INTEGRATED REPORTING COMMITTEE (IRC) OF SOUTH AFRICA

INTEGRATED REPORTING AND USING A LAYERING APPROACH TO SUSTAINABILITY REPORTING: AN INFORMATION PAPER

INTEGRATED REPORTING COMMITTEE OF SOUTH AFRICA

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FOREWORD

Reporting is a significant role of the governing body and an essential part of its duty of accountability. Reporting should be a fair, balanced and transparent account of the organisation's affairs and this includes reporting on its impacts on the three critical dimensions for sustainable development – society, economy and the environment.

The governing body has a responsibility to consider the organisation's impacts not only as a part of good corporate citizenship and the organisation's symbiotic role with society and the environment, but also because it is in the organisation's longer-term interests to do so. The impacts on society, economy and the environment can undoubtedly hurt or reward the organisation at some stage. Maximising positive impacts and avoiding, minimising or ameliorating negative impacts are integral to the governing body's stewardship of the organisation for the longer term.

The consideration of impacts is critical to the organisation's integrated thinking. Thinking that considers only the inwards financial effects on the organisation from external factors and which stops short of considering its negative impacts on society, economy and the environment offers only a partial view of the myriad of issues which may be important to the organisation in its pursuit of ongoing value creation. Integrated thinking and reporting requires consideration of both.

The governing body should inform on the positive and negative impacts and not leave it to the user to surmise the organisation's impacts. If any statement of a company is incomplete in any material particular that is published, the company and every director or officer who is a party to such issue will be guilty of an offence in terms of corporation acts in most jurisdictions, but certainly at common law as a misleading non-disclosure.

The integrated report has proven its worth for more than a decade with the report ably showing the integrated picture of the organisation's process of value creation, preservation or erosion over time in clear concise and understandable language. It is the only report that does so. I strongly recommend that organisations prepare an integrated report using the *Integrated Reporting Framework*. The governing body's decision to release an integrated report results in integrated thinking flowing through the organisation – this has been empirically established.

The new international sustainability reporting standards can deepen the reporting and measurement of material sustainability matters. The ISSB Standards and the GRI Standards are working towards full interoperability with the one addressing sustainability-related risks and opportunities for investors and the other addressing the organisation's impacts on the three critical dimensions for sustainable development. They can be applied together to provide comprehensive sustainability reporting.

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PURPOSE OF THIS INFORMATION PAPER

This Information Paper (Paper) builds on our 2023 Information Paper, *A global comprehensive corporate reporting system* (GCCR Paper), which set out the considerations relevant for a fit for purpose corporate[1] reporting suite. It explained the governance responsibility for reporting, integrated thinking, the integrated report, and how and where the new sustainability reporting disclosures might fit. The GCCR Paper recommended two approaches that would support complete and comprehensive reporting to meet regulatory requirements and stakeholders' needs (the two approaches are explained on the next page).

In the past few years there have been significant developments in sustainability reporting: These include the International Sustainability Standards Board's (ISSB) *IFRS Sustainability Disclosure Standards* and new regional standards such as the EU's *European Sustainability Reporting Standards* (ESRS). The ISSB is positioning its standards as the global baseline of sustainability disclosures for investors and allows for a 'layering' of further disclosures required by other sustainability standards and frameworks and jurisdictional regulations and governance reporting requirements, provided the additional information does not obscure the ISSB information.

This Paper offers practical considerations in applying a layering approach to sustainability reporting set in the context of the organisation's governance, integrated thinking and integrated report. The Paper may also provide useful context for regulators when deciding on mandating sustainability reporting.

The integrated report continues as the organisation's overarching report to explain its process of value creation, preservation or erosion over time and should be prepared in accordance with the *Integrated Reporting Framework*.

In this Paper, we emphasise that good governance encompasses the governing body considering both financial performance and the organisation's outcomes and impacts on society, economy and the environment in its integrated thinking, and disclosing these in its integrated reporting. This is universal governance best practice and is exemplified in governance codes around the world. Further, an organisation's governing body will need to consider any possible legal implications of not disclosing the organisation's material impacts on society, economy and the environment.

[1] The term 'corporate reporting' is used to refer to the reporting system, but this may equally apply to non-corporate organisations.

APPROACHES TO THE CORPORATE REPORTING SUITE

In the GCCR Paper, two approaches to structuring the corporate reporting suite (reporting architecture) are suggested. Both approaches centre on the integrated report showing the integrated picture of the organisation and aligning with its integrated thinking and decision-making.

1. The umbrella approach[2]

In this approach, the integrated report is positioned as the overarching 'umbrella' report or using the analogy of an octopus, as the head of the octopus. It offers users a holistic, integrated, concise and complete view of the organisation and gives links to other detailed and subject-specific reports and information disclosures for additional information.

The integrated report can serve as a high-level central hub for relevant information because it encapsulates all aspects of the organisation's process of value creation, preservation or erosion over time, including financial, strategic, risks and opportunities, performance, sustainability, stakeholder engagement and governance.

