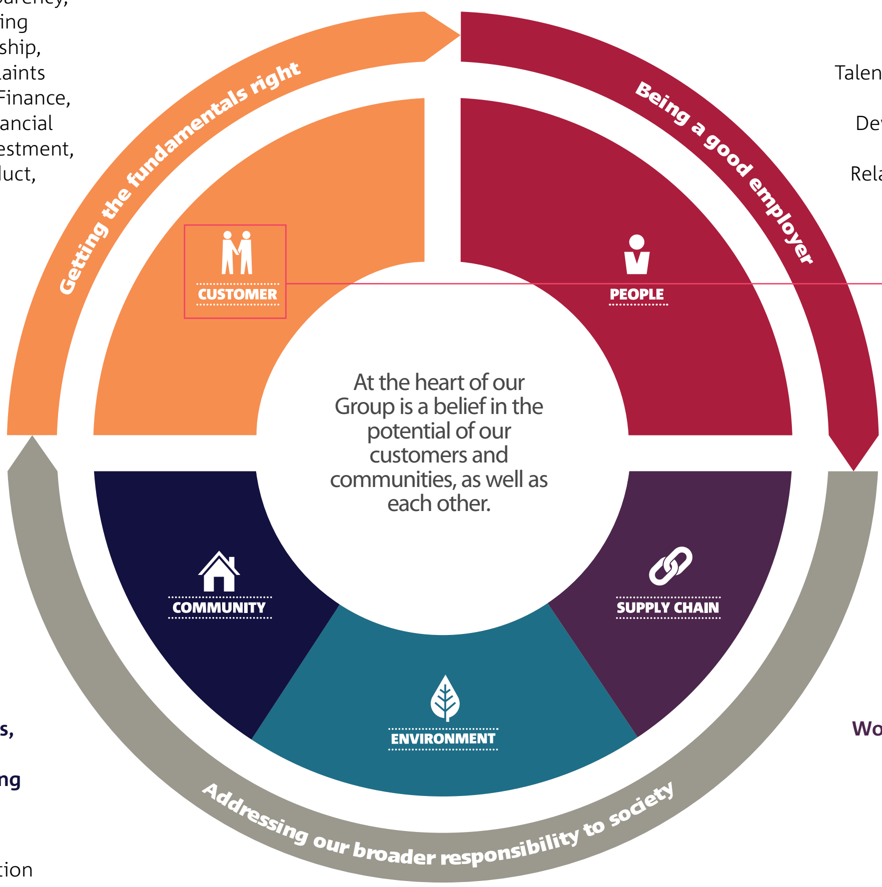
Delivering clear value and quality advice.

Fees and Charges, Transparency, Access to Services, Assisting those Experiencing Hardship, Customer Service, Complaints Resolution, Responsible Finance, Responsible Lending, Financial Literacy, Responsible Investment, Ethics and Business Conduct, Innovation and Product Development, Security, Fraud and Anti-Money Laundering.

PEOPLE

Investing in the skills and capabilities of our employees

Organisational Culture, Diversity and Inclusion, Talent Management, OHS and Wellbeing, Learning and Development, Performance and Reward, Industrial Relations, Flexible Working.



COMMUNITY

Supporting communities, with a particular focus on inclusion and investing in our youth.

Community Investment, Volunteering, Reconciliation Action, Disaster Relief.

SUPPLY CHAIN

Working to have a positive impact through our purchasing decisions.

Managing the Impact of our Purchasing, Selecting Sustainable Suppliers, Responsible Procurement Practices, Offshoring and Outsourcing.

ENVIRONMENT

Working to manage the direct impact of our operations and the indirect impacts we have through our customers.

Environmental Impact of Operations, Managing Exposure to Environmental Risk, Financing Environmental Innovation and Business, Environmental Products and Services.

Source: National Australia Bank Annual Review 2010, page 9

Connectivity

CUSTOMER

OUR PERFORMANCE

Committed to getting the fundamentals right
We recognise the significant role we play in our customers' lives and accept the responsibility that comes with it. We are committed to getting the fundamentals of banking right.

NUMBER OF CUSTOMERS

11.56m

"NAB has been prepared to engage and consult with, and get input and feedback from, the consumer movement. It's a welcome change to work with a bank who is prepared to listen, and that's listening to their whole customer base."

CHRISTOPHER ZINN, Media Officer, Choice

We asked Christopher Zinn how we're performing for customers. View the interview at: **annualreports.nabgroup.com/customer**

DISTRIBUTION OF CUSTOMERS BY GEOGRAPHY
%

Australia	63%
New Zealand	10%
United Kingdom	24%
United States	3%

Source: NAB Internal

SERVICES FOR CUSTOMERS
Across the Group

	2007	2008	2009	2010
Number of branches and service centres	1,766	1,714	1,808	1,891
Number of ATMs	2,964	2,939	4,654	4,757

Source: NAB Internal

ACHIEVEMENTS AND CHALLENGES

More Give, Less Take. Doing the right thing by our customers underpins NAB's *More Give, Less Take* approach in Australia. *More Give, Less Take* began by listening and then taking meaningful action on the issues that most annoyed our customers – fees and charges. We know that fees and charges aren't the only issues important to our customers. Each of our businesses undertakes research and actively seeks feedback to help us better understand how we can meet customers' changing needs. We know that customers want high-quality and easy-to-understand products, helpful and efficient service, support through tough times, clear and transparent financial advice, and secure banking services.

We have responded in a range of ways. We continued to support business customers when the industry contracted its lending and rolled out our Customer-led Innovation Strategy (refer page 14). We have completed the transition of MLC's advice businesses to a fee-for-advice model, and we are investing in our technology to make NAB a more efficient business. We have established a Customer Council in Australia, chaired by Group CEO Cameron Clyne, to discuss customer complaints in detail and look at how we can work together to address common concerns.

Going forward, we are focused on continuing to improve customer satisfaction and delivering more proof points on our promise of *More Give, Less Take*, and we are committed to keep listening. This year we held our second CEO Consumer Briefing. The feedback received, on issues such as credit limit increase offers, interest rate transparency and assistance for those in hardship, helps us on our *More Give, Less Take* journey and we plan to continue this forum on an annual basis.

Responsible lending. Ensuring access to fair and affordable banking is the focus of our microfinance programs. In partnership with Good Shepherd Youth & Family Service, we provide no- and low-interest loans and a matched savings program. We also offer microenterprise loans for people who have difficulty accessing business credit. We have committed $130 million in loan capital to support these programs, and this year we've written over 8,500 microfinance loans.

For customers experiencing difficulty, we have dedicated teams to provide assistance. We are committed to managing these customers fairly and compassionately. To help do this in Australia we engaged Good Shepherd Youth & Family Service to provide training on the issues of hardship to staff in our Collections business in 2010.

Collection agencies are only engaged by NAB for customers with unsecured debts and once internal avenues have been exhausted. We have in place a variety of formal processes aimed at ensuring the activities of these agencies are aligned to our beliefs and behaviours. Any allegations of inappropriate behaviour are taken very seriously, and we commence immediate investigations in response.

Being a responsible lender also means recognising our broader responsibility to society by taking a considered approach to the projects we finance. NAB Group signed the Equator Principles in 2007, which commit us to a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing. Full reporting against the Equator Principles is in our Customer *Dig Deeper* paper. This year, Wholesale Banking established a formal reputation risk review process for discussing reputation and ethical issues.

Environmental and social risk is embedded in our credit risk policies, which prevent lending through normal processes to specific industries (including nuclear, pornography, arms dealers, testing on animals) and other industries with which our Group, for ethical reasons, may not wish to be associated.

Responsible investment is also important to our business. As a 'manager of managers', MLC does not select stocks directly; but it researches leading investment managers. An important characteristic of best practice investment managers is the approach they take to assess environmental, social and governance (ESG) issues. MLC believes that sustainable company performance is aligned with strength and leadership in ESG issues. During 2011, we will be meeting with relevant stakeholders to consider the relevance to our businesses of the UN Principles for Responsible Investment.

Safety and security. Customers increasingly bank online, and security needs to stay ahead of emerging threats. This year, we improved the way threats are detected and introduced speech security identification in telephone banking in Australia. BNZ developed a technology called Liquid Encryption Number (LEN), which helps early detection and the automatic prevention of counterfeit credit card transactions.

NUMBER OF MICROFINANCE LOANS
Cumulative since program inception

Mar 2008	Sep 2008	Mar 2009	Sep 2009	Mar 2010	Sep 2010
1,281	2,567	4,219	6,830	10,381	15,445

Microenterprise Loans / StepUp Loans / No-Interest Loan Scheme

Source: NAB Internal

FUTUREFOCUS

- Delivering more proof points on our promise of *More Give, Less Take* to show we stand for fairer and better banking.
- Launching a new customer charter at BNZ and measuring our performance against this.
- Increasing the uptake of our microfinance programs, with a particular focus on improving the uptake by Indigenous Australians.
- Following through on committed actions from our CEO Consumer Briefing, and continuing this forum for listening and engagement.
- Considering the expansion of the reputation risk review process across other areas of the bank.
- Continuing hardship awareness training within the Australian Collections business and implementing refresher training for employees in our UK Collections team.

MORE GIVE, LESS TAKE. THE JOURNEY SO FAR TO DELIVER FAIRER BANKING.

September 2009
NAB and Redi ATM join forces in Australia to extend ATM network to over 3,100.

October 2009
Abolishes overdrawn fees from everyday personal transaction accounts.

November 2009
Launches NAB Care to better assist customers in short-term financial difficulty.

December 2009
Abolishes credit card over limit fee and reduced late payment fee.
NAB offers the lowest standard variable home loan rate.

January 2010
Removes monthly account service fees from popular personal transaction accounts.
Extends opening hours of contact centre to include weekends.

February 2010
Announces the abolition of reference fees on business transaction accounts.

March 2010
Introduces free NAB alerts via email or SMS.

May 2010
Extends NAB Care offering to Small Business.
Removes the mortgage switch fee applicable to NAB Home Loans.

July 2010
Maintains the lowest standard variable home loan rate for 12 months.

September 2010
Announces changes to credit card payment schemes, applying payments to the highest interest rates first.

Source: National Australia Bank Annual Review 2010, pages 24–25

Anglo American's report includes a good example of how the link from a company's strategy to its KPIs can be presented in a clear way. This example reflects several guiding principles very well.

Connectivity

Strategic focus

Operating and financial review

Anglo American uses KPIs to help measure its performance. The KPIs are aligned to the three key strategic aims of the Group

Anglo American's strategy is to become the leading global mining company. During 2008, three key aims that should underpin this ambition were identified:

- investment of choice;
- partner of choice; and
- employer of choice.

In implementing its strategy, Anglo American measures performance with reference to the KPIs set out in the adjacent table. These KPIs are aligned to its key aims and are employed across the Group. The KPIs encompass both financial and non-financial indicators as well as quantitative and qualitative measures. While these KPIs are helpful in measuring the Group's performance, it is recognised that they are not exhaustive and many additional performance measures are also used to monitor progress.

Key performance indicators (KPIs)

Strategic aims	Strategic focus
Investment of choice Anglo American seeks to outperform its competitors in delivering value to shareholders. Everything that the Group hopes to achieve for all other stakeholders – particularly host governments, communities and employees – must be built on a platform of sector leading financial performance.	Asset optimisation and financial performance New capital investments
Partner of choice Anglo American has a history of successful collaboration with its stakeholders, including governments, communities, and non-governmental organisations (NGOs). The Group understands that it can only thrive if it is welcomed and respected in the countries and communities in which it operates.	Sustainable development
Employer of choice Becoming the employer of choice for Anglo American begins with an aim to provide a safe and supportive working environment for everyone who works for the organisation. The Group's commitment to zero harm remains its primary focus. The organisation offers a range of career paths for both technical and professional people. With its global footprint and growth aspirations, Anglo American can offer both an exciting and a fulfilling employment proposition.	Safety People

*Reflects managed operations

Conciseness, materiality

Future orientation

KPI	Description	Results and target (if applicable)
Total shareholder return (TSR)	Share price growth plus dividends reinvested over the performance period. A performance period of three years is used and TSR is calculated annually	Please refer to the Remuneration report on pages 80 to 90
Return on capital employed (ROCE)	Total operating profit before impairments for the year divided by the average total capital less other investments and adjusted for impairments	**2008:** 36.8% **2009:** 14.6%
Asset optimisation (AO)	Sustainable operating profit benefit from optimised performance of the asset base of the core businesses	**2009:** $749 million **Target:** $1 billion by 2011
One Anglo Supply Chain (OASC)	Cost savings to the Group resulting from centralised procurement from core businesses	**2009:** $445 million **Target:** $1 billion by 2011
Underlying earnings per share	Underlying earnings are net profit attributable to equity shareholders, adjusted for the effect of special items and remeasurements and any related tax and minority interests	**2008:** $4.36 **2009:** $2.14
Capital projects and investment	Optimise the pipeline of projects and ensure that new capital is only committed to projects that deliver the best value to the Group on a risk adjusted net present value basis	A summary of the Group's capital projects and investments is on pages 20 to 21
Energy efficiency*	Improvements in energy efficiency are measured from a 2004 baseline	**2008:** 105 million GJ total energy used **2009:** 105 million GJ total energy used **Target:** A 15% improvement by 2014
Total water use*	Total water use includes only water used for primary activities	**2008:** 124.8 million m³ **2009:** 125.3 million m³ **Target:** Business units are currently setting operational targets
CO_2 emission intensity*	Reduction in CO_2 emissions per unit of production is measured from a 2004 baseline	**2008:** 19.7 Mt CO_2 equivalent **2009:** 19.0 Mt CO_2 equivalent **Target:** A 10% reduction by 2014
Corporate social investment	Social investment as defined by the London Benchmarking Group includes donations, gifts in kind and staff time for administering community programmes and volunteering in Company time	**2008:** Spend – $76.2 million, 1.11% of profit before tax **2009:** Spend – $82.5 million, 2.23% of profit before tax
Enterprise development	Number of companies supported and number of jobs sustained by companies supported by Anglo American enterprise development initiatives	**2008:** Number of businesses supported 3,012; number of jobs sustained 13,431 **2009:** Number of businesses supported 3,720; number of jobs sustained 12,982 **Target:** Number of businesses supported 3,500; number of jobs sustained 18,000
Work related fatal injury frequency rate (FIFR)	FIFR is calculated as the number of fatal injuries to employees or contractors per 200,000 hours worked	**2008:** 28 fatalities, 0.015 FIFR **2009:** 19 fatalities, 0.010 FIFR **2010 target:** zero incidents
Lost time injury frequency rate (LTIFR)	The number of lost time injuries (LTIs) per 200,000 hours worked. An LTI is an occupational injury which renders the person unable to perform his/her duties for one full shift or more the day after the injury was incurred, whether a scheduled workday or not	**2008:** 1.04 **2009:** 0.76 **2010 target:** zero incidents The ultimate goal of zero harm remains
Voluntary labour turnover	Number of permanent employee resignations as a percentage of total permanent employees	**2008:** 3.9% **2009:** 6.8%
Gender diversity	Percentage of women and female managers employed by the Group	**2008:** 12% females, 17% female managers **2009:** 12% females, 19% female managers
Voluntary counselling and testing (VCT) for HIV/AIDS	Percentage of employees undertaking voluntary annual HIV tests with compulsory counselling support	**2008:** 77% **2009:** 82% **2010 target:** 100% VCT in high disease burden countries (100% is the long term goal)

Source: Anglo American plc Annual Report 2009, pages 16–17

Akzo Nobel starts the performance statement with a market overview, followed by detailed descriptions of its market sectors, all structured in the same format. This allows the reader to easily gain insight into Akzo Nobel's business model as well as its performance and strategy.

Strategic focus

Performance coatings market overview

Our Performance Coatings business is represented in most market segments of this industry, holding many leading positions.

Market and business characteristics
The size of the global market for performance coatings is around €40 billion.

General industrial coatings
Metal and plastic coatings for a wide range of applications – from huge industrial equipment to the latest mobile phones and music players, computers, espresso machines and sporting goods.

Protective coatings
Corrosion and fire protection across a range of industries including upstream and downstream oil and gas, high value infrastructure such as airports and stadia, power generation, mining and minerals and water and waste water.

Vehicle refinishes
Recoating of automobile bodies when vehicles are repaired.

Automotive OEM
Coatings for commercial vehicles (trucks and buses) and automotive plastic components.

Aerospace coatings
Coatings for small and large aircraft, including products for exterior and interior finishes. Primers for structural components and coatings for high performance exterior and interior finishes.

Powder coatings
Powder technology involves a coating being applied electrostatically. It is sprayed and then subsequently cured by applying heat, either in an oven or by using infrared or UV light irradiation.

Wood finishes and adhesives
Wood coatings for home and office furniture, flooring, kitchen and bath cabinetry, windows and doors. Adhesives are the bonding agents for wood composites and laminates used in these applications.

Marine coatings
Coatings for deep sea and inland marine vessels at new construction or for maintenance that protect against corrosion and abrasion and provide resistance to organic fouling.

Yacht coatings
The most advanced coatings systems to protect and beautify leisure craft, from the smallest dinghy to the largest and most luxurious super yacht.

Coil and extrusion coatings
Coil coatings are applied to coiled steel for heating, ventilation, air conditioning and appliances, and in commercial and residential construction to protect metal roofs and building components. Extrusion coatings give aluminum lasting beauty when used on metal building fascias and window frames and provide protection from the elements.

Packaging coatings
Coatings for packaging which are applied to internal and external surfaces for food and drink cans, caps and closures and cardboard and plastic packaging.

Customers
We serve a large range of customers including shipyards and yacht builders, architects, consumer electronics and appliance companies, can makers, steel manufacturers, the construction industry, furniture makers, aircraft, bus and truck producers and bodyshops.

Global market drivers
- Growing populations and GDP growth
- Steel production
- Consumer confidence
- Infrastructure development
- Housing market activities

High growth markets
Projected industry growth is strong, particularly in Asia Pacific. More than 45 percent of our Performance Coatings revenue is in high growth markets.