This approach caters for organisations that produce a number of different reports and information disclosures enabling them to all sensibly fit under the overall 'umbrella' of the integrated report. Other reports may include, for example, financial statements, tax transparency report, regulatory reports, risk report, mineral reserves and resources report, and sustainability report. The sustainability report houses the detailed sustainability disclosures, including the information required by multiple sustainability standards and frameworks adopted by the organisation.

The umbrella approach accommodates expansion by adding more subject-specific reports and information disclosures when needed (see page 15 of the GCCR Paper for other considerations).

2. The single report approach

The integrated report has the same integrated information as explained above – the only difference lies in the presentation format. In this approach, the integrated report and the other detailed and subject-specific reports, such as the financial statements and sustainability report, are all housed in a single report but as different sections[3]. A single report typically starts with the integrated report section followed by sections on sustainability, governance and financial statements.

This approach caters for organisations wanting a single source of information rather than having different reports (see page 16 of the GCCR Paper for other considerations). Less complex organisations with fewer diverse reports may find this approach easier to work with.

When choosing an approach, organisations assess their corporate reporting needs after considering various factors, including governance principles and the guidance of its governance code, regulatory reporting requirements, industry body requirements, stakeholders' needs, assurance, and its communication goals (see page 7 of the GCCR Paper for other relevant factors).

[2] The integrated report as the head of the octopus and other detailed reports as the arms. This approach is commonly used in South Africa.
[3] Also called a combined report.

THE INTEGRATED REPORT AND INTEGRATED THINKING

The integrated report is essential to comprehensive corporate reporting. It gives an integrated picture of the organisation which is at the heart of best practice corporate reporting. Its valuable integrated information can assist investors and other stakeholders to make a more informed assessment of the organisation's strategy, governance, performance and prospects.

The preparation of the integrated report is guided by the principles and content elements (the information areas of the report denoted in italics below) of the *Integrated Reporting Framework*. The content elements cover all areas of the organisation and its activities thus providing the integrated picture:

- The *Organisational overview*, purpose and key influencing factors in the *external environment*
- *Business model* showing inputs and outcomes on the six capitals[4]
- The quality of stakeholder relationships[5] and how their needs and expectations are responded to
- The organisation's material matters
- The organisation's *Strategy and resource allocation* and its strategic objectives
- *Performance* against strategic objectives
- The organisation's *Risks and opportunities*
- The organisation's *Outlook*
- The *Governance* structure, processes and key decisions, and the governing body's statement of responsibility.

Integrated thinking is inherently linked to integrated reporting. Integrated thinking is the awareness and consideration of the inputs the organisation uses and relies on from the six capitals and the consequential affects (outcomes including impacts) over the short, medium and long term. *The Integrated Reporting Framework* describes it as: *"The active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation, preservation or erosion of value over the short, medium and long term."*[6]

The awareness and consideration of impacts is critical because in a connected world, the organisation's impacts can have financial effects over time.

Embedding integrated thinking throughout the organisation is a continuous process. One of the most powerful tools, however, is the preparation of the integrated report. Experienced integrated reporters in South Africa have said it has helped break down siloed thinking and drive integrated thinking.

The *Integrated Reporting Framework* is principles based and intended to balance flexibility and prescription. It is standards agnostic as it does not prescribe specific accounting or sustainability standards to use, nor KPIs or measurement methods. This enables compatibility with international and regional accounting and sustainability standards and frameworks, as well as jurisdictional regulations and governance requirements.

[4] The resources and relationships used and affected by the organisation are encapsulated in the six capitals set out in the *Integrated Reporting Framework*: Financial, intellectual, human, environment, manufactured, and social and relationship. The six capitals perspective is useful for achieving completeness in integrated thinking and reporting.

[5] Stakeholder relationships and material matters are covered in the seven guiding principles of the *Integrated Reporting Framework*.

[6] *Integrated Reporting Framework*, Glossary.

DIFFERENT APPROACHES TO MATERIALITY

Materiality is a critical element of corporate reporting because it serves as a filter for the matters and information to disclose in reports. The different standards and frameworks used by an organisation may have different materiality approaches.

In financial statements, investor-focused materiality (financial materiality) applies. In sustainability reporting, however, three different approaches may apply:

- **Investor-focused materiality (financial materiality):** Used in the ISSB Standards and SASB Standards
- **Impact materiality:** Used in the GRI Standards
- **Double materiality:** Used in the ESRS Standards

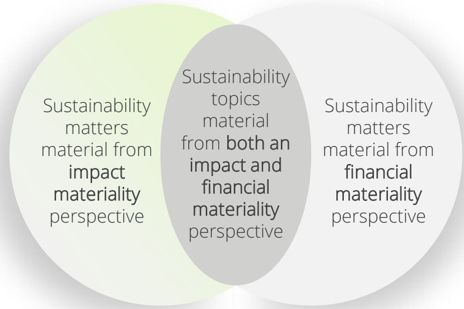

Figure 1: Concept of Double Materiality

Source: Deloitte, *Balancing your materiality assessment – How to move beyond the matrix*

Taking an investor-focused materiality approach results in the disclosure of information on the sustainability-related risks and opportunities that could reasonably be expected to affect the organisation's prospects if it is omitted, misstated or obscured and could reasonably be expected to influence the decisions of investors. Impact materiality focuses on the organisation's most significant actual or potential future impacts on society, economy and the environment. Double materiality considers both financial and impact materiality perspectives[7].