Innovations
- Automobile scratch repair systems
- Low-bake powder coatings
- Self-repairing clearcoat
- Foul release coatings
- Waterborne coatings technology

Some key raw materials

- Resins
- Titanium dioxide
- Pigments
- Solvents

Price drivers

- Oil/energy prices
- Construction demand
- Metals, base chemical prices

Market leadership positions

Marine and Protective Coatings

1st	Marine coatings
	Protective coatings
	Yacht coatings

Automotive and Aerospace Coatings

2nd	Aerospace coatings
3rd	Vehicle refinish
	Commercial vehicle OEM coatings
5th	Automotive plastic coatings

Industrial Coatings

1st	Coil and extrusion coatings
	Specialty plastics coatings
2nd	Packaging coatings

Powder Coatings

1st	Powder coatings

Wood Finishes and Adhesives

1st	Industrial wood finishes
2nd	Industrial wood adhesives

Source: Akzo Nobel Report 2011, page 48

Future orientation

Conciseness, reliability, materiality

AkzoNobel Wood Finishes and Adhesives

"Despite unfavorable market conditions, we continue to align ourselves for growth"

John Wolff
Managing Director

Overview

It was a challenging year of stark contrasts. On the one hand we identified new opportunities in the world's high growth regions, while on the other we faced uncertainly stemming from the ongoing economic decline in the more mature markets. Lack of consumer confidence and weak housing markets adversely affected our business and rapidly increasing raw material prices caused an additional strain. Through a combination of stringent price increases and cost control methodologies, we were able to optimize revenue and profit outcomes for the year.

Analysis

Our activities are closely linked to the world's housing markets and historically a significant segment of our business has been dependent upon the mature, developed parts of the world, such as Western Europe and North America. Those economies were essentially flat during 2011, and with raw material prices increasing dramatically, we faced extremely challenging business conditions. This situation prompted decisive action to cut costs through headcount reduction and rationalization projects. Margin management was attained through price increases in a very difficult commercial environment on a global basis. However, we did achieve growth in the high growth regions of Eastern Europe, Latin America and parts of Asia in both our Finishes and Adhesives businesses.

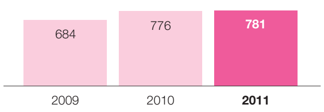
Highlights

Despite unfavorable market conditions, we continue to align ourselves for growth. In Asia, for example, we are investing in strengthening and expanding our local teams focused on driving growth in the domestic industrial wood segments. They have made rapid progress in launching into new domestic markets in Asia and are starting to supply a core range of products. We also teamed up with our Decorative Paints business in India to take advantage of their extensive distribution network to break into the country's industrial wood market. Another significant development was the start-up of our new plant in Vietnam, which supports our growth strategy in the Asian export and domestic markets. We've identified a number of new business opportunities and have already developed a new range of products for this region. In Eastern Europe, we continue to expand our business with large OEM customers while increasing our distribution channels for the custom workshop sector. Despite the difficult economic environment, we're very confident that these additional activities will provide us with a platform for accelerated growth moving forward.

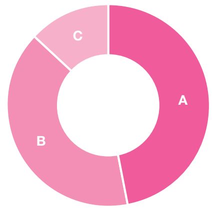
Developments

The key focus of our business is to successfully grow with large OEM customer groups and drive further market penetration into the custom workshop market by providing value-added products, services and solutions delivered locally to our chosen customer base. This focused approach led to a number of exciting developments during 2011, including new sustainable waterborne and UV cure products. Among a series of product launches, we introduced VOC compliant coatings into our European and North American distribution lines, while our Adhesives business launched several new product ranges, including the GripLine system for wood construction and the LignuLine system for interior components. These developments are focused on improving and enhancing the sustainability and competitiveness of our customers, which in turn will contribute to a more sustainable AkzoNobel.

Revenue in € millions



Geo-mix revenue by destination in %



A EMEA	47
B Americas	40
C Asia Pacific	13

Main products

- Wood coatings
- Wood adhesives and board resins

Key markets

- Furniture
- Cabinets
- Flooring
- Windows
- Doors
- Building products

Key brands

Source: Akzo Nobel Report 2011, page 55

In its annual report, **Marks & Spencer** (M&S) uses a structure for performance reporting that helps the reader connect the information on strategy, business model, financial and non-financial performance. Its performance report starts with a concise overview of financial and non-financial information, which is followed by a more detailed explanation of selected performance indicators and their discussion about strategy.

Strategic focus

Conciseness, reliability, materiality

Financial performance These financial performance indicators are based on the statutory 53 week period ended 3 April 2010.

Group revenue

£9.5bn
+5.2%

£m	06/07	07/08	08/09	09/10
UK	7,977.5	8,309.1	8,164.3	**8,567.9**
International	610.6	712.9	897.8	**968.7**
Total	8,588.1	9,022.0	9,062.1	**9,536.6**

Adjusted Group operating profit*

£843.9m
+9.8%

£m	06/07	07/08	08/09	09/10
UK	956.5	972.9	652.8	**701.2**
International	87.5	116.4	116.1	**142.7**
Total	1,044.0	1,089.3	768.9	**843.9**

Performance against our strategy

What we sell
Growing our core UK business

p16

UK market share Clothing and footwear

Analysis: During the year we grew our value market share and held on volume, see **page 16** onwards for details of our clothing business.

Source: Kantar Worldpanel

Value market share
11.0%
2008/09 **10.7%**
2007/08 **11.0%**
2006/07 **11.1%**

Volume market share
11.2%
2008/09 **11.2%**
2007/08 **11.3%**
2006/07 **10.7%**

UK market share Food

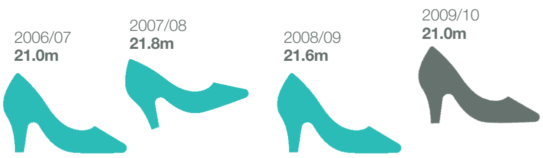
Analysis: Our market share is slightly down, reflecting the fact we were the only retailer to lower prices during what was an inflationary period. See **page 24** for details on how we are working to further improve our Food business.

Source: Kantar Worldpanel

3.8%
2008/09 **3.9%**
2007/08 **4.3%**
2006/07 **4.2%**

Average weekly UK footfall

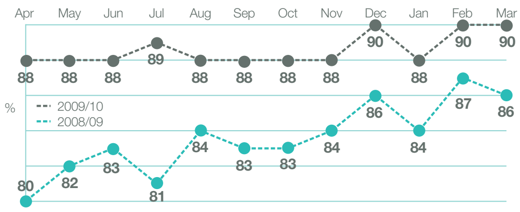
Analysis: Around half of UK stores have cameras fitted at the entrance to allow us to track customer visits. We calculate our average footfall by analysing the ratios between visits and sales in these stores and then applying it to stores without cameras.



Average weekly footfall
21.0m

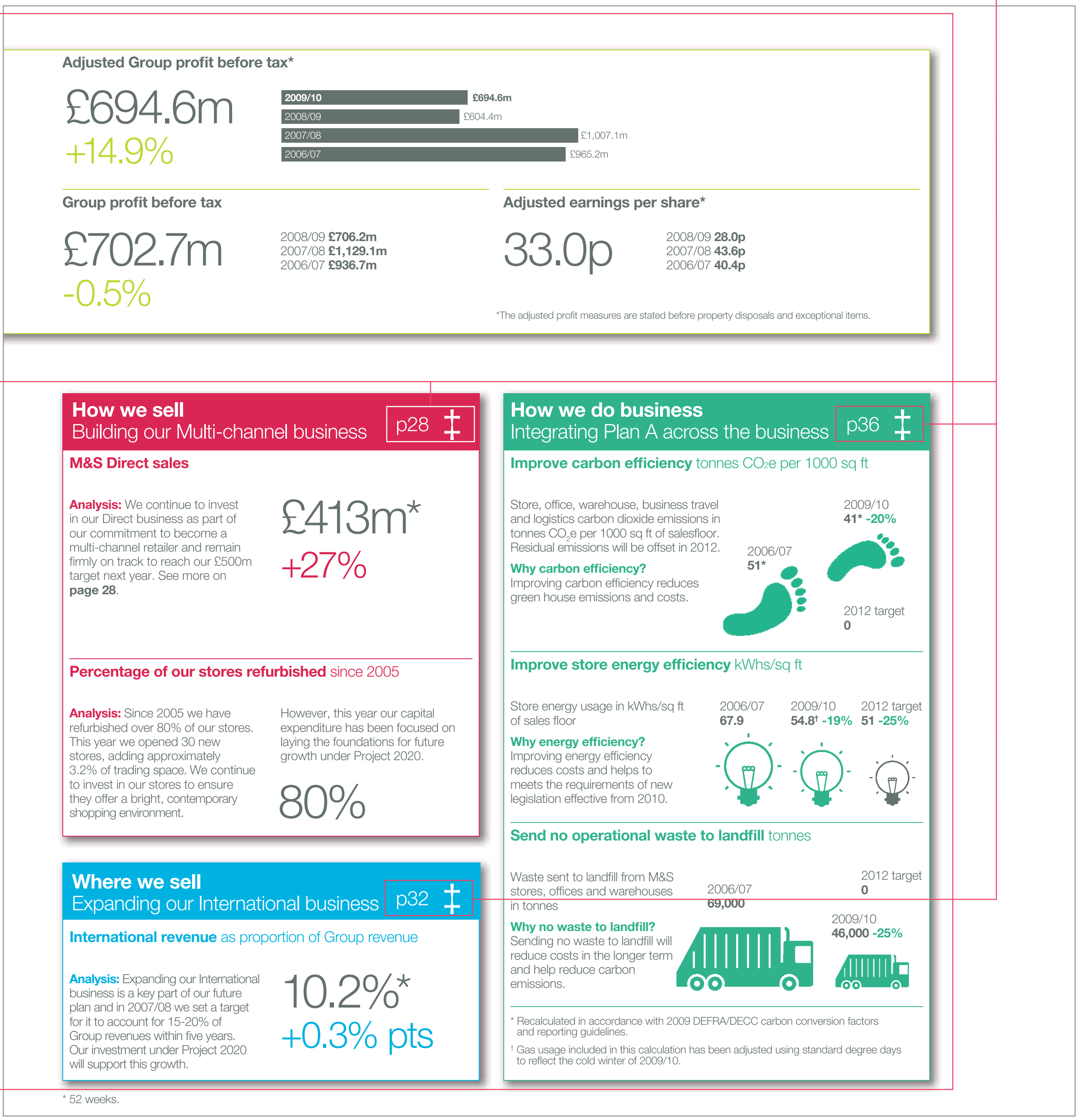
UK mystery shopping programme

Analysis: Mystery shoppers anonymously visit all of our UK stores once a month – twice for flagship stores – to evaluate the levels of service, scoring factors such as how staff welcome customers and the management of store environment. This year over 6,500 visits were conducted and we have seen a 5% increase in service scores.



Visits completed
6,500
average score 89%

Connectivity



Adjusted Group profit before tax*

£694.6m
+14.9%

2009/10	£694.6m
2008/09	£604.4m
2007/08	£1,007.1m
2006/07	£965.2m

Group profit before tax

£702.7m
-0.5%

2008/09 **£706.2m**
2007/08 **£1,129.1m**
2006/07 **£936.7m**

Adjusted earnings per share*

33.0p

2008/09 **28.0p**
2007/08 **43.6p**
2006/07 **40.4p**

*The adjusted profit measures are stated before property disposals and exceptional items.

How we sell
Building our Multi-channel business p28

M&S Direct sales

Analysis: We continue to invest in our Direct business as part of our commitment to become a multi-channel retailer and remain firmly on track to reach our £500m target next year. See more on **page 28**.

£413m*
+27%

Percentage of our stores refurbished since 2005

Analysis: Since 2005 we have refurbished over 80% of our stores. This year we opened 30 new stores, adding approximately 3.2% of trading space. We continue to invest in our stores to ensure they offer a bright, contemporary shopping environment.

However, this year our capital expenditure has been focused on laying the foundations for future growth under Project 2020.

80%

Where we sell
Expanding our International business p32

International revenue as proportion of Group revenue

Analysis: Expanding our International business is a key part of our future plan and in 2007/08 we set a target for it to account for 15-20% of Group revenues within five years. Our investment under Project 2020 will support this growth.

10.2%*
+0.3% pts

How we do business
Integrating Plan A across the business p36

Improve carbon efficiency tonnes CO_2e per 1000 sq ft

Store, office, warehouse, business travel and logistics carbon dioxide emissions in tonnes CO_2e per 1000 sq ft of salesfloor. Residual emissions will be offset in 2012.

Why carbon efficiency?
Improving carbon efficiency reduces green house emissions and costs.

2006/07 **51***
2009/10 **41* -20%**
2012 target **0**

Improve store energy efficiency kWhs/sq ft

Store energy usage in kWhs/sq ft of sales floor

Why energy efficiency?
Improving energy efficiency reduces costs and helps to meets the requirements of new legislation effective from 2010.

2006/07 **67.9**
2009/10 **54.8† -19%**
2012 target **51 -25%**

Send no operational waste to landfill tonnes

Waste sent to landfill from M&S stores, offices and warehouses in tonnes

Why no waste to landfill?
Sending no waste to landfill will reduce costs in the longer term and help reduce carbon emissions.

2006/07 **69,000**
2009/10 **46,000 -25%**
2012 target **0**

* Recalculated in accordance with 2009 DEFRA/DECC carbon conversion factors and reporting guidelines.
† Gas usage included in this calculation has been adjusted using standard degree days to reflect the cold winter of 2009/10.

* 52 weeks.

Source: M&S Annual report and financial statements 2010, pages 10–11

Operating context, including risks and opportunities

2.2 Operating context, including risks and opportunities

This content element should describe the circumstances under which the organisation operates, including the key resources and relationships on which it depends and the key risks and opportunities it faces. The report should explain the commercial, social and environmental context within which the organisation operates, the key resources from and relationships with key stakeholder groups and the key risks and opportunities thereby addressing possible interdependencies.

Business drivers

There are many factors that influence the success of our business and the financial returns we obtain. We consider the factors described here to be our principal business drivers.

Price controls and rate plans

The prices we charge for use of our electricity and gas transmission and distribution networks are determined in accordance with regulatory approved price controls in the UK and rate plans in the US. These arrangements include incentive and/or penalty arrangements. The terms of these arrangements have a significant impact on our revenues.

Multi-year contracts

Revenues in our Long Island electricity distribution and generation operations are subject to long-term contracts with the Long Island Power Authority. In addition, revenues in our Grain LNG importation terminal are determined by long-term contractual arrangements with blue chip customers.

People

The skills and talents of our employees, along with succession planning and the development of future leaders, are critical to our success. We believe that business success will be delivered through the performance of all current and future employees, and enhanced by having a workforce that is diverse in its cultural, religious and community influences.

Principal risks and opportunities

There are a number of risks that might cause us to fail to achieve our vision or to deliver growth in shareholder value. We can mitigate many of these risks by acting appropriately in response to the factors driving our business. The principal risks are described here. For more detail on risks, see pages 91 to 93.

Regulatory settlements and long-term contracts

Our ability to obtain appropriate recovery of costs and rates of return on investment is of vital importance to the sustainability of our business. We have an opportunity to help shape the future of the regulatory environment, for example in our rate filings in the US. If we fail to take these opportunities, we risk failing to achieve satisfactory returns.

Financial performance

Financial performance and operating cash flows are the basis for funding our future capital investment programmes, for servicing our borrowings and paying dividends, and for increasing shareholder value. Failure to achieve satisfactory performance could affect our ability to deliver the returns we and our stakeholders expect.

Talent and skills

Harnessing and developing the skills and talent of our existing employees, and recruiting, retaining and developing the best new talent, will enable us to improve our capabilities. Failure to engage and develop our existing employees or to attract and retain talented employees could hamper our ability to deliver in the future.

Objectives

We have developed the Company strategy and objectives to address the key business drivers and risks, ensuring we manage the business appropriately so as to mitigate risks and optimise opportunities. For more detail on objectives, see pages 38 and 39.

Delivering strong, sustainable regulatory and long-term contracts with good returns

Building trust, transparency, and an inclusive and engaged workforce

Developing our talent, leadership skills and capabilities

Key performance indicators (KPIs)

We use a variety of performance measures to monitor progress against our objectives. Some of

Adjusted earnings per share

Group return on equity

Total shareholder return

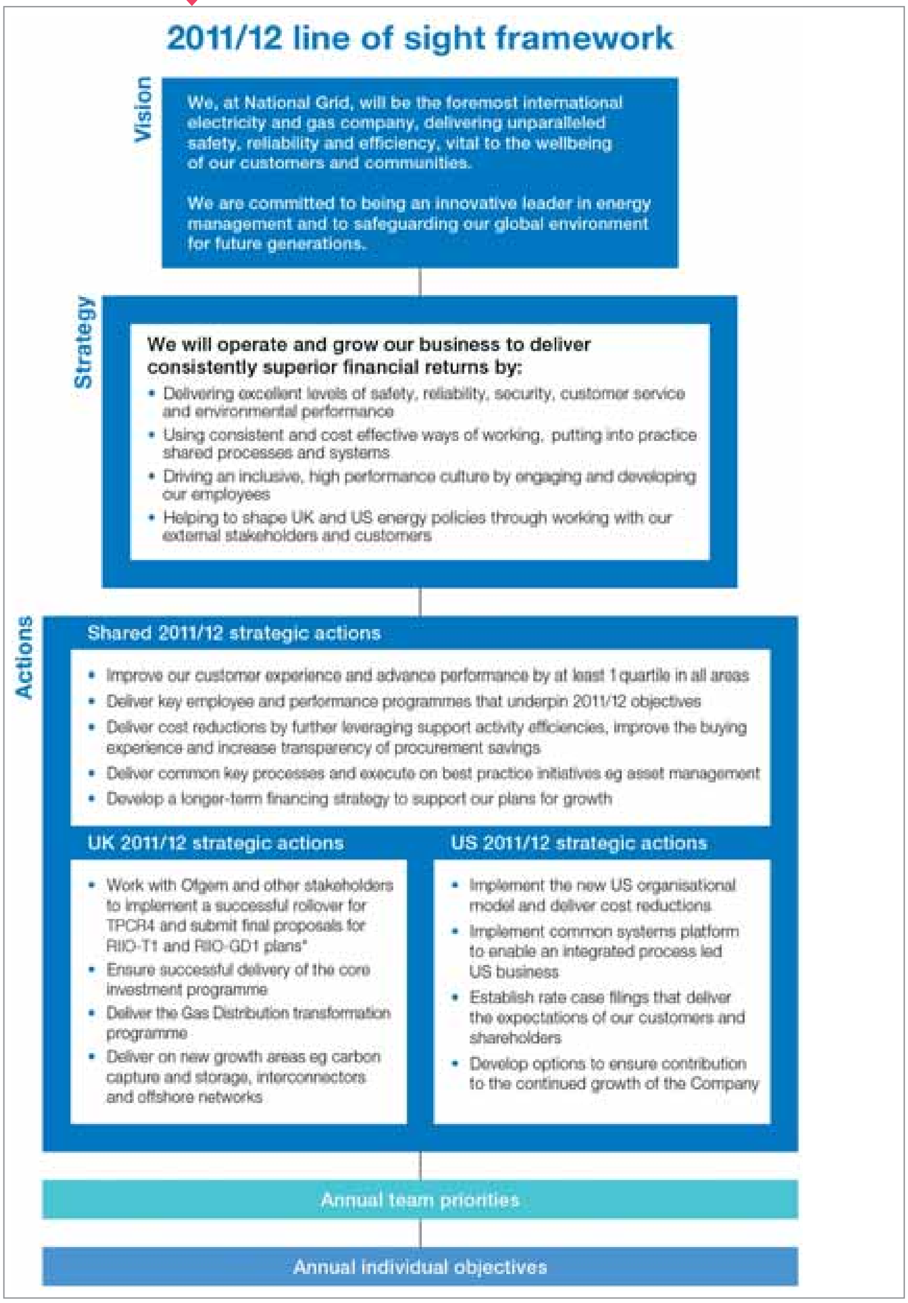
Employee engagement index

National Grid, the UK- and US-based electricity and gas utilities company, provides a clear presentation of its business drivers, strategy, objectives and key KPIs, both at group and segment level. Information in the various sections of the report is aligned by means of consistent headings, terminology and use of colour.

Objectives remain aligned with business drivers

Strategic focus and connectivity

Links its vision, strategy and objective to its business drivers



Source: National Grid plc Annual Report and Accounts, pages 36–37; page 39

After a short presentation of its business units and strategy on the first pages of its report, **Royal DSM** addresses most of the information on the operating context requested for each business unit separately, following the structure business and trends, strategic context, product assortment, the cluster in 2010 and looking ahead.

As regards the risks, the IIRC discussion paper suggests that material issues and their impact on a company's strategy and performance, as well as actions taken or planned to mitigate such risks, be clearly pointed out. Royal DSM meets this request by including a table that presents its top five risks and related mitigation actions followed by an explanatory narrative.

Materiality

The top five risks and related mitigating actions

Description of risk	*Mitigating actions*
People, organization and culture	
The implementation of the new strategy could be hampered by organizational concerns. These can consist of a lack of key resources, insufficient organizational clarity, insufficient priority setting and/or inadequate collaborative and result-oriented behavior.	The following mitigating actions are being taken: - Filling key positions by fast tracking internal development and increasing external hires - Setting and implementing clear charters, especially for the regional platforms - Setting up a small program office for strategy implementation - Implementing the DSM culture change program with the One DSM philosophy
Growth of the Nutrition cluster	
Due to the high profit contribution of the Nutrition cluster there is a risk that this cluster may fall short of the ambitious growth and profitability targets also due to potential difficulties in implementing the programs geared towards organic growth and growth through acquisitions and partnerships simultaneously with quality differentiation, innovation and cost control.	The following mitigating actions are being taken: - Strengthening market position - Further focus on differentiation and innovation - Further focus on cost competitiveness - Instituting program management for the strategy implementation in the Nutrition cluster - Ensuring sufficient, dedicated resources for acquisitions and partnerships - Leveraging DSM's best practices and resources
Acquisitions and partnerships	
DSM may have difficulties implementing sufficient value creating acquisitions to fulfill growth targets.	For acquisitions, resources are being focused and decision taking optimized by continuous prioritization and direct involvement of the Managing Board.
Innovation	
DSM may have difficulties realizing the growth as projected for the Emerging Business Areas and other innovations in the crossover field between Life Sciences and Materials Sciences.	In order to maximize the chance that opportunities in the chosen areas will be recognized and fulfilled, efforts are being strongly focused in the areas of Biomedical, Bio-based Products & Services (formerly White Biotechnology) and Advanced Surfaces. Priorities in growth platforms are strictly being managed.
Growth and profitability in the Pharma cluster	
DSM may have difficulties realizing the growth and return to adequate profitability levels as projected in the strategy.	In the execution of the Pharma strategy, the partnering efforts are receiving maximum attention. This has resulted in the intention to form a joint venture with Sinochem.

Source: Royal DSM N. V. Integrated Annual Report 2010, page 114

American Electric Power (AEP) presents its strategy in the context of a changing operating environment and demonstrates how its sustainability strategy feeds into its overall business strategy. The company stresses the importance of integrating environmental and societal issues for its strategy, operations, performance measurement and reporting, and explains how it has changed its organisation to achieve this integration.

The IIRC suggests that companies also use the content element "operating context" to present material stakeholder relations and the relevant issues for their material stakeholders.

Strategic focus

Stakeholder inclusiveness

Connectivity

An Integrated, Stakeholder-Informed Strategy

The connections between our environmental, financial and social performance are central to our strategy and to our thinking about who we are and what we do. The more we align and integrate our activities in these three areas, the more successful we will be.

For more than 100 years, AEP has provided affordable, reliable electricity for our customers; steady, competitive returns for our shareholders; and safe, rewarding jobs for our employees. While doing so, we have worked to protect the environment and to support the communities in which we operate.

The link between our environmental and financial performance has become much stronger and clearer to us during the past several years. Environmental issues became a larger part of our risk portfolio, and our performance as a company began to be seen, at least in part, in terms of our ability to address global climate change. We have made major investments in environmental controls at many of our coal-fired plants, which have resulted in reductions in sulfur dioxide and nitrogen oxide emissions by about 80 percent since 1980. While there is a clear environmental benefit, these investments have also led to major rate increases for our customers. At the same time, we have led the way in testing and deploying new technologies that will make us more efficient, give customers more control over energy use, enable modernization of the grid and further reduce our environmental impacts.

AEP was presented with a new challenge in 2010. In Ohio, customers have had a choice for generation service since 2001, but 2010 was the first year in which we have seen active retail marketing that targets our commercial customers. While we expect this trend to continue in 2011, we are taking steps through the regulatory process to address this while entering the competitive market ourselves. Our new AEP Retail Energy business has initiated retail marketing efforts in our service territory as well as other service territories in Ohio. Read more about this in *Public Policy*.

Employee and other human-resource issues remain vitally important. We are focused on a strategy that ensures we can attract and retain the talent we will need to build, operate and maintain new technologies and interactive energy supply-and-demand systems, such as our gridSMART® initiative.

Our extensive stakeholder engagement process has helped to inform our business strategy, and it has begun to produce synergies and business opportunities for us. We are discovering that many of the lines we had drawn separating financial from nonfinancial strategies, activities and reporting are no longer relevant and, in some cases, are counterproductive.

In response, we have worked to embed and integrate environmental and societal issues and performance into our strategy, our operations and our measurement and reporting systems. For example, in our Engineering, Projects & Field Services organization, the annual business plan is based on our sustainability strategy, and we've designed goal-setting and performance systems that emphasize the connection between each employee's job and our company's overall environmental, social and financial performance.

Strategic Transformation

The ancient Greek philosopher Heraclitus said, "The only constant is change." He could have been describing the electric utility industry and AEP in particular. We are in the midst of a fundamental transformation, including:

Our operations are increasingly integrated: Our operating company presidents are responsible for business performance across generation, transmission and distribution. Consequently, these business units are working more closely and sharing goals and accountability for overall performance at the operating company level. The company presidents are actively involved with resource planning, cash flow, balance sheets, income statements and stakeholder relationships. This business model allows the company presidents to align investment decisions with financial, regulatory and operational priorities and to manage our social and environmental performance in an integrated fashion.

Reliability: Explicit description how the organisation integrates its operations

Source: AEP Corporate Accountability Report 2011, page 6

Natura addresses this aspect in its reporting section “Who we work with”: In the table “Dialogue Panels”, the report presents relevant stakeholder groups and what actions they have taken to elaborate their needs. In a second table, the report presents the main topics identified for each group and actions taken or planned.

Stakeholder inclusiveness

Responsiveness

Conciseness, reliability, materiality

In the table below, we present the main topics that our stakeholders wanted to see addressed in the 2009 Annual Report, and the responses from Natura:

Stakeholders	Suggested topics	Responses from Natura
Brazilian Foundation for Sustainable Development (FBDS) and SustainAbility	Explain the governance structure for sustainability issues.	The information is included in the Governance section of the chapter entitled Our Moment.
FBDS - SustainAbility	Publish the results of stakeholder engagement (opinions and suggestions).	We have included, together with the six high-priority sustainability topics, tables with the principal contributions from stakeholders on each topic.
Specialists	Launch the Wiki Report and give stakeholders a voice in the Annual Report.	The Wiki Report was launched in 2009. The Natura We Share section of the chapter entitled What We Aim For presents the voice of the stakeholders who participated in the debates on the Natura Conecta networking platform.
Specialists	Publish the list of Natura's majority shareholders	The list of Natura's majority shareholders can be found in the Shareholders section of the chapter entitled Who We Work With.
Consultants and NCAs, Shareholders, Suppliers, Employees and Consumers	Address the Non-Service Rate and Natura's position on matters such as out-of-stock products and delays in delivery.	Natura's position on these matters is available in the box entitled Quality of Services, in the chapter Who We Work With.
Employees and NCAs	Information on the consolidation of the Natura Consultant Advisers model.	This issue was addressed in the chapter Who We Work With, under Consultants and NCAs.
Shareholders	Importance of training leaders in the company's culture.	This is a strategic matter for Natura and it is tackled twice in the report: in the Natura Management System section of the chapter What We Aim For, and under Employees, in the chapter Who We Work With.
Suppliers	Data on dialogue with suppliers and on the feedback from Qlicar supplier development program.	This information is contained in the Suppliers section of the chapter Who We Work With.
Employees	Natura's position on issues such as the Murumuru Case and the Urban Installations exhibition, which stirred up a controversy in the city of São Paulo.	The Murumuru Case is dealt with in the Supplier Communities section, and Natura's position on the exhibition that breached São Paulo's Clean City Law can be found in the Consumers section, both in the chapter Who We Work With.
Employees and Consultants	Information on Natura's Houses.	This data can be found in the Consultants and NCAs section in the chapter Who We Work With.

Source: Natura Annual Report 2009, page 36

Similarly, **Roche** presents its relevant stakeholder groups, how it engages with them, and what the outcome of the stakeholder engagement process was.

Stakeholder inclusiveness and connectivity

Conciseness, reliability, materiality

Stakeholder engagement

We aim to create value for our stakeholders through the medical benefits our products provide, our daily business activities, and specific activities with each group. We regularly seek stakeholders' views when formulating business strategy, setting priorities including those relating to Corporate Responsibility (CR), and throughout product development. We believe in two-way dialogue where both parties learn from each other. The table shows examples from 2010, and there is further information on our website.

More on the Web

- Stakeholder engagement: www.roche.com/stakeholder_engagement

Stakeholder engagement in 2010

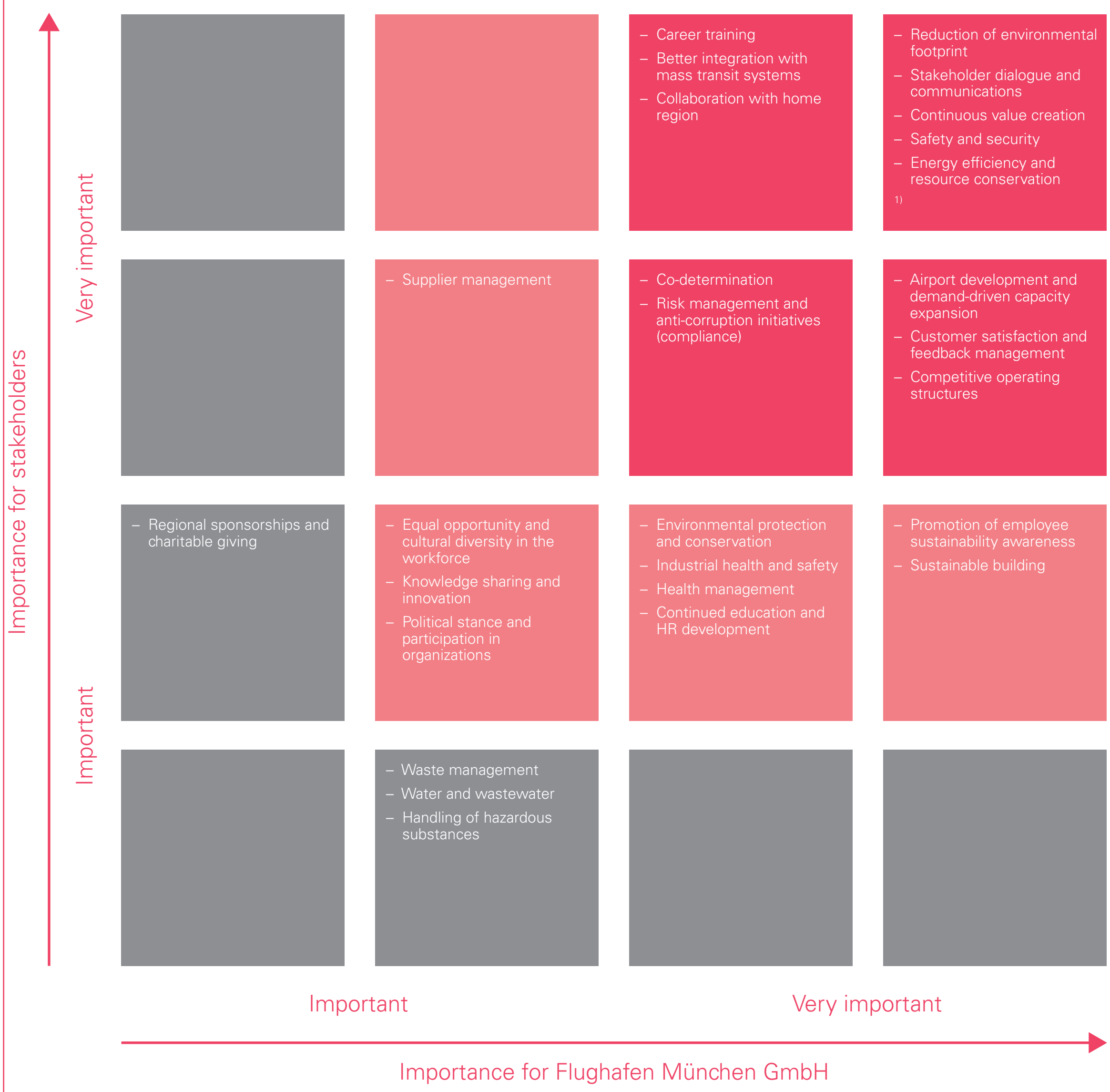
Stakeholder group	Examples of engagement	Results of engagement
Patients and patient groups	– Ran workshops for patient groups in several countries, including France and Germany – Reviewed informed consent forms with patient advocacy group, EGAN	– Better understanding of patients' needs so we can help them manage their disease – Consent forms easier for patients to read and understand
Healthcare professionals (HCPs)	– Market research and needs assessment among HCPs in US and top five EU countries – Virtual conference services for HCPs	– Improved understanding of customer needs – Over 3,000 HCPs participated in American Society of Clinical Oncology virtual conference
Governments, regulators and industry	– Participated in industry initiatives on topics such as biosimilars – Developed guidelines for misuse of compounds with the World Anti-Doping Agency	– Development of effective public health policies and regulations, and shared learnings – Roche and WADA signed a memorandum of understanding
Healthcare payers	– Worked with payers to develop methods to evaluate and compare the effectiveness of medicines – Developed a pricing toolkit and computer models in association with payers	– Development of tools to assess cost-effectiveness – Improved understanding among payers of the value of our products and services
Employees	– Group-wide programmes to promote our strategic framework – Ran management town hall meetings at major sites	– Increased awareness and understanding of the strategic framework among the global work force
Investors	– Attended over 70 investor meetings and conferences	– Improved investor understanding of our business model, strategy and late-stage pipeline
Suppliers and business partners	– Worked with key suppliers to commit to our new Supplier Code of Conduct – Began aligning supplier audit protocols with those of other PSCI members	– Minimised supply chain risks – Extended supplier audits to business critical service providers (indirect spend)
Non-governmental organisations	– Worked with the Access to Medicines Index on its 2010 ranking – Engaged with Amnesty International, Declaration of Bern and others on organ donation in China	– Ensure recognition for our access programmes – Launched project with the Chinese Ministry of Health to establish an organ donation system
Communities	– Donated time, money and expertise to causes such as AIDS orphans in Malawi and clean water in Uganda – Contributed to local communities through initiatives such as Roche Genetics Education Programme	– Help to reduce health inequalities – Maintain positive relationships with communities – Support the next generation of scientists
Media	– Over 120 corporate press releases and trade news updates	– Maintain a positive media image and protect our reputation

Source: Roche Annual Report 2010, page 104

FMG presents in its integrated report a materiality matrix which shows the importance of relevant topics for the company and for its stakeholders. This demonstrates FMG's approach to identifying the topics that are material and should be focused on.