Using the double materiality approach can be practical for organisations because it enables a multi-dimensional view: The inwards effect of sustainability matters on financial prospects (sustainability-related risks and opportunities) and the organisation's outwards impacts on society, economy and the environment. This comprehensive view is critical for the organisation's governing body and management team and its integrated thinking. It also offers investors and other stakeholders a more thorough understanding of the organisation.

Notably, while a sustainability matter may appear to be relevant from only one perspective, it may be material from both. For example, a material sustainability impact could affect the organisation's reputation, sales appeal of its products, or its social licence to operate, which can be financially material to the organisation.

A country's regulators may mandate use of a specific sustainability standard and thus its materiality approach. Organisations can expand on this materiality perspective to cater for a double materiality approach (addressing both financial and impact materiality) in recognition of the above points and to meet their other reporting requirements and objectives (see the next section on layering and Key consideration 5 on using the double materiality approach).

A question that may be posed is: What is the difference between the material matters identified in the integrated report and the material matters identified in the sustainability report prepared using multiple sustainability standards and frameworks? *The Integrated Reporting Framework's* materiality requirement calls for the disclosure of material information on matters that could substantively affect its ability to create value over the short, medium and long term[8] across the six capitals. This wide range encompasses matters that could affect strategy, governance, performance, prospects and includes stakeholders' concerns – in other words, it's the organisation-wide material matters explained with high-level information. Clearly though, the organisation's material sustainability matters are highly likely to be included in the integrated report (some organisations may group them into broad themes) alongside the other matters considered material at organisational level, for example, disruptive technology, cyber risks, changing ways of work, and resource prices.

The different materiality approaches available makes it important for the organisation to explain the standards and frameworks and the materiality approach applied in each report, as well as the governing body's approval of both the determination process and the identified material matters.

[7] For more information, see the IRC *FAQ – Explaining Materiality in Corporate Reporting*.
[8] *Integrated Reporting Framework*, 3D Materiality. This definition reflects on the underlying concepts of integrated thinking and that the organisation's ability to create value for itself is linked to the value it creates or erodes for others.

The ISSB has positioned its standards as the global baseline[9] for sustainability-related financial disclosures for investors and capital markets. Legal enforcement is subject to the standards being mandated by a country's regulators; however, organisations can consider voluntary adoption.

The GRI Standards are widely used around the world for impact-related sustainability disclosures. Organisations can voluntarily adopt the GRI Standards and they are referenced in the policies of many different countries[10].

Organisations may also have other reporting requirements, such as:
- National or regional sustainability reporting requirements and standards, such as the EU's ESRS
- Industry or sector requirements
- Governance disclosure requirements

In applying the different sustainability standards and frameworks there will be some disclosure overlap. The main international sustainability standard-setters – ISSB, GRI and the EU's EFRAG[11] – have and continue to develop interoperability guidance to assist organisations applying their standards. The guidance covers various areas including: Aligning the definitions used in the standards; identifying the common disclosures (thus requiring a single disclosure); the incremental disclosures specific to a standard; and materiality approaches (see Key consideration 6 on the interoperability guidance).

For organisations applying the ESRS, it refers to its double materiality approach as a combination of financial (investor) materiality and impact materiality.

Applying a layering approach to sustainability disclosures can be a useful practical tool in the presentation of comprehensive sustainability information when using multiple sustainability reporting standards and frameworks. This is set out in Key considerations 7 – 13.

9 "The ISSB aims to establish a comprehensive global baseline of sustainability-related financial disclosures to meet the needs of capital markets. The ISSB is working closely with other international organisations and jurisdictions to support the use of its Standards in jurisdictional requirements. This ensures that ISSB Standards are compatible with other reporting requirements, including jurisdictional requirements and those aimed at broader stakeholder groups." *IFRS Sustainability, Project Summary, June 2023*, pages 3 and 5.

10 Policies set by governments and regulators in over 100 countries directly reference the use of the GRI Standards, as do more than 40 stock exchanges. There are 289 policies in 102 countries that reference or require the GRI Standards for sustainability reporting. Information provided by the GRI, 30 September 2024.

11 The European Financial Reporting Advisory Group (EFRAG) is technical advisor to the European Commission.

KEY CONSIDERATIONS

The following Key considerations on internal processes and presentation aspects may be helpful when using multiple sustainability reporting standards and frameworks for comprehensive sustainability reporting. Reference is made to the integrated report where applicable. This list should not be seen as exhaustive but rather an emphasis of key points.