Materiality, conciseness and stakeholder inclusiveness

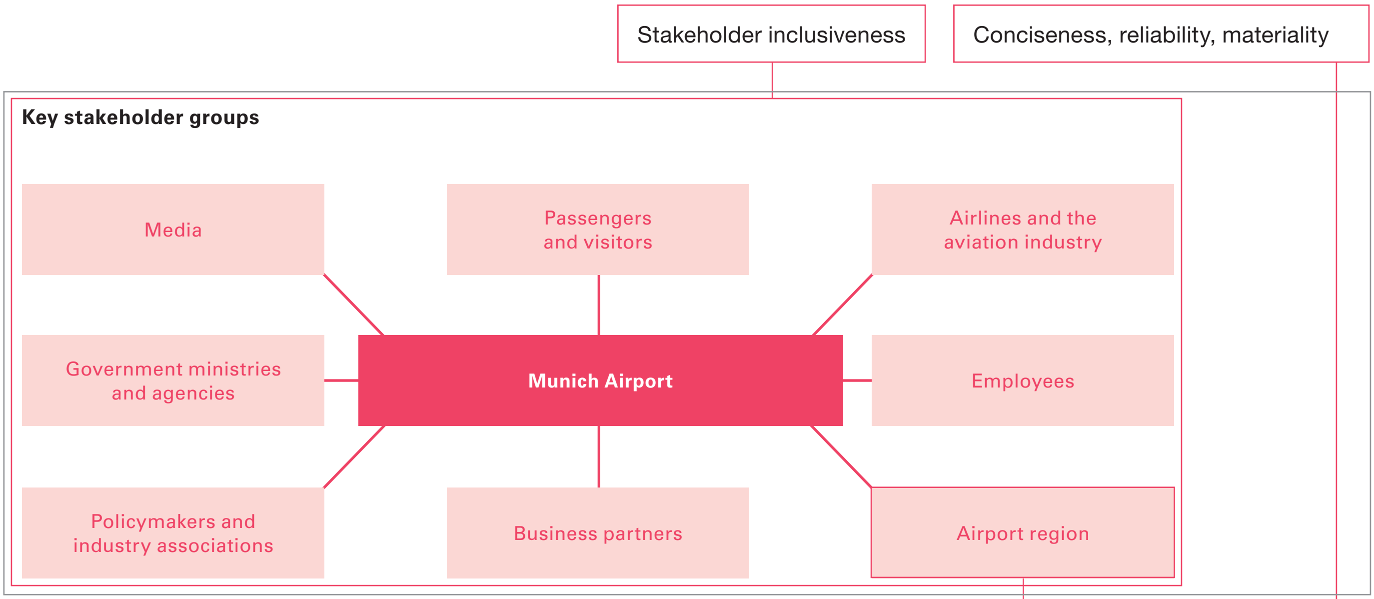
Materiality matrix



1) Facilitation of global mobility was defined as a purpose of the company and therefore does not represent a separate area of reporting.

Source: FMG Sustainability and Annual Report 2010, page 25

Furthermore **FMG** names its key stakeholder groups and specifies forms of dialogue and frequency.



Region

Form of dialogue and medium	Frequency
Meetings with community representatives and policymakers from the airport's surrounding region	As needed
Through its regional sponsorship initiatives, FMG maintains contact with more than 500 partner organizations in the region (in sport, education, social welfare and culture)	Continuously
Regional marketing: Intensive collaboration in the areas of business and tourism with the towns and administrative districts of Erding and Freising	Continuously
Information events for businesses and lobbyists (e.g., district artisans' associations, chambers of industry and commerce, trade and industry associations)	As needed
Fact-finding visits to the airport by community officials (community, city and county councils)	As needed
Panel discussions and meetings with citizens' initiatives, associations and other societal groups	As needed
Communities Council: A forum for information exchange and dialogue in connection with Munich Airport's expansion planning. It also decides on how resources from the regional impact fund are allocated. A working committee prepares meeting agendas for final decision-making.	As needed
Airport forum: Information and communication platform for questions concerning the region's economy and traffic trends in the airport's surrounding area. Under the aegis of the economics ministry, current issues are discussed directly with the neighboring communities.	Twice a year
Magazine for the airport region, *M Dialog*	Monthly
Commission on Aviation Noise: Exchange between local politicians in the affected regions, German ATC, and government agencies	Twice a year

Source: FMG Sustainability and Annual Report 2010, pages 112ff

Angoplatinum presents an overview of the five material issues that most affect its short-, medium- and long-term sustainability and its approach in responding to these issues and its stakeholders' expectations.

Strategic focus | Stakeholder inclusiveness | Conciseness, reliability, materiality

Material issues	Financial sustainability	Safety and health	Regulation and minerals legislation
What does this cover?	• Headline earnings. • Net debt. • Gross profit margin.	• Worker safety (employee and contractor). • Worker health and wellness.	• Our mining rights as granted by the Department of Mineral Resources. • Adherence to the Mining Charter and implementation of its social and labour plans. • Other material licences and authorisations such as approvals of environmental impact assessments (EIAs) and water-use licences.
Why is it important?	• Without profits our Company would not exist and its benefits to society would be lost.	• The mining business carries inherent risks that may affect the safety and health of our workers. • We want all people who work at Anglo American Platinum Limited (Amplats) to return home safely and healthy at the end of their shift.	• Without a valid mining right we would not be permitted to mine. • Non-adherence to the Mining Charter and/or failure to implement the social and labour plans can lead to rights being revoked. • Approved EIAs and water-use licences are key to ensuring that our environmental impacts are minimised.
What do our stakeholders expect from us	• Shareholders want a sound return on their investment. • The Government wants taxes. • The communities close to our operations want benefits from our business. These include procurement benefits, employment and the provision of infrastructure.	• To make safety and health the top priority in any situation and have no injuries as a result. • To build, maintain and continually improve safety and health systems. • To fix problems promptly and notify anyone who may be affected by them.	• Legal compliance and the validity of all rights, authorisations and permits. • Implementation of the Mining Charter and the social and labour plans.
What are we doing?	• Through our Company strategy we will create maximum value by understanding and developing the market for platinum group metals (PGMs); grow the Company to expand into those opportunities; and conduct our business safely, cost-effectively and competitively, thus contributing positively to our host communities.	• Safety is one of our values. • We have a safety strategy intent on delivering "zero harm" to our employees. • We have programmes in place to reduce exposure to noise, TB and HIV.	• Letters of conversion of mining rights were received in 2010. Fourteen rights have been converted and one is going through the administrative process. • Tracking social and labour plan implementation. • Engaging with the Department of Water and Environmental Affairs to get the four outstanding water-use licences approved.

Source: Angloplatinum Annual Report 2011, page 23

Finally, the example of **Siemens** shows how an integrated approach that looks at the changing nature of business environments, society and changing customer needs can drive innovation and the development of new business models. Siemens developed an environmental portfolio of energy-efficient solutions and environmental technologies which have a three-fold advantage: they benefit Siemens' customers, who boost their own success through low energy costs and higher productivity; they benefit future generations, whose living and environmental conditions are being preserved and improved; and they benefit the Siemens company by enabling it to tap attractive markets and generate profitable growth. Siemens developed a significant part of this portfolio in collaboration with its customers. The reporting reflects this integrated approach.

THE ENVIRONMENTAL PORTFOLIO IS A KEY DRIVER OF SUSTAINABLE GROWTH [1]

The Siemens portfolio is primarily comprised of capital goods with long product lifecycles and long service lives for our customers.

Connectivity and stakeholder inclusiveness

Thanks to the close relationships cultivated with our customers, we develop a considerable share of our portfolio directly with them, and often even in their own companies. This is particularly true of our Environmental Portfolio, in which we bundle all those products and solutions that directly contribute to environmental and climate protection. The components of our Environmental Portfolio fall into three main categories:

> First, products and solutions with especially high energy efficiency, such as combined cycle power plants, energy-saving lamps or intelligent building systems;
> Second, equipment and components for renewable energies, such as wind turbines and solar power plants; and
> Third, environmental technologies, for example to provide clean water and air.

Products and solutions qualify for inclusion in our Environmental Portfolio on the basis of clearly defined processes and stringent criteria. Once a year, the Siemens Sustainability Board decides on changes in the composition of the Portfolio. In fiscal 2010, for example, we added new or supplementary components for solar thermal power plants, along with highly efficient transformers and additional efficient gas turbines.

Conciseness, reliability, materiality

Figures on customers and portfolio

	FY 2010 [1]	FY 2009 [1]
Industry-specific key account management (MDB)	14	11
Revenue generated by the Siemens Environmental Portfolio (in billions of euros)	27.6	26.8
Reduction in the amount of CO_2 emissions of our customers attributable to products and solutions of the Siemens Environmental Portfolio (in millions of tons of CO_2)	267	214

1 We added new products and solutions to the Siemens Environmental Portfolio in fiscal 2010, for which proof of fulfillment of the qualification criteria was previously not available. The revenue and CO_2 reduction figures for fiscal 2009 were calculated on a comparable basis; therefore, the 2009 revenue and CO_2 reduction figures presented in this report differ from those presented in the prior-year report.

Source: Siemens Sustainability Report 2010, pages 65–66

In its annual report, **adidas** provides a table of overall risks along with management's assessment of the likelihood that these risks might occur and its assessment of the potential financial impact, where possible, for the current and previous year. This gives the reader an idea of the significance of the risks and of the potential financial impact of operational or compliance-related risks.

Conciseness, reliability, materiality

Management assessment of overall risks and opportunities

Overall risk profile unchanged versus prior year

Management aggregates all risks reported by different business units and functions. Taking into account the occurrence likelihood and the potential financial impact of the risks explained within this report as well as the current business outlook, adidas Group Management does not foresee any material jeopardy to the viability of the Group as a going concern. This assessment is also supported by the historical response to our financing demands / SEE TREASURY, P. 129. The adidas Group therefore has not sought an official rating by any of the leading rating agencies.

08 / **Changes in corporate risk assessment versus prior year**

	2011		2010	
	Likelihood of occurrence	Potential financial impact	Likelihood of occurrence	Potential financial impact
Strategic and operational risks				
Macroeconomic risks		Major		Significant
Industry consolidation and competition risks	Likely	Major	Probable	Significant
Hazard risks	Possible		Unlikely	
Reputation/brand image risks	Probable		Possible	
Inventory risks	Probable		Possible	
Customer risks	Likely		Highly probable	
IT risks	Possible		Unlikely	
Compliance-related risks				
Legal risks	Likely	Significant	Possible	Moderate
Social and environmental risks	Likely		Probable	
Risks related to product counterfeiting and imitation	Probable		Highly probable	
Product quality risks	Likely		Possible	
Risks related to non-compliance	Possible	Moderate	Unlikely	Minor
Financial risks				
Interest rate risks		Minor		Moderate

Source: adidas Anual Report 2011, page 162

Strategic objectives

2.3 Strategic objectives and strategies to achieve those objectives

In this content element, organisations should describe their strategic objectives and their strategies to achieve those objectives. It should also be clear how companies measure achievements and target outcomes for the short, medium and long term.

Solarworld presents its strategic goals and respective achievements in the reporting year and the year before in a very clear way. By including information from the previous year, Solarworld not only provides a good overview of past target achievements but also of changes in the goals the company has set for itself.

Conciseness | Reliability | Future orientation | Strategic focus

EMPLOYEES

TARGETS 2009+	ACTUAL 2009	TARGETS 2010+	ACTUAL 2010	TARGETS 2011+
Gain and retain qualified, skilled employees and management staff: Employment expansion by around 25 %	175 new jobs created/ +10 %, growth was supported by up-staffing, parallel investments in process optimization	Employment increase by around 10 %	✓ **Employment increase:** 19 %	**Employment increase:** Groupwide employment increase by around 25 % by the end of 2012
Strengthen employer attraction by way of Employer Branding	✓ Germany: Study "Great Place to Work 2010" – 55th place (2008: 57th place) trendence graduate barometer 2009: 15th place	Continuation	✓ trendence graduate barometer 14th place (2009: 15th place); Universum Study Survey 2010: 10th place (natural science students), 13th place (engineers students)	Strengthen employer attractiveness
Groupwide executive and talent development	✓ Groupwide executive and talent development	Emphasis on groupwide executive development	✓ Groupwide management and executive workshops	Emphasis on groupwide executive development
Completion of Code of Conduct and communication to employees	Postponed to 2010; internal coordination process not yet completed	After approval by the works council the code will be officially launched and communicated and included in internal training and continuing professional development programs	Approval by work council obtained; official signature by Board of Management and Supervisory Board: Communication re-scheduled for 2011	Groupwide communication of the Code of Conduct

SOCIETY

TARGETS 2009+	ACTUAL 2009	TARGETS 2010+	ACTUAL 2010	TARGETS 2011+
Consider the interests of stakeholder groups: voluntary disclosure through sustainability reporting pursuant to Global Reporting Initiative (GRI), Carbon Disclosure Project	✓ Signing of the Global Compact ✓ Review of sustainability report by auditor	Consider the interests of stakeholder groups: voluntary disclosure through sustainability reporting pursuant to GRI, Carbon Disclosure Project as well as Global Compact	✓ Achieved	Consider the interests of stakeholder groups: voluntary disclosure through sustainability reporting pursuant to GRI, Carbon Disclosure Project as well as Global Compact
Implementation of awareness-building measures with regard to climate and resource protection	✓ Information through throw-ins, target group mailings, school projects, cultural promotion regarding the protection of species, etc.	Implementation of awareness-building measures with regard to climate and resource protection	✓ Information through TV spots, throw-ins, target group mailings, school projects, etc.	Implementation of awareness-building measures with regard to climate and resource protection
Research promotion: expand the cooperation with universities and research institutes	✓ Research promotion 2009: 25 (2008: 21)	**Research promotion:** expansion of cooperation with universities and research institutes	✓ Cooperation with TUBA in the area of vocational training increased; research promotion 2010: 24 (2009: 25)	**Research promotion:** expanding the cooperation with universities and research institutes
Contribution to regional development via Solar2World projects (not-for-profit)	✓ **Project scope:** 114 kWp (2008: 53 kWp)	Contribution to regional development via Solar2World projects (not-for-profit)	✓ **Project scope:** 161 kWp (2009: 114 kWp)	Contribution to regional development via Solar2World projects (not-for-profit)

✓ Target achievement 100 percent

Source: Solarworld AG Annual Group Report 2010, page 25

Natura also demonstrates a clear link between its strategy, specifications planned or initiated to reach strategic objectives, and KPIs to measure progress in the selected focus areas. In the table below, Natura gives an overview of its targets for each "high-priority topic" and its performance against these targets in the reporting year. Through this presentation of targets and performance for the reporting year and targets for the next year, the reader quickly gets a picture of the development in each focus area.

Materiality | Reliability | Future orientation | Conciseness

DEVELOPMENT OF OUR COMMITMENTS

Over the years, we have established clear commitments to the evolution of our performance indicators as a way to continually improve the management of our impacts. This year, in addition to relating our targets as to the high-priority sustainability topics, as we did in 2008, we also aligned the 2010 targets with our socio-environmental budget, the objective of which is to further integrate sustainability with our strategic planning cycle.

To learn more about the targets presented in this table, please refer to the chapter on the related stakeholder.

EMPLOYEE

Hight-priority Topics	Commitments for 2009	Commitments for 2010
Quality of relationships	Obtain a 71% favorable response rate from employees in the Organizational Climate survey. **TARGET ACHIEVED** - We obtained a 72% rate in the Brazilian operations. This result is due mainly to the increase of eight percentage points in favorable response by the operational staff as a result of the RenovAção Project. (Renovação means "renewal" in Poruguese, but this form stresses the word Ação, or "action.").	Obtain a 77% favorable response rate in the Organizational Climate Survey.
Education	Invest 3.5% of total payroll in employee training. **TARGET ACHIEVED** - In Brazil, investment in education allowed for the training and development of 4,714 employees; the total amount invested represents 4.4% of total payroll.	Provide an average of 100 hours of training per employee in Brazil.

CONSULTANTS AND CONSUMERS

Hight-priority Topics	Commitments for 2009	Commitments for 2010
Quality of relationships	Maintain a 90% favorable response rate from consultants in the Satisfaction Survey. **TARGET ACHIEVED** - We maintained the same level as the previous year for both the quality of relationship (climate) rate, which was at 90%, and the satisfaction rate, which was at 88%.	Obtain a loyalty rate of 18% with consultants. Obtain a loyalty rate of 40% with Natura Consultant Advisers
Education	Collect R$ 3,744 million from the sale of products from the Crer Para Ver (Believing is Seeing) line. **TARGET ACHIEVED** - We collected R$ 3,768 million. In order to achieve this goal, we invested in the launch of products such as new T-shirts and shopping bags.	Collect R$ 6 million from the sale of products from the Crer Para Ver line.
	Have 463,054 consultants participate in training courses. **TARGET ACHIEVED** - 527,000 consultants were trained (a total of 583,000 consultants participated in the training courses, excluding repetitions). 2010 – Have 100,000 consultants engaged in the Movimento Natura (Natura Movement).	Have 100,000 consultants engaged in the Natura Movement Have 500,000 consultants participate in training courses.

Source: Natura Annual Report 2009, page 27

TNT has considered the results of its stakeholder surveys in its integrated strategy, and defined clear goals and focus areas for actions to achieve these goals, and transparently reports on its performance in these areas. Although this information is widely distributed across the report, it shows that the company has taken a stakeholder-oriented approach when setting its strategic objectives, has defined clear actions, and measured the performance against the targets set.

Another positive aspect is the balanced reporting on achievements and missed goals, as required by the guiding principle of reliability.

Reliability, conciseness

CO_2 target and performance

The provision of accurate and timely CO_2 data is another key requirement for effectively managing CO_2 performance. Mail has successfully implemented a monitoring and reporting system that provides operating units with easy access to accurate information on CR performance, including CO_2 metrics.