Internal processes

1. **The governance of reporting**
   The reporting process requires involvement of the organisation's governing body in keeping with its responsibilities for oversight and setting the direction of reporting. Transparency is a cornerstone of good governance and encompasses effective and balanced reporting. Reporting should align with the governance principles followed by the organisation, its integrated thinking, regulatory requirements, stakeholders needs, industry requirements, and the organisation's purpose.

   The governance of reporting includes actions such as approving the standards and frameworks adopted, deciding on the reports to be released and in what format, the internal controls, the level of assurance, the process of determining the material matters to be reported on, and the material matters identified. The governing body should sign off all external reports as good practice and in carrying out its legal duty of responsibility.

2. **Sustainability embedded in strategy**
   Sustainability matters should be embedded in the organisation's overall strategy and strategic objectives as they are fundamental to the business and its future. As with the organisation's other strategic objectives, there will be core KPIs and targets for the short, medium and long term. This integrated strategy reflects integrated thinking and is shown in the integrated report.

   In carrying out its sustainability objectives, an organisation typically has detailed management of its material impacts, risks and opportunities with detailed sustainability KPIs and targets, which can be informed by the requirements of the standards and frameworks adopted.

3. **People and planning**

A cross-functional sustainability team: Some organisations have found it useful to have a cross-functional team to strengthen their sustainability reporting process. The team typically reports to an executive who reports to the governing body. The team members come from various areas, including finance, sustainability, risk, internal audit, company secretariat, human resources, operations, procurement, marketing, stakeholder engagement, health and safety, IT and the business divisions.

The team's role could extend to identifying the requirements of the sustainability standards and frameworks at operational 'grass roots' level, and also that the aggregate of information gathered from various sources is considered for its materiality. This may reveal new information relevant for the organisation's integrated thinking.

Experienced reporters: The extent of planning required for incorporating a new sustainability standard or framework depends on the organisation's existing reporting. Experienced reporters that already use some standards and frameworks could undertake a gap analysis of the systems, processes and information in place and available, including the materiality determination process, and what will be needed for incorporating a new standard with its specific requirements.

New reporters: Organisations new to sustainability reporting can develop a roadmap setting out the steps needed to implement an efficient reporting process and supporting infrastructure. This may include aspects such as: Setting policies, processes and KPI definitions; outlining measurement methods, baselines and targets; ensuring credible information; clarifying how data will be sourced and collected, verified and stored; identifying qualitative information; setting responsibility at various levels; monitoring performance against targets; and ensuring inclusion in performance scorecards and incentive remuneration. Developing reporting templates can be useful to support the availability and accuracy of quantitative and qualitative information.

The integrated report: Experienced integrated reporters will already have high-level sustainability information in the integrated report's content elements (including, *external environment, strategy, risks and opportunities, outcomes in the business model, performance and governance*). Some experienced reporters say they will leverage this existing integrated information as a starting point when applying a new sustainability standard to expand the information that is already covered (a top-down approach). Others say they will take a bottom-up approach, first expanding the coverage of the sustainability report and then feeding that into the holistic big-picture of the integrated report.

4. Credible information

Internal controls: Carefully considered and implemented internal controls are needed to ensure that sustainability information is consistent, accurate and reliable for decision-making, reporting and assurance. When setting up systems and internal controls, it is useful to bear in mind the possible future requirement for assurance of sustainability reporting, which will require that the reported information is verifiable and an audit trail is in place.

Automated processes: Automated workflows for data collection, processing and reporting are established in financial systems and source-to-report automation can be similarly applied for sustainability information (to the extent possible and if the nature of information gathered allows for this). Highly manual data collection processes introduce a greater risk of error and automation can reduce this.

Technology: Numerous advanced tools, such as integrated digital platforms, AI and machine learning, and data analytics are available and can facilitate efficiency, reliability, speed of reporting, and align internal and external reporting processes and content across multiple reporting areas. Further, they can assist in, for example, enabling auditable supply chains, tracing payment flows, and detailed measuring of scope 3 emissions.

Assurance: Internal assurance, external assurance and combined assurance can be used to enhance the credibility of information in reports. In some jurisdictions, such as the EU, external assurance of sustainability reporting is mandatory and this trend could expand after the release of the new sustainability assurance standard[12]. A readiness assessment of the information intended to be subject to external assurance in the future can be useful to ensure it would stand up to scrutiny in terms of accuracy and completeness.

[12] The International Auditing and Assurance Standards Board (IAASB) new overarching standard, the *International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements*, is a standalone standard that leverages existing standards and guidance of the IAASB (including ISAE 3000 (Revised) and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements. It is expected to be released in January 2025.

5. The materiality approach and assessment

As explained on page 5, the main sustainability standards and frameworks have different materiality approaches. The standards and frameworks adopted by the organisation have obvious relevance to how it determines its material sustainability matters and information, but also relevant to choosing the materiality approach are the organisation's governance principles and guidance of its governance code, integrated thinking, regulatory requirements, and stakeholders needs.

Using the double materiality approach can fulfil various purposes: Double materiality affords a multi-dimensional view of financial and impact materiality which can usefully meet various needs. For instance: Governance codes may include the consideration and reporting of the organisation's impacts by the governing body; integrated thinking considers inward-facing and outward-facing sustainability matters; stakeholders needs and concerns typically encompass financial and impact matters; and the double materiality approach can facilitate the different materiality approaches of different sustainability standards and frameworks adopted.

The *EFRAG IG 1 Materiality Assessment Implementation Guidance* has useful information on explaining double materiality and how it can be applied: *"The identification of material impacts is generally a starting point since the financial materiality assessment benefits from the outcome of the impact materiality assessment... The reason for this is that material impacts trigger in most cases material risks and opportunities. However, the undertaking shall also consider the possible matters that are financially material only. Finally, there may also be impacts deriving from risks and opportunities and from the way those risks and opportunities are managed by the undertaking"*[13].

The GRI's impact materiality approach: The *G3: Material Topics 2021* sets out four steps in determining the organisation's material sustainability topics (sustainability topics are impact categories, for example, water and effluents, biodiversity, waste and emissions). Step 1: Understand the organisation's context by considering activities, relationships, stakeholders and sustainability context. Step 2: Identify the actual (already occurred) and potential (those that could occur) impacts through various means and sources, including the Sector Standards which indicate the likely material impacts for organisations in the relevant sector. Step 3: Assess the significance (highest severity and likelihood) of the identified impacts. Step 4: Prioritise the impacts based on their significance and group them into material sustainability topics for reporting. The Topic Standards are used to determine the information to disclose on the material topics.

The ISSB's investor-focused materiality approach: IFRS S1 explains how to determine material information on sustainability-related risks and opportunities that are reasonably expected to affect an entity's prospects and where to look for additional guidance on the information to disclose as the ISSB develops further topic standards beyond IFRS S2. In addition to the available Standards, the disclosure topics of the SASB Standards must be considered, and the organisation may also consider the CDSB Framework Application Guidance, industry practice, and materials of other investor-focused standard-setting bodies[14]. To identify the material information to disclose relating to a sustainability-related risk or opportunity, the above sources are used and the organisation can refer to the GRI Standards and the ESRS[15]. The ISSB will be releasing educational materials on the application of materiality in the near term.

Experienced sustainability reporters note the common practice of a peer review analysis, that is, considering the material matters identified by other organisations in the same industry or region.

The integrated report: Experienced integrated reporters may find that they already consider double materiality because of their integrated thinking and reporting across the six capitals. The integrated report's materiality determination process should already identify a number of sustainability matters on which material information is disclosed, which can form the basis for more detailed sustainability reporting in line with the various sustainability reporting standards.

Consider, for example, where climate is a material matter in the integrated report. The detailed climate disclosures in the sustainability report will cover the requirements of the GRI (for climate impacts) and IFRS S2 (for climate-related financial disclosures). The detailed disclosures might include information on scope 1, 2 and 3 emissions, scenario analysis, contribution of a climate-sensitive sector to revenue and profit, etc.

[13] EFRAG, *EFRAG IG 1 Materiality Assessment Implementation Guidance*, May 2024.
[14] IFRS S1, paragraphs 54-55 and B7.
[15] IFRS S1, paragraphs 57-58, B20 and Appendix C.

6. Incorporating new sustainability standards: The interoperability guidance from the standard-setters

As explained on page 6, the international standard-setters have and continue to develop guidance to assist organisations in incorporating their standards.

Incorporating the ISSB Standards

The ISSB will be developing more topic standards to add to IFRS S2 on climate. Underlying and linked to all topic standards is IFRS S1 which covers general disclosure requirements. When first adopting its standards, the ISSB allows for a number of transitional relief measures: For example, in the first year of stated adoption the organisation can focus only on climate disclosure (and scope 3 emissions need not be included) but from the second year all material sustainability-related risks and opportunities must be disclosed. Comparative figures are also not required in the first year. Other transitional measures are covered in the Key considerations below.

The ISSB Standards offer proportionality for smaller organisations. In determining the approach and extent of disclosures an organisation can use all "reasonable and supportable information that is readily available at the reporting date without undue cost and effort"[16] – inferring that the organisation does not have to search exhaustively for information. Also, the organisation's "skills, capabilities and resources" can enable it to provide qualitative rather than quantitative information in some instances[17].

Incorporating the GRI Standards

The GRI Standards are available on its website. This is a modular system of interconnected standards: Universal Standards are applicable to all organisations, Sector Standards apply to specific sectors, and Topic Standards list the disclosures relevant to a specific sustainability topic. The GRI website offers guidance in getting started and other resources.

Already using the GRI Standards and now incorporating the ISSB Standards

The GRI offers several interoperability resources on its website. Further guidance to optimise the concurrent application of the GRI Standards and ISSB Standards is expected, including on common disclosures. The GRI and ISSB are also working on guidance on specific topics, such as biodiversity; this is in addition to their existing interoperability guidance on climate (GRI 305 and IFRS S2).