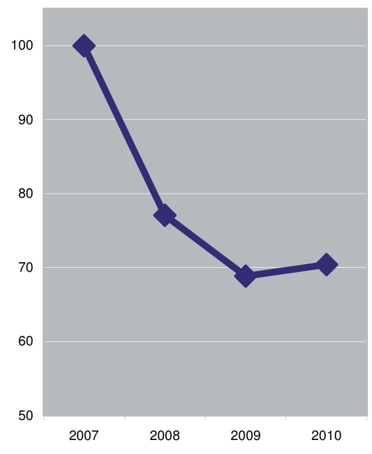
In 2010, TNT publicly announced its target to improve CO_2 efficiency by 45% by 2020 compared to the 2007 baseline year. This target is ambitious yet also realistic as it is based on the actual reduction potential specific to the Mail and Express business. In 2011, Mail will review its CO_2 target for its business to align with the overall 45% TNT target.

The CO_2 target is set on the CO_2 efficiency index. For Mail, the index combines the operational performance of the core operational activities, road transport and building operations into one indexed metric.

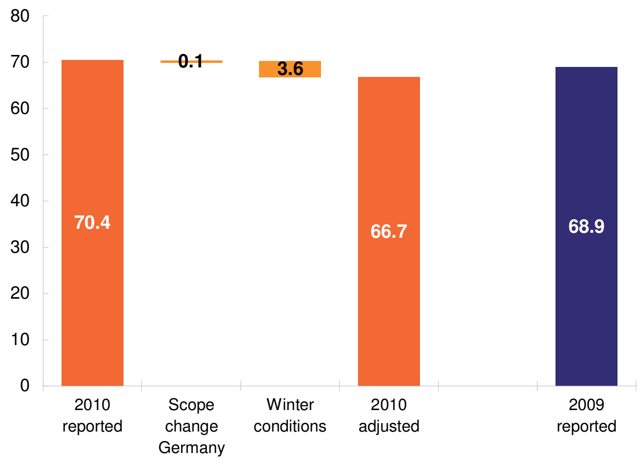
The CO_2 efficiency target is only credible when it is linked to concrete actions. The CO_2 efficiency target comprises various measures in Mail's core operational activities. Some of these measures can be regarded as 'business-as-usual', with a positive impact on CO_2 efficiency performance. However, the target can only be realised with dedicated efforts in fuel and energy efficiency, as well as in deployment of innovative solutions.

In 2010, a structured CO_2 management process was deployed to translate the 2020 CO_2 efficiency target into tangible action plans at operational level. Detailed action plans concerning CO_2 impact and budgetary requirements are linked to standard processes to ensure implementation at the core of the business. This process provides the basis for planning, tracking and rewarding the implementation of CO_2 efficiency improvement actions.

CO_2 efficiency index performance



CO_2 efficiency index



For 2010, the CO_2 efficiency index for Mail was 70.4, a deterioration of 1.5 points compared to 2009 (68.9). Management has analysed the underlying reasons for this deterioration and has concluded that it is mainly caused by increased gas usage as a result of the extreme winter conditions. Management therefore believes that the 2010 reported CO_2 efficiency indicator, when adjusted to reflect the extreme weather conditions, shows an improvement in 2010, with a figure of 66.7 compared with 68.9 in 2009.

Source: TNT Annual Report 2010, page 212

BASF describes its strategy and values including four strategic principles related to the economy, the environment, customers and employees. Each guideline contains several goals which are first described in a high level overview and then presented in a table with their current status. A cross reference at the end of the table points to further details.

Strategic focus

Strategy and values

BASF aims to strengthen its position as the world's leading chemical company. We describe how we intend to achieve this in our "We create chemistry" strategy, which we presented in November 2011. This strategy builds on our success in recent years and defines ambitious goals for the future.

In 2050, around nine billion people will live on this planet. On the one hand, this population growth is associated with enormous global challenges but we also see many opportunities, especially for the chemical industry. We expect the chemical industry to grow particularly strongly in the emerging economies, and that these markets will account for around 60% of global chemical production by 2020. Innovations based on chemistry will play a key role in three areas in particular:

– Resources, environment and climate
– Food and nutrition
– Quality of life

BASF's products and solutions will contribute to conserving resources, ensuring healthy food and nutrition, and improving quality of life. Sustainability and innovation will be significant driving forces.

Our purpose

We create chemistry for a sustainable future

We combine economic success, social responsit ronmental protection. Through science and ir enable our customers in almost all industries to me and future needs of society.

Sustainability is becoming increasingly impc factor for growth and value creation. Customers able products and system solutions, and th employees expect BASF to integrate sustainabilit day-to-day activities. That is why we will integrate much more closely into our business.

Our position as the leading chemical comp unique opportunities for us to contribute to a sust We act in accordance with four strategic principl

Our strategic principles

We add value as one company

We innovate to make our customers more successful

We drive sustainable solutions

We form the best team

Updated strategy

– Our "We create chemistry" strategy builds on our success in recent years and defines ambitious goals for the future
– Innovations based on chemistry will play a key role in three areas in particular: resources, environment and climate; food and nutrition; and quality of life

Our purpose

– We create chemistry for a sustainable future

Conciseness and materiality: Summary at the end of each page

Ambitious growth and profitability targets

As part of developing our strategy, we have defined goals that we aim to meet by 2020. We forecast that worldwide chemical production will grow faster than global gross domestic product (GDP) through 2020. Based on 2010, we expect GDP to grow by an average of 3% per year, which would be slightly faster than in the past 10 years.

From baseline 2010, chemical production is estimated to grow on average by 4% per year. We continue to aim to grow two percentage points faster than global chemical production and thus increase sales by an average of 6% per year until 2020. We have set ourselves the ambitious goal of earning a premium on our cost of capital of at least €2.5 billion on average each year.

Based on the conditions listed above, we aim to increase sales to approximately €85 billion by 2015 and to approximately €115 billion by 2020. We expect all regions to contribute to this sales growth: Europe with €53 billion in sales in 2020, Asia Pacific with €29 billion, North America with €22 billion and South America, Africa, Middle East with €11 billion. We also want to increase profitability, as well, aiming for an EBITDA of about €15 billion in 2015 and around €23 billion in 2020. Our updated strategy also includes, for the first time, a goal for earnings per share: Our target is to increase earnings to approximately €7.50 per share by 2015.

A new strategic excellence program, STEP, serves to strengthen our competitiveness and profitability. By the end of 2015, STEP is expected to contribute around €1 billion to earnings each year. This program, which follows on from our successfully completed excellence program NEXT, includes measures in the areas of production, engineering, maintenance, logistics, procurement and administration. STEP comprises more than 100 projects that are expected to lower fixed costs and raise profit margins.

Innovations for a sustainable future

Innovations will play an important part in enabling us to achieve our growth targets. In 2020, we aim to generate €30 billion of our sales and €7 billion of our EBITDA with innovative products that will have been on the market for less than 10 years. Innovations in the chemical industry are nowadays not just based on the development of new chemicals, but increasingly on new materials and system solutions. These are the result of the combination of expertise from a variety of disciplines. For us, innovations of this kind require a broad portfolio and interdisciplinary cooperation as well as a deep understanding of technology and our customers' value chains.

Based on the three key areas – resources, environment and climate; food and nutrition; quality of life – we have focused on seven primary customer industries in which we use our chemistry to contribute to solutions, and thus continue to grow profitably: transportation, construction, consumer goods, health and nutrition, electronics, agriculture, energy and resources. These industries result in new growth fields in which we can make a decisive contribution to innovative and sustainable solutions for global challenges. Examples of these growth fields include battery materials, plant biotechnology and water treatment.

→ **For more on innovation, see page 28**

Business expansion in emerging markets

BASF's sales to customers in emerging markets have almost tripled in the past 10 years and accounted for approximately one-third of total sales (excluding Oil & Gas) in 2011. By 2020, we aim to significantly increase sales to customers in emerging markets to around 45% of total sales (excluding Oil & Gas). Investments will also make an important contribution to our growth. Between 2011 and 2020, we plan capital expenditures of €30 billion to €35 billion. More than one-third of this amount will be invested in emerging markets in order to strengthen our leading position.

→ **For more on growth in emerging markets, see page 31 and page 82**

Strategic focus

Connectivity: BASF sets a lot of references in its report to avoid unnecessary repeats as well as to lead to further details

Environment, safety and product stewardship

	2020 Goals	Status at year-end 2011	More on
Energy and climate protection			
Emissions of greenhouse gases per metric ton of sales product[2] (baseline 2002)	–40%	–34.6%	**page 95**
Improvement of energy efficiency in production processes[2] (baseline 2002)	+35%	+26.2%	**page 98**
Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 Goal)	100%	>95%	**page 95**
Reduction in emissions from BASF operations (excluding Oil & Gas)			
Emissions of air pollutants[2] (baseline 2002)	–70%	–60.5%	**page 93**
Emissions to water[3] of organic substances (baseline 2002)	–80%	–73.5%	**page 100**
Abstraction of drinking water for production (baseline 2010)	–50%	–20.9%	**page 100**

Source: BASF Report 2011, pages 16–20

BMW Group, in its "Sustainable Value Report", displays a table with the status of objectives for each of its five sustainability areas.

Conciseness, reliability, materiality

Status of objectives in the area of sustainable management

Strategic objectives	Measures	Deadline	Status June 2011	Status of performance
Profit / profitability and long term value added				
Most successful premium manufacturer	Sales target set down by Strategy Number ONE	2012	1.46 million units in 2010; Outlook 2011: more than 1.6 million units	
	Savings of euro 4 billion in material costs*	2012	Due to the efficiency programme within the context of the Group's Strategy Number ONE, material cost reduction by 2012 will significantly exceed the euro 4 billion planned.	
	Return on capital employed of at least 26 % as well as an EBIT margin of 8 % to 10 % in the Automobiles segment	2012	2010: EBIT margin in Automobiles segment = 8.0 %; ROCE in Automobiles segment = 40.2% We are optimistic that an earnings corridor of 8 % to 10 % in the Automobiles segment is also possible in the long run, i. e. beyond 2012. To achieve this target, stable development in the global economic cycle as well as in the economic and political prevailing conditions is a prerequisite.	
Stakeholder dialogue				
Continuation of stakeholder dialogue	Host further Stakeholder Round Tables in 2009 and 2010	2009 / 2010	First Stakeholder Round Table on sustainable mobility and resource conservation hosted in 2009 in Munich. Second Stakeholder Round Table on the subject of electromobility held in 2010.	
Sustainability in the supply chain				
Efficient supply chain that applies the same ambitious sustainability standards worldwide and at all steps of value creation	Establish assessment processes at suppliers' locations and take sustainability aspects into consideration at all steps of value creation in the concept phase of new vehicle projects	2010 ff.	Target met. Sustainability requirements integrated and binding part of purchasing terms and conditions. In case of deficit, verification of direct suppliers' sustainability status is also established as part of the requalification process for quality assurance.	
	Raise awareness among purchasers for the importance of ecological and social standards and validate supplier partners	2010 ff.	Awareness among purchasers for the importance of ecological and social standards was raised. Qualification measures have begun.	

100 % 75 % 50 %

* Reference year 2008

Source: BMW Group Sustainable Value Report 2010, page 78

A company's success depends on key resources and relationships that go way beyond the traditional accounting definition of control. Innovators are beginning to factor in critical externalities into the way they set their targets and account for their performance. **Unilever**, for example, measures its carbon footprint along its value chain and sets individual targets for steps in the lifecycle under consideration of the respective impact.

Conciseness, reliability, materiality

Strategic focus, future orientation

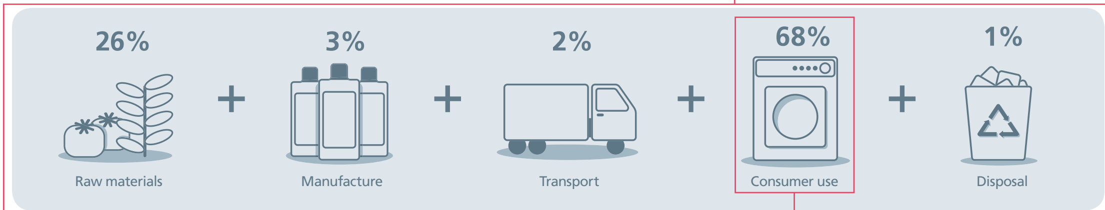
Our Metric

We have developed a metric which measures the greenhouse gas emissions associated with the lifecycle of a product on a 'per consumer use' basis, eg the GHG impact of drinking a single cup of tea.

Greenhouse gases per consumer use:
CO_2 equivalents across the product lifecycle (grams)

Our Footprint

Using this metric we set a baseline by calculating the GHG emissions across the lifecycle of over 1,600 representative products. We calculated it at an absolute level as well as on a 'per consumer use' basis in 14 countries. The calculation covers 70% of our volumes.



Source for footprint and breakdown below: Unilever 2008 baseline study across 14 countries. Total in tonnes.

The baseline shows us that manufacturing and transport represent just 5% of our total impacts, while sourcing of raw materials and consumer use together account for over 90%.

OUR TARGETS

Halve the greenhouse gas impact of our products across the lifecycle by 2020.*

Reduce GHG from skin cleansing and hair washing

- By 2015 we aim to reach 200 million consumers with products and tools that will help them to reduce their GHG emissions while washing and showering. Our plan is to reach 400 million people by 2020.

Reduce GHG from washing clothes

We will reduce the GHG impact of the laundry process by:

- Concentrating our liquids and compacting our powders.

Reduce GHG from refrigeration

As the world's largest producer of ice cream, we will accelerate our roll-out of freezer cabinets that use climate-friendly (hydrocarbon) refrigerants.

- We have already purchased 450,000 units with the new refrigerant. We will purchase a further 850,000 by 2015.

Future Challenges

Most of our GHG emissions come from the hot water needed to use our soaps, shower gels and shampoos. To achieve our goal we will have to provide consumers with products and tools that will

Source: Unilever Sustainable Living Plan 2010, pages 12–13

Governance and remuneration

2.4 Governance and remuneration

This content element requires a description of the organisation's governance structure, of how governance supports the strategic objectives and of how the remuneration of those charged with governance is linked to performance in the short, medium and long term. In this context, an integrated report should also provide insight about what actions those charged with governance have taken with regard to culture, ethical values and relationships. This addresses the aspect how a company considers sustainability in its strategy.

British American Tobacco (BAT) describes key activities of its board which are connected to its strategy.

Key activities of the Board in 2010

Growth

The Board kept under review the Group's performance throughout 2010, focusing in particular on industry trends, the outlook in strategically important markets and key consumer segments and the performance of the Group's Global Drive Brands. In doing so, it considered the global economic climate, as well as the impact on the Group's volumes of industry volume declines, growing illicit trade and foreign exchange movements, as well as specific incidents such as the floods in Pakistan. It satisfied itself throughout the year that, despite difficult trading conditions, management remained on track to deliver the strategy.

The Board regularly considered opportunities for growth through strategic acquisitions and reviewed the impact of the acquisition of the Bentoel tobacco business and its merger with BAT Indonesia effective 1 January 2010. It also considered the innovations pipeline as a driver of future growth.

It kept under review the Group's liquidity and the means by which it funds its activities and continued to satisfy itself that management was making sufficient provision in this regard.

Productivity

The Board continued to oversee initiatives aimed at managing costs, increasing efficiencies and leveraging the Group's global reach. It considered a number of short-term initiatives and reviewed progress on the longer-term Global Integration Project, aimed at achieving structural savings. A number of proposed reorganisations within the Group's regions and functions were considered during the year and are now in the process of being implemented, including a reorganisation of the Group's regions and the closure of the Group's factory in Lecce, Italy. In addition, the closure of the Group's factory in Denmark was completed.

Responsibility

The Board monitored developments in tobacco regulation around the world, including regulation being considered by the US Food and Drug Administration, the consultation on the European Tobacco Product Directive, and the likely content of the Product Guidelines being developed under the FCTC. It also kept under review the activities being undertaken within the Group's Research & Development function aimed at developing potentially reduced-harm products. It was briefed on the results of clinical trials undertaken by the Group in 2010. It also received an update on proposals to conduct extended clinical trials on further prototype products in 2011 and noted that the Group would be publishing several papers covering the results of its clinical trial studies in peer reviewed journals. The cooperation agreement entered into with the European Commission and member states of the European Union in July 2010, aimed at collectively tackling the problem of illicit trade in tobacco, was presented to the Board, and it also received an update on the FCTC Protocol on Illicit Trade.

Winning organisation

The Board reviewed succession planning in consultation with the Nominations Committee and considered and agreed the Committee's various recommendations for appointments at both Main Board and Management Board level, including those arising from the Chief Executive's forthcoming retirement. In addition, the position of the Group's major pension funds was reviewed including how the Group is managing future liabilities, and the results of the global 'Your Voice' survey of employees conducted in 2010 were considered.

The Board held one of its meetings in Russia, one of the Group's key markets, where it received presentations from members of the Eastern Europe regional team and the British American Tobacco Russia top team in Moscow and visited the factory in St Petersburg.

Connectivity

Our strategy

Our strategy is designed to deliver our vision and, as a result, build shareholder value. It is based on growth, funded by productivity and delivered by a winning organisation that acts responsibly at all times.

Our vision	To achieve leadership of the global tobacco industry.
Growth	Our strategy for growth aims to increase our market share, with a focus on our Global Drive Brands.
Productivity	Our commitment to productivity provides the resource we need to invest in our brands and grow share in our key markets, helping us to increase profit.
Winning organisation	Being a winning organisation ensures that we attract, develop and retain the people we need to deliver growth.
Responsibility	Our companies and people act responsibly at all times and we seek to reduce the harm caused by our products.

Source: British American Tobacco Annual Report 2010, pages 5, 57

The presentation of top management salary and incentive plans in the remuneration report of **Scottish and Southern Energy** provides a good picture on what basis management are rewarded and how that links to the actual performance of the business, across all its strategic priorities, with an appropriate balance of financial and non-financial drivers.

Strategic focus

Connectivity

Conciseness, reliability

Executive Directors' salary and incentive plans 2010/11

Performance measure	Purpose – link to strategy	Policy and decisions
Base salary		
	Reflects market data, role, business and individual performance measured against SSE's strategy as set out on pages 10 to 15.	Following the annual review in March 2011 the salary for the Chief Executive and the three Executive Directors remained unchanged.
Short term – Annual Bonus		**60% awarded**
The Annual Bonus is determined by the Remuneration Committee's assessment of the performance of SSE during the year, based on three key areas.	The performance targets are clearly linked to SSE's strategy in three key ways: financial performance; teamwork; and personal objectives relating to the Company's priorities.	Maximum award of up to 100% of base salary: 75% in cash (non-pensionable); 25% compulsorily deferred into shares which only vest, subject to continued service, after three years.
Financial performance (60%) Group financial performance is measured by adjusted profit before tax, which reflects the underlying profits of SSE's business.	**Financial performance (60%)** Adjusted profit before tax is a key means of achieving SSE's first responsibility to shareholders: sustained real growth in the dividend.	**Financial performance (max 60%)** During 2010/11, SSE delivered a 1.6% increase in adjusted profit before tax – resulting in a target payment at 50% of maximum.
Teamwork (20%) Teamwork is measured by performance against the 'SSE SET' of core values: Safety; Service; Efficiency; Sustainability; Excellence; and Teamwork. Performance against these values is assessed through SSE's performance management process.	**Teamwork (20%)** SSE believes it will only be successful financially if it exercises a wider corporate responsibility to others, such as customers and employees, on whom its success ultimately depends. Its core values summarise this approach.	**Teamwork (max 20%)** Safety: Total Recordable Injury Rate again improved but below stretch target. Service: Rated number one in almost all key independent surveys. Efficiency: Additional cost savings achieved during the year and other efficiencies secured in specific areas such as credit management. Sustainability: Renewable energy development and smart home project goals achieved. Excellence: Culture of innovation reinforced with diverse successes such as the hybrid bond issue and zero carbon homes development. Teamwork: It is clear to all of the non-Executive Directors that the Executive Directors continue to perform strongly as a team with no evidence of a culture of individualism within SSE. All of this resulted in an above-target payment of 75% of the maximum.
Personal objectives (20%) In keeping with its Teamwork value, and to avoid setting Executive Directors potentially conflicting personal objectives, SSE believes personal objectives should form a part of the Annual Bonus. They are designed to support achievement of SSE's strategy and reinforce its values.	**Personal objectives (20%)** Personal objectives set during the year include: management of political and regulatory issues (Ian Marchant); generation availability (Colin Hood); improving working capital management (Gregor Alexander); and energy trading risk levels and fuel procurement (Alistair Phillips-Davies).	**Personal objectives (max 20%)** Overall, the Remuneration Committee concluded that progress was made in each of these areas during 2010/11 and that individually and collectively the Executive Directors delivered strong performance during the year – resulting in an above target payment of 75% of maximum.

Source: Scottish and Southern Energy plc Annual Report 2011, page 67

Royal DSM is another one of just a few companies that report that top management remuneration depends partly on non-financial targets. The report explains to what extent targets relate to financial performance and to what extent they relate to sustainability and individual performance.

Conciseness

Reliability

financial targets accounts for 25% of base salary and the other 25% relates to sustainability and other value-creating targets.

Target areas	Distribution	Shared	Individual
Financial	25%	25%	0%
Sustainability and individual	25%	20%	5%
Total	50%	45%	5%

Short-Term Incentive (STI) linked to financial targets
The part of the STI that is linked to financial targets (25%) includes elements related to operational performance, being operating profit (EBIT), gross free cash flow and net sales growth (organic), reflecting short-term financial results.

The weighting given to the individual financial elements in the bonus is as follows: EBIT 10%, gross free cash flow 7.5% and organic net sales growth 7.5% of annual base salary for on-target performance.

Target areas	On-target pay-out (% of base salary)
Financial targets	
- Operating profit (EBIT before exceptional items)	10
- Gross free cash flow	7.5
- Organic net sales growth[1]	7.5
Total	25

[1] Excluding currency fluctuations and divestments and acquisitions

The three financial-target-related Short-Term Incentive elements can be derived from the financial statements.

Short-Term Incentive (STI) linked to sustainability and other value-creating areas
The part of the STI that is linked to non-financial targets (25%) relates to sustainability and other value-creating areas.

For 2010/2011 three 'first tier' value-creating-performance measures have been defined in the area of sustainability. The distribution over these three targets is set by the Supervisory Board. On a regular basis, following proper evaluation further refinement/adaptations of performance measures in the area of sustainability and their weight will take place.

The following shared targets linked to sustainability have been defined for the STI:

- **ECO+ products** – Profitable ECO+ product development, consisting of:
  - Percentage of phase transitions from 'Feasibility' (phase 2) to 'Development' (phase 3) that meet ECO+ criteria
  - Percentage of successful product launches that meet ECO+ criteria
- **Energy-efficiency improvement** – linked to Triple P target of 20% increased energy efficiency in 2020 compared to 2008
- **Employee Engagement Index**– related to the High Performance norm in industry

The STI targets on sustainability can be defined as follows:

- **ECO+ products** – ECO+ solutions are products and services that, when considered over their whole life cycle, offer clear ecological benefits (in other words, a clearly lower eco-footprint) compared to the mainstream solutions they compete with. These ecological benefits can be created at any stage of the product life cycle – from raw material through manufacturing and use to potential re-use and end-of-life disposal. ECO+ solutions, in short, create more value with less environmental impact.
- **Energy-efficiency improvement** – Reduction of the amount of energy that is used per unit of product (known as energy efficiency).
- **Engagement Index** – An Employee Engagement Survey is conducted annually, focusing on a combination of perceptions that have a consistent impact on behavior and create a sense of ownership. Research has consistently shown that the four key elements (satisfaction, commitment, pride and advocacy) define engagement and link engagement to business performance metrics.

In addition to shared sustainability targets (20%), a limited number of individual non-financial targets (5%) will apply.

Target area	On-target pay-out (% of base salary)
Non-financial targets	
- Sustainability	20
- Individual	5
Total	25

Source: Royal DSM N.V. Integrated Annual Report 2010, pages 122–123

TNT's explanation of its remuneration policy and composition of income shows that 50% of the variable income is dependent on non-financial indicators, which are clearly defined and explained in the report.

Conciseness, reliability

Remuneration policy 2010: base salary
Base salary remains set at median level when compared to the peer group benchmark data. The composition of the peer group as described in the 2010 Dutch peer group table remains unchanged from 2009. A check against the peer data is performed every three years. The reference rule for the annual increase remains a weighted average of collective labour agreement increases in TNT's key business areas. In principle, the level of base salary for the coming three years (2011-2013) will remain frozen at the actual 2010 level. The level of base salary of the members of the Board of Management has not increased since 2008.

Remuneration policy 2010: variable income
A variable compensation scheme with the following characteristics has been implemented:
- The total variable income potential amounts to 100% of base salary per year. There is no stretch opportunity.
- It is a combined short-term and long-term incentive three-year plan, in which the members of the Board of Management have the opportunity to earn an incentive, based on annual targets derived from three-year plans.

The variable income scheme represents a multi-stakeholder approach with four focus areas:
- Financial: 50%, of which 35% is based on the achievement of EBIT, adjusted net cash flow from operating activities and ROIC targets; 15% is based on TSR targets, backward looking to the previous three years.
- Employees: 15% is based on management development and achieving engagement survey objectives.
- Environment: 15% is based on achieving CO_2 efficiency improvement targets and health and safety objectives.
- Customers: 20% is based on improving customer focus, measuring customer focus through customer satisfaction surveys.

All targets and objectives are quantitative. The actual targets/objectives are defined based on three-year strategic plans of the company. The Supervisory Board may amend the targets/objectives set, in the event of a substantial adjustment of the strategic plan. Taking into account the differing nature of the targets/objectives, different measurement techniques are used.

Source: TNT Annual Report 2010, page 159

RWE partially links the remuneration given to members of its executive board to the group's sustainable success. In order to motivate the board to manage the company sustainably, payment of 25% of the bonus earned is withheld for three years. Furthermore, 45% of the bonus is determined on the basis of an index which reflects the group's success in environmental and social activities. Another 10% of the bonus is determined by a motivation index which measures employee satisfaction and motivation. The concrete description of the compensation supports the guiding principle of reliability.

In order to enable the members of the Executive Board to partake in an even more measurable manner of both positive and negative company performance over the long term, payment of 25% of the bonus is withheld for three years. This corresponds to nearly 15% of the total cash compensation. A review based on what is termed a 'bonus malus factor' is conducted by the Supervisory Board at the end of the three-year period, in order to determine whether the Executive Board has managed the company sustainably. Only if this applies is the retained bonus paid.

The development of the Group's added value determines 45% of the bonus malus factor. Another 45% is determined on the basis of a company-specific index, which reflects the Group's success in the field of corporate responsibility (CR). This CR Index, which builds on the sustainability reporting that has been a fixture at RWE for many years, reflects the Group's environmental and social activity. The remaining 10% of the bonus malus factor is determined by the Group-internal Motivation Index, which measures employee satisfaction and motivation.

Conciseness, reliability

At the beginning of the three-year period, the Supervisory Board establishes binding target figures for value added, the CR Index, and the Motivation Index, which may not be altered during the observation period. These target figures are compared to the figures actually achieved at the end of the three-year period. The bonus malus factor calculated by this method determines whether the retained bonus is paid as well as its amount. The better the figures actually achieved, the higher the bonus malus factor. It may vary between 0% and 130%.

The presented amendments to the compensation scheme will be implemented in accordance with statutory regulations for the Chairman of the Executive Board as soon as his contract has been adapted. In particular, the rules concerning the partial retention of the bonus and the bonus malus factor do not apply yet, and the bonus for fiscal 2010 will be fully paid out after the 2011 Annual General Meeting. In contrast, the new rules apply to the other members of the Executive Board as they agreed to an advance application of the refined compensation system with effect from the year under review.

In addition to cash compensation, Executive Board members receive non-cash remuneration and other compensation, consisting primarily of sums reflecting the use of company cars according to German fiscal guidelines and accident insurance premiums.

Compensation also includes payment for exercising Supervisory Board mandates held by Executive Board members at affiliates. All this income is deducted from the variable compensation and therefore does not increase the total remuneration.

Source: RWE Annual Report 2010, page 144

Performance

2.5 Performance

This content element should provide information about how the organisation has performed against its strategic objectives and related strategies.

In the section "How we performed", **Landcom** gives a transparent overview of its performance against its targets for the relevant strategic goals which are further explained by narrative (eg, pages 37–40 for the area urban water cycle management). The comparison of the targets and performance for the reporting year is supplemented by the presentation of the performance indicators and targets for the four previous years, which gives a good picture of the progress made in each area.

Future orientation

HOW WE PERFORMED

Indicator descriptor	Indicator	Target 2014/2015	Result 2009/2010	Target 2002/2003 - 2008/2009	2008/2009	2007/2008	2006/2007	2005/2006
Urban water cycle management	Percentage of projects with specific Water Sensitive Urban Design strategies, ensuring that these strategies are appropriate to the size and location of the project	100%	100%	100%	89%	100%	77%	80%
Water quality	Percentage reduction in the mean annual load of total nitrogen	45%	47%	45%	45%	45%	47%	35%
	Percentage reduction in the mean annual load of total phosphorus	65%	71%	45%	56%	62%	60%	46%
	Percentage reduction in the mean annual load of total suspended solids	85%	85%	80%	80%	83%	78%	56%
Waterway protection	Stream Erosion Index of 2.0	100%	No result	No historical data - indicator introduced in 2009/2010				
	Projects where post development storm discharge equals pre-development storm levels for the 1.5 year Average Recurrence Interval	N/A	N/A	*100%*	*100%*	*100%*	*77%*	*80%*
Water conservation	Percentage of commercial buildings to be designed and constructed to be capable of achieving a 5.0 star or greater rating under the NABERS Water Scheme	100%	One commercial building constructed - NABERS rating to be reported in 2010/2011	No historical data - indicator introduced in 2009/2010				
	Percentage reduction in potable water consumption compared to the base case (single and attached dwellings)	45%	41%	No historical data - indicator introduced in 2009/2010				
	Percentage reduction in potable water consumption compared to the base case (single and attached dwellings serviced by reticulated recycled water)	60%	48%	No historical data - indicator introduced in 2009/2010				
	Percentage reduction in potable water consumption compared to the base case (apartments)	45%	N/A	No historical data - indicator introduced in 2009/2010				
	Percentage reduction in potable water consumption compared to the base case (apartments serviced by reticulated recycled water)	55%	N/A	No historical data - indicator introduced in 2009/2010				
	Reduction in water consumption (average BASIX score)	N/A	N/A	*40%*	*46%*	*49%*	*43%*	*37%*
	Percentage of public open space irrigation systems supplied by a non-potable water source (e.g. recycled water, stormwater)	100%	100%	No historical data - indicator introduced in 2009/2010				
	Percentage of new developments incorporating a dual water reticulation system to supply non-potable water to toilets, gardens and laundry	100%	100%	No historical data - indicator introduced in 2009/2010				

Source: Landcom Annual Report 2010, page 38

Conciseness, reliability, materiality

Managing urban water:

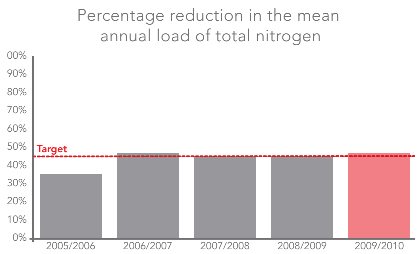
All our projects had Water Sensitive Urban Design strategies or equivalent documents at the masterplan stage.

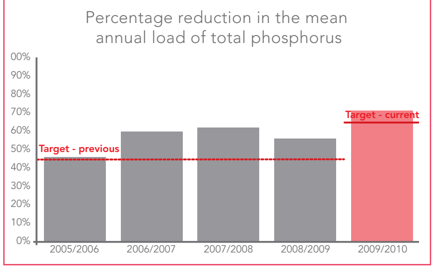
Improving water quality:

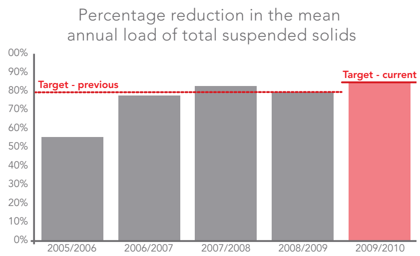
Thanks to our Water Sensitive Urban Design controls, our projects reduced nitrogen by 47%, phosphorous by 71% and suspended solids by 85%, when compared with developments in the greater Sydney region without such controls.

Our improved result in nitrogen reduction (45% last year) and phosphorous (56% last year) is largely due to the excellent results achieved at Oran Park, where water is being treated through a combination of wetlands and bio-retention systems.

The 5% increase in the reduction of suspended solids (80% last year) was boosted by good results from our Parkbridge, Edmondson Park, The Ponds (Stage 1) and Oran Park projects. Only the latter came close to our stretch targets.







Source: Landcom Annual Report 2010, page 39

Eskom shows its performance on selected indicators in a clear table with traffic lights.

Conciseness, reliability, materiality

Below are the current Eskom mission critical systems as determined through a business impact risk assessment:

IT system	Target availability	Delivered availability	Performance
Maximo (Distribution maintenance)	99,00%	99,49%	⬆
CC&B (Billing)	98,80%	99,30%	⬆
GTX (Contact centre)	99,00%	99,69%	⬆
OVS (Online vending systems)	99,00%	99,81%	⬆
GPSS (Generation – production and sales)	100%	100%	➡
Phoenix (Transmission)	98,00%	99,20%	⬆

Source: Eskom Integrated Report 2010, page 67

In its integrated report, **Vancity** discloses a very transparent performance snapshot that starts with a table of the KPI targets set for the upcoming year and the reporting period and actual performance on each KPI for the current and previous years. This representation effectively meets the principle of being "concise, reliable and material".

Materiality

Future orientation

Conciseness, reliability

Key performance indicators and targets

The following table presents the key data and targets we use to evaluate organizational performance and guide our business strategy. Earnings from operations, the overall member loyalty score and the branch service experience score also influenced performance management in 2010, including incentive pay and profit share. For more information on these measures and our performance see the business review, which begins on page 27. For definitions of the key performance indicators, see the glossary of terms on page 87.

Key performance indicator	**2011 target**	**2010 status**	**2010 target**	**2010 actual**	**2009 actual**	**2008 actual**
Financial						
Earnings from operations	$95.0M	✓	$88.0M	$125.8M	$78.6M	$75.6M
Net earnings	$60.0M	✓	$56.0M	$77.4M	$53.8M	$46.8M
Efficiency ratio	≤ 0.75	✓	0.75	0.69	0.78	0.76
Members						
Overall member loyalty score	≥ 42%	✓	≥ 42%*	43%	44%	46%
Percentage of branches with an overall service experience score ≥ 8.69 out of ten	90%	✓	90%	95%	Data not available– new target in 2010	Data not available– new target in 2010
Employees						
Employee engagement score	75%	✗	75%	61%	53%	56%
Community investment**						
Net growth of community investment loan portfolio	$408M	✓	$294M	$304M	($289M)	$166M
Environment						
Greenhouse gas emissions	6,000t	✓	6,000t	4,783t	5,101t	5,202t

Key: ✓ met 2010 target; ✗ did not meet 2010 target

* See note under the "Progress report for each target or commitment" table on page 22.
** See note under the "Progress report for each target or commitment" table on page 23.

Source: Vancity Annual Report 2010, page 21

For each target or commitment, **Vancity** explains in a concise format what targets and commitments it had set and to what extent it had delivered on these.