Incorporating the ESRS Standards and ISSB Standards

The *ESRS-ISSB Standards Interoperability Guidance* is useful for organisations required to adopt the ESRS Standards and in addition being required or choosing to adopt the ISSB Standards. The interoperability guidance aims to avoid dual reporting and the guidance particularly focuses on climate. Further interoperability guidance is expected.

Incorporating the ESRS Standards and GRI Standards

The ESRS Standards are already largely aligned with the GRI Standards as it relates to impact materiality. Several resources are available, including FAQs by the GRI on what ESRS means for GRI reporters, the *CSRD Essentials publication*, *ESRS-GRI Standards data point mapping*, and *GRI-ESRS Interoperability Index*. The GRI Academy offers additional guidance and a GRI-ESRS linkage service.

[16] IFRS S1, paragraphs 37(a) and B6 – B10.
[17] IFRS S1, paragraphs 37(b) and 39.

Presentation

7. Timing of the release of reports

When applying the ISSB Standards, the organisation is obliged to report its sustainability-related financial disclosures at the same time[18] as its financial statements because they are regarded as part of its general-purpose financial reporting. This encompasses any report containing ISSB Standards' disclosures, for example, the sustainability report (which may contain disclosures of the ISSB Standards, GRI Standards and other sustainability standards and frameworks) and the integrated report (which may include the high-level disclosures). The ISSB Standards' transitional relief measures allow for the first year's disclosures to, at the latest, coincide with the release of the organisation's subsequent year's half-year financial results or within nine months of the year-end if the organisation is not required to provide interim results[19].

The GRI Standards also cover timing, GRI 1: Foundation 2021 states that an organisation should align its sustainability reporting with other statutory and regulatory reporting, in particular its financial reporting. This means reporting information for the same reporting period and for the same group of entities. The information should also be published at the same time as financial reporting, where possible.

The requirements on timing can have implications for an organisation's reporting process and need to be brought into planning.

Taxonomies and digital tagging, such as XBRL, which are used in financial reporting are similarly applied to sustainability reporting. The ESRS and GRI have digital tagging and the ISSB is working on this. A jurisdiction will usually mandate organisations to comply with digital tagging.

The integrated report: Some organisations release their integrated report a short while after their financial statements. The ideal is the simultaneous release of reports and this should be worked towards. Time will be needed to restructure systems, processes and resources.

8. Where to disclose?

The information on page 3 on the corporate reporting suite has relevance in determining what reports and information disclosures are released.

The ISSB and GRI are not prescriptive on where their disclosures should be located, which means the organisation has several presentation options. However, the ISSB Standards' requirements on timing and general-purpose financial reports (see Key consideration 7) need to be borne in mind, as well as the requirement that its disclosures should be clearly discernible (see Key consideration 9). By contrast, the ESRS requires that sustainability disclosures are located in a sustainability statement which is an identifiable and dedicated section of its required management report, and that information can be included by cross reference provided certain conditions are met[20].

Some presentation formats that might be considered include:

- A standalone sustainability report which covers all material sustainability matters. This report covers the organisation's sustainability story and the disclosures of the ISSB Standards, GRI Standards, other sustainability frameworks, and industry and jurisdictional requirements. This standalone report option allows for expansion, that is, the inclusion of additional disclosures as the standard-setters release new topic standards and as new environmental and social issues are identified as material to the organisation, stakeholders and by regulators.
- Larger or more complex organisations might consider the worth of having a topic report for selected material sustainability topics, such as climate, water, waste, biodiversity, social matters etc. Such topic reports could fall under a general sustainability report, which gives the overall summary and contains the common information on sustainability governance, strategy, risk management, monitoring of metrics and targets, etc.

In addition, organisations use data books on their website for specific sustainability information, for example, the requirements of sustainability ratings agencies or specific stakeholder information.

Some experienced sustainability reporters have said that it's important for them to focus on telling their sustainability story – that is, why the identified topics are important and how they are managing the impacts, risks and opportunities – in their sustainability report rather than have the report driven primarily by the requirements of the sustainability standards and frameworks adopted.

Critically, the sustainability report should be based on fact, not fiction, nor be embellished and 'fluffy'. The sustainability report, like other reports, should be credible, comparable, demonstrate rigour in data compilation and written to enable decision-making and analysis.

[18] IFRS S1, paragraph E4.
[19] IFRS S1, paragraph E4.
[20] ESRS 1, paragraph 120.

The integrated report: Some organisations may consider disclosing the entirety of their sustainability information within the integrated report itself or within the integrated report section of its single report (see the two corporate reporting approaches on page 3), but in the IRC's view this is inconsistent with the *Integrated Reporting Framework* and impractical.

The integrated report is meant to be a concise report with high-level, strategic but complete information per the *Integrated Reporting Framework*. Also, it may not be practical with the increase in sustainability disclosures as additional topic and sector standards are released by the ISSB and GRI and it may be better to house all the detailed sustainability disclosures in a standalone report or in a designated sustainability section of a single report. In South Africa, emerging best practice among large, listed companies is a standalone sustainability report.

9. Identifiable disclosures

The ISSB Standards determine that the required disclosures are not obscured by additional information[21]. This means that in applying a layering approach the ISSB disclosures have to be clearly identifiable and distinguished from other disclosures. The standards do not provide guidance on how this should be done. So, organisations might consider, for example, identifying the ISSB disclosures by using block inserts, different fonts or colours, and/or citing the relevant paragraph in the ISSB Standards. Some organisations are pondering creating a content index for this information.

GRI reporters are required to publish a GRI Content Index,[22] which provides an overview of the reported information and where it can be found, as well as which GRI Standards and disclosures have been applied. The format of the content index is not prescribed, but a GRI excel-based template is available.

As a layering of sustainability disclosures is not specified by the standard-setters, the organisation will need to consider how best to clearly position material information (financial and impact materiality disclosures) for optimal use by users. The available interoperability guidance can be helpful to identify the common disclosures requiring single disclosure and reducing duplication.

10. Cross-referencing between reports

The ISSB Standards allow for the inclusion of disclosures by cross-reference to another report released by the organisation, but this comes with certain conditions. Firstly, that the other report is released "at the same time and on the same terms"[23]. This means simultaneous release; that it adheres to the same standards of relevance, faithfulness, comparability, verifiability, timeliness and understandability; and that the same body or individual who authorises the general-purpose financial reports takes responsibility for information included by cross-reference. Further, the complete set of sustainability-related financial disclosures should not be made less understandable by including information by cross-reference. As the information included by cross-reference becomes part of the complete set of sustainability-related financial disclosures it also has to comply with the requirements of the ISSB Standards[24].

The GRI Standards provide that if the organisation intends to publish a standalone sustainability report, it does not need to repeat information already reported elsewhere, such as on website pages or in its integrated report. For these disclosures, there can be a reference in the GRI Content Index as to where the information can be found[25].

The integrated report: If the standalone sustainability report contains all the detailed ISSB and GRI disclosures with only the high-level information included in the overall integrated report, it is possible that the integrated report will cross reference downwards to the detailed information in the sustainability report.

[21] IFRS S1, paragraphs 62 and B27.
[22] *GRI 1: Foundation 2021*, requirement 7.
[23] IFRS S1, paragraph B45.
[24] IFRS S, paragraph B46.
[25] *GRI 2: General Disclosures 2021*, Introduction

11. Disclosure on sustainability governance

The ISSB Standards require disclosure of the governance processes, controls and procedures the organisation uses to monitor and manage sustainability-related risks and opportunities[26]. Further, the ISSB Standards permit the organisation to "avoid unnecessary duplication if IFRS Sustainability Disclosure Standards require the disclosure of common items of information"[27]. This infers that the organisation may not need to reproduce disclosures on governance oversight for each sustainability-related risk and opportunity and a common statement on governance may suffice.

In *GRI 1: Foundation 2021*, the organisation is required to report on whether the governing body is responsible for reviewing and approving reported sustainability information including material topics. *GRI 2: General Disclosures 2021* sets out disclosures about the organisation's reporting practices, such as its activities, governance, and policies, and includes aspects such as the role of the governing body in overseeing the management of impacts and in disclosure, as well as the delegation of responsibility for managing impacts.

12. The integrated report as the overall holistic report

The guiding force for determining the content of the integrated report is meeting the requirements of the *Integrated Reporting Framework* – that is, including the matters and information which are material to the organisation's ability to create value over the short, medium and long term, covering the positive and negative outcomes on the six capitals over time[28].

The integrated report can meet jurisdictional reporting and governance requirements[29].

The organisation's integrated thinking carries through to the integrated information in the integrated report.

A point to consider is that if an organisation chooses to adopt only the ISSB Standards with investor-focused materiality for its sustainability reporting, then it may need to give consideration as to how it will meet other needs, such as governance requirements and the guidance of its governance code, stakeholders needs, integrated thinking, and reporting on outcomes including impacts in its integrated report.

26 IFRS S1.25 (a)
27 IFRS S1, B42 (b) and this is reiterated in IFRS 2.7
28 IRC, *FAQ – Explaining Materiality in Corporate Reporting.*
29 *Integrated Reporting Framework*, 1E Form of report and relationship with other information.

CONCLUSION

As organisations come to grips with the new era of increased and detailed sustainability reporting using multiple standards and frameworks, disclosure practices and tools will emerge and no doubt evolve as organisations gain experience and fine tune their systems and processes.

It's important to keep up to date with the ongoing developments in reporting. These will include new sustainability topic standards; new and updated sector standards from the ISSB, GRI and ESRS; additional guidance on interoperability from the standard-setters, including educational materials on materiality from the ISSB; assurance; technology; integration in reporting; and jurisdictional regulations and policies on mandatory sustainability reporting standards.

The IRC will consider the ongoing developments in achieving the goal of high-quality comprehensive corporate reporting, which is in alignment with good governance and other considerations.