Conciseness

Reliability

Employees

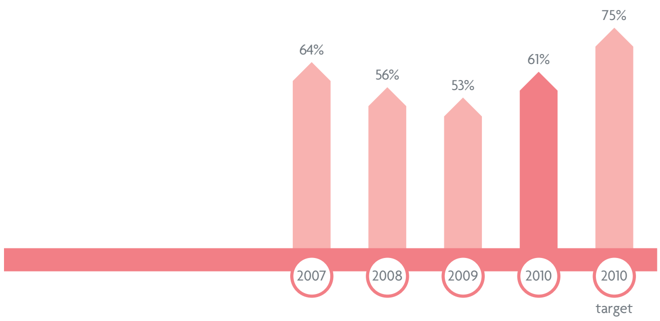
What we said	Status	What we did	Who's accountable
An employee engagement score of 75 per cent	✗	Our employee engagement score was 61 per cent, an increase of eight percentage points over 2009	• Executive Leadership Team
Develop a Total Rewards strategy to provide incentives to employees to achieve and align with the Three Year Plan, while adhering to co-operative principles and ensuring market competitiveness	✓	We completed a Total Rewards philosophy (in place of the Total Rewards strategy, but with the same intent)	• VP Human Resources
Develop a Talent Management strategy to support employees to learn, develop and grow their career at Vancity	✓	Completed	• VP Human Resources
Develop a Service Delivery strategy for the Human Resources division to ensure timely, accurate and consistent advice is provided to all employees and is responsive to the needs of managers so they can effectively lead and develop their employees	✓	Completed	• VP Human Resources
As a result of the Better Decisions, Better Results initiative, leaders throughout Vancity will have clarity on what is expected of them and what they are accountable for, as well as their level of decision-making authority when working on initiatives with colleagues across the co-operative	✓	By the end of 2010, 96 per cent of leaders had participated in the initiative	• Executive Leadership Team

Source: Vancity Annual Report 2010, page 23

Finally, the performance of each target and commitment is explained in detail.

Connectivity

Employee engagement score



For the definition of the employee engagement score, see the glossary of terms on page 87.

The boost in our overall score was a good indication that we were focused on the right things. The primary areas of concern for employees included work processes and tools, career development and performance management. We remain focused on large-scale systemic improvements and long-term change rather than quick fixes. Examples include additional training and development for member-service employees, investment in infrastructure, including the replacement of our core banking system and business applications, and process improvements.

In 2009, we began a Better Decisions, Better Results (BDBR) initiative to clarify employees' accountability for decision-making. The goal of BDBR is to make better decisions more quickly and closer to the member. By the end of 2010, 96 per cent of people managers across the organization had participated in a two-day training session. We also aligned performance-management practices.

Better processes and technology will improve employees' experience of working at Vancity. But we want to do even more to invest in them. In 2010, we developed a three-year roadmap to provide a great employee experience, with a focus on Total Rewards and Talent Management. We also implemented a new payroll system and service-request tool to ensure employees and managers get consistent, accurate and timely information and human resource support.

Awards

In 2010, Vancity was named one of the Top 50 Employers for Young People. We were also on BC's and Canada's Top 100 Employers list. We win workplace awards primarily because we: support alternative work arrangements; offer parental leave top-up payments for new mothers, fathers and adoptive parents; offer three weeks' paid vacation, which increases after four years; and offer programs to help employees continue their education.

Full list and description of awards: Vancity.com/awards

Total Rewards

Total Rewards includes fixed and variable pay, benefits, perks and wellness, community, education and recognition. Our goal is for employees to have fair compensation, rewards and recognition, and for them to be rewarded based on individual, team and organizational performance. In 2010 we developed a Total Rewards philosophy, informed by our Vision and co-operative principles. In 2011, we will benchmark our current Total Rewards to clarify gaps between the current state and our Total Rewards philosophy, as compared to our local market.

Talent management and career development

We encourage personal growth through continuous learning and on-the-job development. Our performance management practices include mechanisms for career and personal development and constructive feedback. We offer in-house and on-line training programs, and up to $2,400 per year for professional development on non-work time.

In 2010, we developed a Talent Management strategy to help us identify and manage the talent required in the organization to drive our business strategy. When someone joins Vancity, we want them to understand their potential career path and feel supported to learn, develop and grow. In 2010, we focused on succession planning for senior managers using a tool called Talking Talent. In 2011, we will continue to implement the strategy, including a succession planning assessment for managers

Source: Vancity Annual Report 2010, page 43

Novo Nordisk presents a five-year performance overview in a table that includes its financial and non-financial performance and selected relevant ratios, as well as long-term targets for some key indicators. This presentation gives readers a good snapshot of the development of performance in the past and recent performance against long-term targets in all relevant areas (ie, financial, social and environmental).

Future orientation

	2006	2007	2008	2009	**2010**	2009–2010
Financial performance						Change
Depreciation, amortisation and impairment losses	2,142	3,007	2,442	2,551	**2,467**	(3.3%)
Operating profit	9,119	8,942	12,373	14,933	**18,891**	26.5%
Net financials	45	2,029	322	(945)	**(605)**	(36.0%)
Profit before income taxes	9,164	10,971	12,695	13,988	**18,286**	30.7%
Net profit	6,452	8,522	9,645	10,768	**14,403**	33.8%
Total assets	44,692	47,731	50,603	54,742	**61,402**	12.2%
Equity	30,122	32,182	32,979	35,734	**36,965**	3.4%
Capital expenditure, net	2,787	2,268	1,754	2,631	**3,308**	25.7%
Free cash flow[2]	4,707	9,012	11,015	12,332	**17,013**	38.0%
Financial ratios						
Percentage of sales						
Sales outside Denmark	99.2%	99.2%	99.2%	99.2%	**99.4%**	
Sales and distribution costs	30.0%	29.6%	28.2%	30.2%	**29.9%**	
Research and development costs	16.3%	20.4%	17.2%	15.4%	**15.8%**	
Administrative expenses	6.2%	6.0%	5.8%	5.4%	**5.0%**	
Gross margin[2]	75.3%	76.6%	77.8%	79.6%	**80.8%**	
Net profit margin[2]	16.7%	20.4%	21.2%	21.1%	**23.7%**	
Effective tax rate[2]	29.6%	22.3%	24.0%	23.0%	**21.2%**	
Equity ratio[2]	67.4%	67.4%	65.2%	65.3%	**60.2%**	
Return on equity (ROE)[2]	22.3%	27.4%	29.6%	31.3%	**39.6%**	
Payout ratio[2]	34.4%	32.8%	37.8%	40.9%	**39.6%**	
Payout ratio excl non-recurring events[3]	34.4%	34.9%	36.6%	40.9%	**42.8%**	
Ratios for long-term financial targets						Long-term financial targets[4]
Operating profit margin[2]	23.5%	21.4%	27.2%	29.2%	**31.1%**	35%
Operating profit growth	12.7%	(1.9%)	38.4%	20.7%	**26.5%**	15%
Return on invested capital (ROIC)[2]	25.8%	27.2%	37.4%	47.3%	**63.6%**	70%
Return on invested capital (ROIC) excl non-recurring events[3]	25.8%	29.9%	38.4%	47.3%	**62.4%**	
Cash to earnings[2]	73.0%	105.7%	114.2%	114.5%	**118.1%**	
Cash to earnings, three-year average	80.2%	87.0%	97.6%	111.5%	**115.6%**	90%

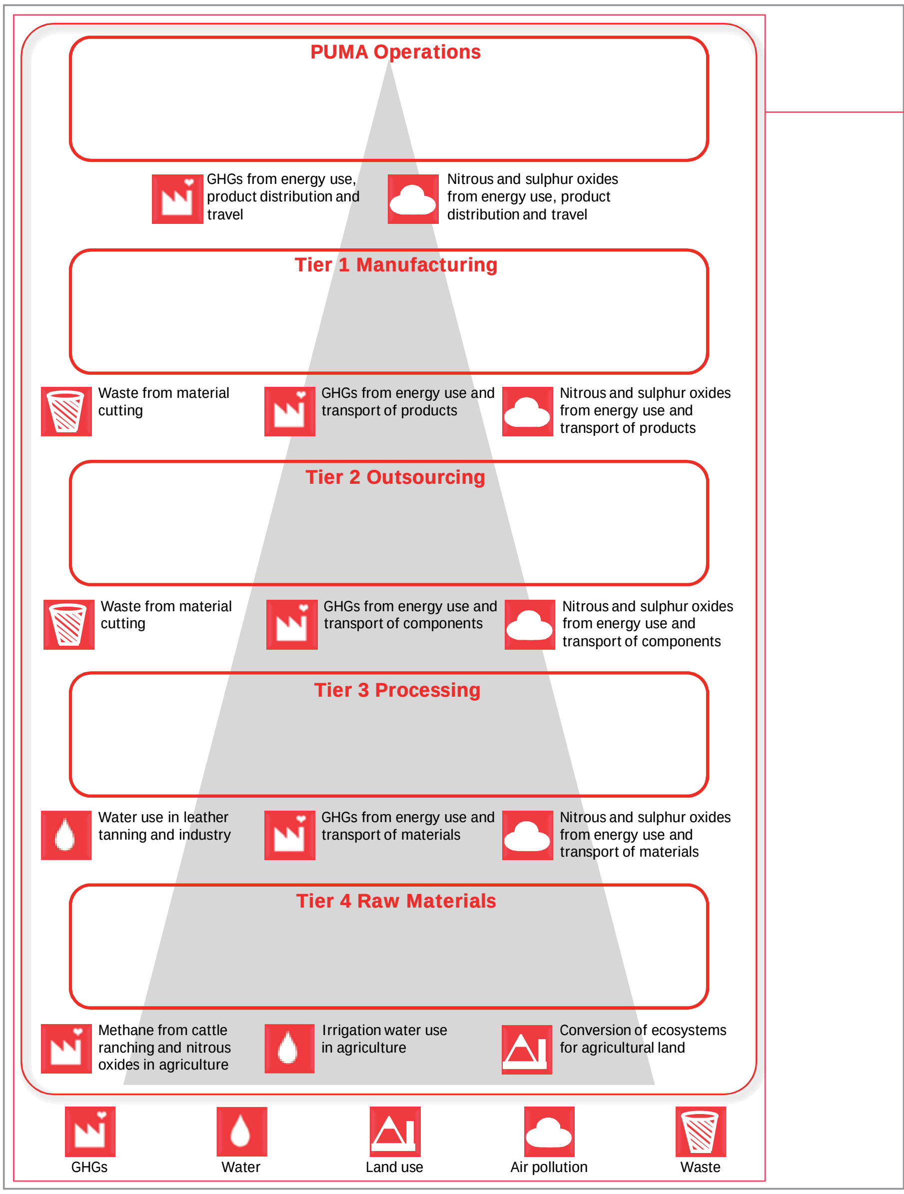
Source: Novo Nordisk Annual Report 2010, page 14

Conciseness, reliability

	2006	2007	2008	2009	**2010**	2009–2010
Social performance						Change
Patients:						
Donations to the World Diabetes Foundation (DKK million)	62	65	68	68	**69**	1.5%
Donations to the Novo Nordisk Haemophilia Foundation (DKK million)	15	11	10	15	**15**	0%
Healthcare professionals trained or educated in diabetes (1,000) (accumulated)	297	336	380	805	**1,178**	
People with diabetes trained (1,000)	–	–	–	416	**494**	18.8%
New patent families (first filings)	149	116	71	55	**62**	12.7%
Employees:						
Employees (total)	23.613	26.008	27.068	29.329	**30.483**	3.9%
Employee turnover (%)	10.0	11.6	12.1	8.3	**9.1**	
Internal assurance and monitoring:						
Employees trained in business ethics (%)	–	–	–	–	**98**	
Ratios for social performance						Long-term social targets
LDCs where Novo Nordisk sells insulin according to the differential pricing policy (%)[5]	68	72	64	73	**67**	100%
Engaging culture (employee engagement) on a scale of 1–5[6]	4.0	4.1	4.2	4.3	**4.3**	4.0 or above
Diverse senior management teams (%)[7]	–	–	43	50	**54**	100%
Company reputation with external key stakeholders (on a scale of 0–100)[8]	73.8	74.0	72.4	76.3	**76.1**	Improve (or maintain)
Warning letters and reinspections	0	0	0	0	**0**	0
Fulfilment of action points from facilitations of the Novo Nordisk Way (%) of Management	88	91	92	93	**93**	80% or above
Environmental performance						Change
Inputs:						
Energy consumption (1,000 GJ)	2,712	2,784	2,533	2,246	**2,234**	(0.5)%
Water consumption (1,000 m³)	2,995	3,231	2,684	2,149	**2,047**	(4.7)%
Outputs:						
CO_2 emissions from energy consumption (1,000 tons)	229	236	215	146	**95**	(34.9)%
Wastewater (1,000 m³)	2,583	2,764	2,542	2,062	**1,935**	(6.2)%
Waste (tons)	24,165	17,576	20,346	21,019	**20,565**	(2.2)%

Source: Novo Nordisk Annual Report 2010, page 15

With the preparation and publication of an environmental profit and loss account, which shows the economic value of the environmental impacts caused by greenhouse gas emissions and water consumption along the value chain, **Puma** has started integrating its financial and non-financial performance on a quantitative basis, which is groundbreaking for future integrated reporting.



Source: Puma Annual Report 2010, page 7

Connectivity

Materiality and reliability

2010	Non-financial performance	Economic value € million	Economic value %
PUMA Operations:			
Greenhouse Gases (ktC0$_2$e)	110.1	7.2	7.6%
Water ('000 m^3)	108.8	0.1	0.1%
Tier 1 suppliers			
Greenhouse Gases (ktC0$_2$e)	131.4	8.6	9.1%
Water ('000 m^3)	5,319.8	0.8	0.8%
Tier 2 - 4 suppliers			
Greenhouse Gases (ktC0$_2$e)	476.0	31.2	33.1%
Water ('000 m^3)	72,064.5	46.5	49.3%
Total:			
Greenhouse Gases (ktC0$_2$e)	**717.5**	**47.0**	**49.8%**
Water ('000 m^3)	**77,493.1**	**47.4**	**50.2%**
Total economic value		**94.4**	**100%**

Source: Puma, http://safe.puma.com/us/en/2011/05/puma-announces-results-of-unprecedented-environmental-profit-loss/

Watercare, a bulk water and wastewater service provider in New Zealand, uses a very concise method to communicate its sustainability performance. Each performance section starts with an overview of the development of objectives concerning this section (1). Furthermore, each objective is divided into subcategories target achievements, shown in a "Sustainability Performance Ruler" (2). The cover of the integrated report describes how to read this sustainability performance ruler. This method gives a detailed but concise insight into the company's performance.

Policy 1 | Environmental Care

Watercare's commitment to protecting the environment is embedded in its business practices and operations. The company is focused on reducing its carbon footprint by increasingly using water and wastewater to generate electricity through hydroelectric and biogas cogeneration facilities. Initiatives in power generation are coupled with practical steps to reduce energy consumption, encourage recycling and reduce paper use.

Policy 1 | Overall performance out of 10

1

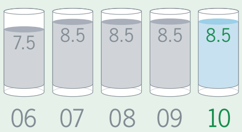
OBJECTIVE **1**

Minimise emissions and reduce carbon footprint

OBJECTIVE **2**

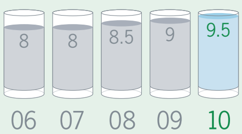
Promote cleaner production to industry and minimise waste

OBJECTIVE **3**



Minimise the impact of treated biosolids and effluent

OBJECTIVE **4**



Promote the preservation of species and protection of places of significant heritage value impacted by operations

OBJECTIVE **5**

Use energy efficiently and, where practical, recover energy from operational activities

WATERCARE AT WORK:

Milestone passes in a gush of water

Case Study

A gush of water signalled the start of a new era for Nihotupu Stream in the Waitakere Ranges. For over 70 years, the stream had been affected by the Upper Nihotupu Dam which had blocked its major tributary and reduced its water level. Now, thanks to the installation of a compensation valve, flows are making it past the dam.

Headworks Engineer Suzanne Naylor opened the new valve for the first time on 30 September 2009, releasing water into the plunge pool at the base of the dam's spillway which flows into the stream below. She says the compensation flows are significant for the local community.

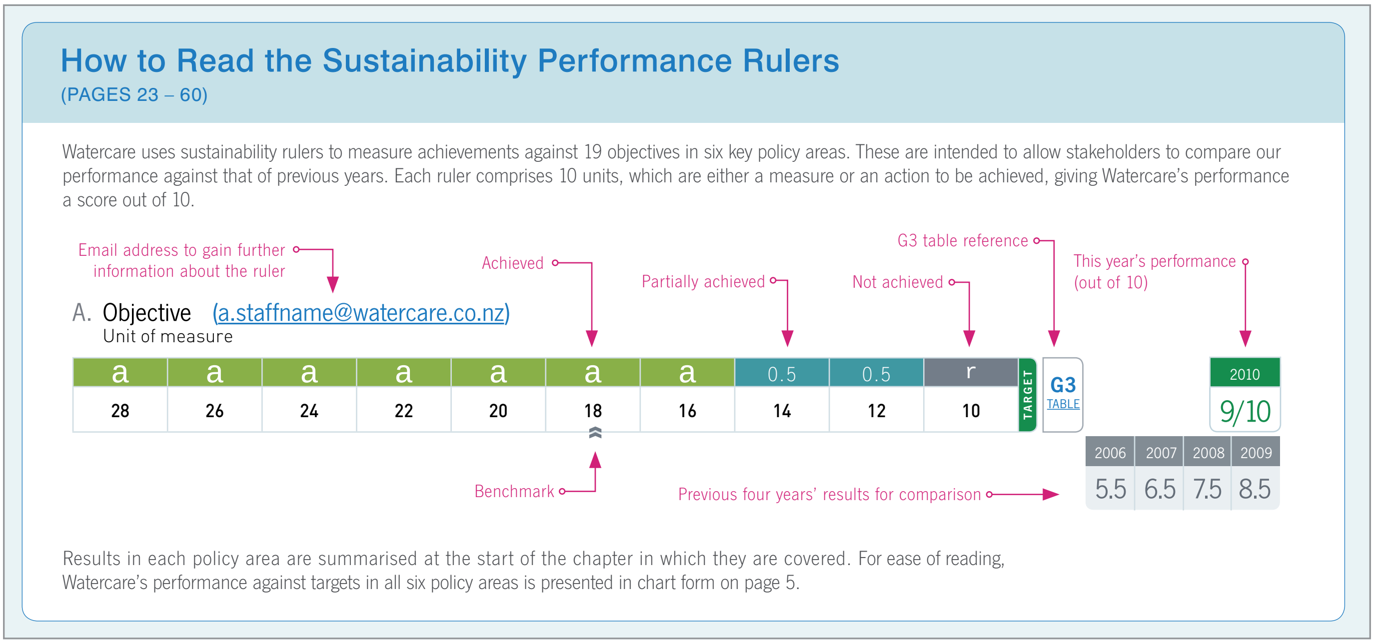
"When new resource consents were granted in 2005, one thing the public and council were really concerned about was making sure we released flow continuously from the dam to mimic what would happen if it wasn't there," says Suzanne.

"This valve has the ability to release 30, 60 or 90 litres of water a second, depending on the combined water levels in all of Watercare's dams – if they are full, more will be released because it assumes greater rainfall and higher natural water levels."

Watercare's Project Engineer Neil Jacka managed the upgrade. He says the work also included the installation of a free discharge valve to enable Watercare to drain the lake in an emergency.

This valve can be used to flush water downstream during the summer months as well, as Neil explains: "In summer, the low stream flows and increased sunlight can cause algae growth which reduces the available oxygen in the water, affecting the fish. With the free discharge valves we can mimic the summer storms that naturally flush away the algae, and therefore improve aquatic life."

The work was undertaken as part of the Western Dams Upgrade Project. Compensation and free discharge valves have also been installed at Lower Huia, Lower Nihotupu and Waitakere dams and work has commenced at Upper Huia Dam.



Source: Watercare Annual Report 2010, page 2

Source: Watercare Annual Report 2010, pages 24–25

2.6 Future outlook

This content element aims to present the opportunities, challenges and uncertainties the organisation is likely to encounter, and the resulting implications for its strategies and future performance.

Solarworld thoroughly covers its expectations about the development of the market and the possible development of the company in narrative form. The report addresses not only possible risks but also opportunities, and explains the company's strategic objectives and concrete plans in relevant areas covering the overall organisation of the group, research and development, products and services, procurement and human resources.

FUTURE ECONOMIC ENVIRONMENT

POST-RECESSION GROWTH. In 2010, the global economy recovered from the recession and entered a phase of moderate expansion. A growing number of countries will initiate the first few steps to reduce their budget deficits in 2011 so that fiscal policies overall are expected to tighten. According to estimates by the German Global Economy Institute (IfW), the global trade volume is expected to grow by around five (2009: 11.5) percent in 2011. In 2012 it is expected to rise slightly to 6.5 percent. Overall, the global economy is expected to grow further in 2011 and 2012, albeit less swiftly than in 2010.
(77) *Expected economic development in SolarWorld's key sales markets* • *p. 131//*

IfW also expects moderate economic growth in our production and sales regions for the next two fiscal years. Private consumption, however, might decline year-on-year since private households in some countries in the Eurozone and the U.S. are trying to reduce their debts. Overall, however, both production and trade are expected to continue to grow in 2011. This trend might strengthen in 2012 since the growth-curbing effect of fiscal policies driven by debt reduction will lose momentum, according to IfW.

(77) EXPECTED ECONOMIC DEVELOPMENT IN SOLARWORLD'S KEY SALES MARKETS

Source: German Global Economy Institute, Jan. 2011

Region	2012 e	2011 e	2010
Germany	1.3	**2.3**	3.7
Euro area	1.3	**1.3**	1.7
U.S.	3.0	**2.5**	2.8
World	**4.0**	**3.6**	**4.8**

THE FUTURE GLOBAL ELECTRICITY MARKET

RISE IN DEMAND FOR ELECTRICITY – RENEWABLE ENERGIES GAIN MARKET SHARES. With the anticipated positive development of the global economy and a rise in global production, the demand for energy will continue to rise worldwide. The Energy Information Administration (EIA) forecasts the demand for oil to grow by 1.4m barrels/day in 2011, and by 1.6m barrels/day for 2012. As a result, demand would amount to 88.0m barrels/day in 2011, and to 89.6m barrels/day in 2012. The rise in energy demand is expected to trigger some minor bottlenecks in the energy market so that oil prices are expected to rise. The EIA therefore presumes that the average monthly price for oil (WTI) will rise to US$ 93.42 (2010: US$ 79.41) per barrel for 2011. This trend is expected to continue in 2012: The EIA expects the average price of oil to stand at US$ 97.50 per barrel. Bottlenecks respecting refinery capacities, reductions in oil production volumes by OPEC, and a shortage of oil supplies might again trigger strong price volatility during the course of the year.

Global demand for electricity will grow faster than all other final energy sectors such as heat or transportation over the next two fiscal years. According to EIA forecasts, the average annual growth rate in the electricity sector is 1.9 percent, while the overall final energy sector will only grow by 1.3 percent annually. Renewable energy sources are contributing an increasingly large portion to the power mix: With average growth of 3.0 percent, they are growing considerably faster than all other sources of energy (gas: 2.1 percent; coal: 2.3 percent; nuclear power: 2.0 percent; oil: −0.4 percent). Renewable energies will therefore gain additional market shares in the global power mix over the next few years. This trend will strengthen since prices for conventional energies will rise with an increase in demand, while the cost of renewable energies will continue to fall; the reason for this is that the primary energy sources (sun, wind, water, geothermal energy) of renewable energies are free of charge – costs are limited to technology, and these will tend to fall.

THE FUTURE SOLAR POWER MARKET

SOLAR MARKET GROWTH FORECAST. On the way to achieving grid parity, the years 2011 and 2012 will be crucial. According to a forecast by Bank Sarasin, the solar sector will continue to grow in 2011, although somewhat more slowly than in the period under review. Newly installed solar power capacity is expected to rise by 10 percent to 15.2 (2010: 13.8) GW in 2011. In 2012, the market is expected to grow more quickly at around 20 percent and achieve newly installed capacity of 18.3 GW. The European Photovoltaic Industry Association (EPIA) also expects newly installed solar power capacity of up to 15.4 GW for 2011. For 2012, however, it expects more moderate growth than Bank Sarasin at up to 19.1 GW.

FORECAST REPORT 2011+

Future orientation

Strategic focus and connectivity

Source: Solarworld AG Annual Group Report 2010, pages 20, 131–132

Philips publishes a detailed risk report with probabilities for the occurrence of risks and their possible impact. Following the table overview below, relevant risks are explored in more detail by an explanatory narrative, which is also well structured.

Conciseness, reliability, materiality and future orientation

Risk categories and factors

Risks / Opportunities

Strategic	Operational	Compliance	Financial
• Macroeconomic changes • Changes in industry/market • Acquisitions • Intellectual property rights • Brand promise • Growth emerging markets	• Innovation process • Value chain • People • Information technology • Business disruption • Reputation	• Legal • Market practices • Regulatory • General business principles • Internal controls • Data privacy / Product security	• Treasury • Accounting and reporting • Pensions • Tax

Corporate Governance

Philips Business Control Framework

Philips General Business Principles

Source: Philips Annual Report 2010, page 107

If Philips is unable to ensure effective supply chain management, e.g. facing an interruption of its supply chain, including the inability of third parties to deliver parts, components and services on time, and if it is subject to rising raw material prices, it may be unable to sustain its competitiveness in its markets.

Philips is continuing the process of creating a leaner supply base with fewer suppliers, while maintaining dual sourcing strategies where possible. This strategy very much requires close cooperation with suppliers to enhance, amongst other things, time to market and quality. In addition, Philips is continuing its initiatives to reduce assets through outsourcing. These processes may result in increased dependency. Although Philips works closely with its suppliers to avoid supply-related problems, there can be no assurance that it will not encounter supply problems in the future or that it will be able to replace a supplier that is not able to meet its demand. Shortages or delays could materially harm its business. Philips maintains a regular review of its strategic and critical suppliers to assess financial stability.

Most of Philips' activities are conducted outside of the Netherlands, and international operations bring challenges. For example, production and procurement of products and parts in Asian countries are increasing, and this creates a risk that production and shipping of products and parts could be interrupted by a natural disaster in that region.

Source: Philips Annual Report 2010, pages 109–110

On the other hand, within the presentation of its strategy at the beginning of the report, **Philips** addresses opportunities arising from fundamental trends, which, seen together, gives a good overall picture.

Conciseness, materiality and future orientation

Portfolio leverages critical global trends

Fundamental growth trends

Global trends

Population growth, aging, higher healthcare aspirations and lifestyle-related diseases mean that healthcare costs will become unsustainable

Increased welfare and changing lifestyles will drive consumer focus on health and well-being

The fundamental need to reduce our eco-footprint drives demand for energy efficiency and sustainability

The lighting industry will face a massive shift from conventional to digital, dynamic lighting and the entry of new, non-traditional players

The relative importance of emerging markets in the world economy continues to rise

Our opportunities

- Efficient health diagnostics and treatment
- Home healthcare
- Healthy lifestyle and preventive health
- Personal well-being
- Light for health and well-being
- Energy-efficient lighting
- Emerging markets
- Sustainability

Source: Philips Annual Report 2010, page 14

In the "Business review" of its Annual Report 2011, **Vodafone Group** concisely reflects where the telecommunications industry is now and where it is going. This outlook is based on market trends, which follows the guiding principle of reliability.

Where the industry is now

Revenue and customers

- **The mobile industry generates around US$900 billion of annual revenue and accounts for around 1.5% of world GDP.**
- **There are 5.6 billion mobile customers which is equivalent to around 80% of the world population.**
- **Approximately 75% of mobile customers are in emerging markets such as India and China.**

Mobile services account for around 60% of telecommunications revenue with the remainder coming from fixed. Within mobile the majority of income comes from voice calls in mature markets such as Europe. However, the fastest growing revenue segment is data services such as access to the internet through laptops, tablets and smartphones.

The number of mobile customers far exceeds other forms of electronic communication. Only 1.3 billion people have fixed line telephones, 2.1 billion have access to the internet and 1.2 billion have televisions.

The mobile proportion of voice calls has increased over the last five years and now accounts for 82% of all calls made, with the remainder over fixed lines, reflecting the benefits of mobility, lower cost handsets and cheaper calling plans.

Competition and regulation

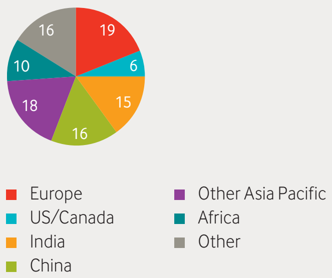
- **There are typically between three to five mobile network operators per market, although in some markets, such as India, there are considerably more.**
- **Regulators continue to seek to impose policies to lower the cost of access to mobile networks.**

The telecommunications industry is competitive with consumers having a large choice of mobile and fixed line operators from which to select services. Newer competitors, including handset manufacturers, internet companies and software providers, are also entering the market offering integrated communication services.

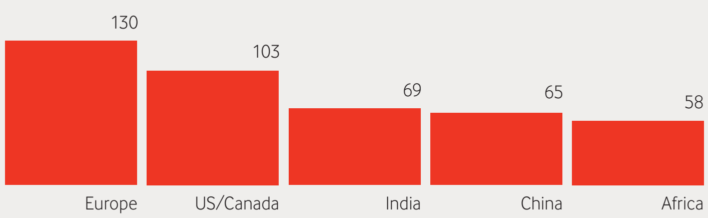
Industry regulators continue to impose lower mobile termination rates (the fees mobile companies charge for calls received from other companies' networks) and lower roaming prices.

The combination of competition and regulatory pressures contributed to a 10% decline in the global average price per minute in the 2010 calendar year. However, price pressures are being partly offset by increased mobile usage leading to a 6% increase in mobile service revenue over the same period.

Mobile customers
March 2011: 5.6 billion (%)



Mobile penetration
March 2011 (%)



The industry data on pages 8 and 9 has been sourced from Wireless Intelligence, Strategy Analytics, Merrill Lynch, Informa WCIS and CISCO.

Reliability, future orientation

Conciseness, materiality

Where the industry is going

Mobile data and networks

- **Mobile data traffic is driving revenue growth.**
- **Network speeds are increasing dramatically because of improving technology.**
- **The pace of product innovation remains high.**

In 2006 data accounted for 3% of industry revenue, in 2010 it reached 13% and by 2014 it is expected to be 21%. Demand is being driven by the widening range of smart connected devices, such as mobile broadband sticks, smartphones and tablets, greater network speeds and an increased range of applications with greater functionality. Smartphone sales grew by 66% in the 2010 calendar year, compared to a 16% increase in the 2009 calendar year, and are expected to continue to grow due to lower entry prices, device innovation and attractive applications.

Today's 3G networks offer typically achieved data download speeds of up to 4 Mbps which is around 100 times faster than that delivered by 2G networks ten years ago. The industry has recently begun to deploy 4G/LTE networks which will provide typically achieved rates of up to 12 Mbps, depending on the capability of the devices and the network.

Device innovation is a key feature of our industry. Recent developments include femtocells which enhance customers' indoor 3G signals via a fixed line broadband connection and mobile Wi-Fi devices which allow customers to share their mobile broadband connection with others.

Emerging markets

- **Mobile phone usage continues to grow rapidly.**
- **Data represents a significant growth opportunity.**

The number of customers using mobile services in emerging markets such as India and Africa has grown rapidly over the last ten years, increasing by over 17 times, compared to nearly 130% in more mature markets such as Europe. The key driver of growth has been a fundamental need for communication services against a background of often low quality alternative fixed line infrastructure and strong economic growth.

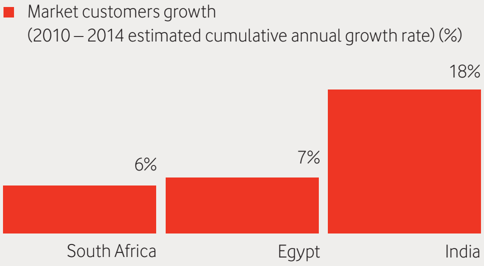
Most of the future growth in mobile customers is expected to continue to be in emerging markets where mobile penetration is only around 70% compared to approximately 130% in mature markets such as Europe, supported by the expectation of continued strong economic growth.

Data also represents a substantial growth opportunity in emerging markets both in terms of mobile broadband and mobile internet services. It is being driven partly by the lack of fixed line broadband infrastructure but also by locally relevant content and services in local languages, and software innovations that give customers a high-quality mobile internet experience on affordable handsets.

Mobile data demand is being accelerated by devices and network improvements

	2006	2010
Smartphone share of industry handset shipments (%)	8	21
Typically achieved data download speeds (Mbps)	2.2	4

Emerging market customer growth will be driven by rising mobile penetration and GDP growth



The industry data on pages 8 and 9 has been sourced from Wireless Intelligence, Strategy Analytics, Merrill Lynch, Informa WCIS and CISCO.

Source: Vodafone Group Annual Report 2011, pages 8–9

K+S supports its revenue and EBIT expectations for the upcoming two years by means of a comprehensive discussion regarding the underlying assumptions against current economic developments relevant to its business.

Future orientation

Conciseness, reliability, materiality

OVERVIEW IN TABLE FORM OF REVENUE AND EARNINGS TRENDS DESCRIBED [1] TAB: 4.14.4

in € million	Potash and Magnesium Products	Nitrogen Fertilizers	Salt	Complementary Business Segments	K+S Group
Revenues 2011	2,131.9	1,156.8	1,710.1	150.4	5,150.9
Revenues 2012	+	+	–	o	o
Revenues 2013	+	–	+	o	+
EBIT I 2011	739.5	69.4	211.4	17.9	975.7
EBIT I 2012	o	o	– – –	+	–
EBIT I 2013	+	–	+ + +	o	+

[1] Trend year on year; o: unchanged; +/–: slight to moderate; ++/– –: tangible; +++/– – –: significant to strong.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

Despite all macroeconomic uncertainties, 2012 should again be a good year for our K+S GROUP. The current price level for agricultural raw materials offers attractive income prospects for farmers and should, in particular in the sales regions relevant to K+S, lead to a good development of fertilizer demand. However, for the Salt business segment, due to the weather-related extraordinarily weak start to the de-icing salt business, we are anticipating significantly lower volumes of business compared both to the above-average performance in 2011 and the multi-year average. In sum, we are anticipating K+S GROUP's total revenues to remain stable for 2012. As regards operating earnings and the adjusted earnings after taxes the figures will be moderately lower due primarily to the reduced demand for de-icing salt. / TAB: 4.14.4

In 2013, revenues should increase slightly in comparison to the previous year. As regards operating earnings, we see realistic chances of a moderate increase.

Our estimate for 2012 and 2013 is based, among other things, on a number of factors, including:

+ the expectation of consistently attractive agricultural prices,
+ our customary, purely technical forecast policy, which maintains the currently achieved potash price level unchanged,
+ a sales volume in 2012 at about the level of the previous year (2011: 6.9 million tonnes) in the Potash and Magnesium Products business segment and a slight increase in 2013,
+ a sales volume of crystallised salt of a good 19 million tonnes in 2012 (2011: 22.7 million tonnes), of which about 10 million tonnes will be de-icing salt (2011: 13.3 million tonnes). In 2013, we are again expecting a sales volume of crystallised salt of about 22 million tonnes, of which de-icing salt will account for just under 13 million tonnes (normal year),
+ a US dollar exchange rate of 1.32 USD/EUR for both years and an oil price level of USD 115 per barrel in 2012 and USD 110 per barrel in 2013,
+ a largely unchanged financial result,
+ a slightly higher adjusted Group tax rate of 27 % to 28 % (2011: 26.1 %).

Moreover, further growth in our core business sectors remains the focal point of our strategy which encompasses both acquisitions and cooperation arrangements.

Source: K+S Financial Report 2011, pages 147–148

C Further insights

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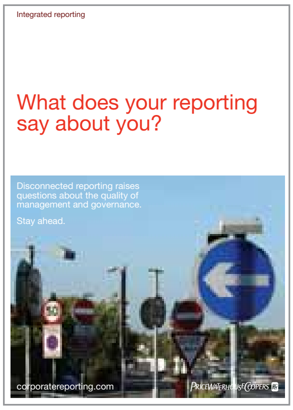

Integrated Reporting: Dutch top 40 (AEX+) companies are moving ahead
The annual Integrated Reporting benchmark of PwC among Dutch top 40 (AEX+) companies.

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