APPENDIX 1: OVERVIEW OF SELECTED SUSTAINABILITY REPORTING STANDARDS, GUIDANCE AND DIRECTIVES

Standards/ Guidance/ Directives	Purpose/key aspects	Region	Status	Audience	Materiality	Location of disclosure	Interoperability
International							
International Sustainability Standards Board (ISSB) IFRS S1 and S2	Provide a global baseline for sustainability-related financial disclosures to meet the needs of investors. IFRS S1 covers general requirements and IFRS S2 covers climate-related financial disclosures. The standards include some concepts of the Framework, and also the SASB Standards and TCFD Recommendations.	Global	Voluntary, until mandated by a country's national reporting authority. Or could be recommended/ encouraged by a country's financial markets regulator.	Investors and capital markets	Investor-focused materiality Information is material if omitting, obscuring or misstating it could be reasonably expected to influence investor decisions.	No specific location requirement but required information cannot be obscured by other information. The rules on general purpose financial reports apply.	The Standards state that the organisation, in identifying sustainability-related risks and opportunities, shall consider the SASB Standards and may also consider the CDSB Framework Application Guidance, industry practice, and materials of other investor-focused standard setters. To identify the information to disclose on the above, the organisation shall consider the SASB Standards, and may also consider the CDSB Framework Application Guidance, industry practice, materials of other investor-focused standard setters, GRI Standards and ESRS. In May 2024 IFRS Foundation and ESRS published its Interoperability Guidance
GRI Standards	The Standards enable organisations to report their impacts on the economy, people and natural environment. The Standards are a modular system, with a set of universal standards and topic and sector standards.	Global	Voluntary, unless mandated by a regulator.	All stakeholders	Impact materiality	No specific requirement.	There is a high level of interoperability with the ESRS. Intends to be interoperable with the ISSB Standards and there is work underway on interoperability and materiality guidance.
SASB Standards	The Standards cover topic and industry sustainability disclosure guidance for 77 industries on risks and opportunities to meet the needs of investors. SASB was absorbed into the IFRS Foundation in 2022.	Global	Voluntary	Investors	Investor-focused materiality.	No specific requirement	Some aspects of the topic standards are included in ISSB Standards. Plans are in place to enhance the SASB industry standards.

APPENDIX 1: OVERVIEW OF SELECTED SUSTAINABILITY REPORTING STANDARDS, GUIDANCE AND DIRECTIVES continued

Standards/ Guidance/ Directives	Purpose/key aspects	Region	Status	Audience	Materiality	Location of disclosure	Interoperability
International							
TCFD Recommendations	The framework addresses reporting of climate-related financial information to investors. In July 2023 it was announced that the IFRS Foundation is taking over the TCFD's monitoring responsibilities from 2024.	Global	Voluntary, but some countries have incorporated them into mandatory policies.	Investors financial roleplayers	Material climate-related financial disclosures.	As part of the organisation's mainstream financial filings.	TCFD Recommendations are included in S1 and S2. S2 has wider disclosure requirements than TCFD. The ISSB Standards use the same format as TCFD. In July 2023 IFRS Foundation published comparison of IFRS S2 with the TCFD Recommendations.
TNFD Recommendations	An integrated, nature- related risk management and disclosure framework against which organisations can report and act on evolving nature-related risks. Aim is to shift global financial flows from nature-negative outcomes to nature-positive outcomes.	Global	Voluntary	Investors financial roleplayers.	Material nature-related financial disclosures.		TNFD Recommendations build on existing standards, metrics and data and follow the structure and methodology of TCFD Recommendations.
Regional							
European Sustainability Reporting Standards (ESRS)	The comprehensive suite of Standards addresses general principles and disclosures, covering upstream and downstream supply chain, topic standards such as climate, biodiversity and ecosystems, resource use and circular economy, own workforce, workers in the value chain, affected communities, consumers and end-users, business conduct and others. The Standards are part of the EU's Corporate Sustainability Reporting Directive to achieve the European Green Deal.	EU, but can also apply to non-EU organisations meeting set criteria.	Mandatory – will be phased in for different types of companies: The first companies must comply in financial year 2024 and listed small and medium-sized enterprises need to report from 2026 with a possibility of voluntary opt-out until 2028.	All stakeholders	Double materiality	A dedicated section of the Management Report.	There is a high level of interoperability with the GRI Standards. See the GRI-ESRS Interoperability Index There is a level of alignment (where the standards overlap) with the ISSB. In May 2024 IFRS Foundation and ESRS published its Interoperability Guidance.

APPENDIX 1: OVERVIEW OF SELECTED SUSTAINABILITY REPORTING STANDARDS, GUIDANCE AND DIRECTIVES continued

Standards/ Guidance/ Directives	Purpose/key aspects	Region	Status	Audience	Materiality	Location of disclosure	Interoperability
Regional							
US SEC Enhancement and Standardization of Climate-Related Disclosures	Domestic or foreign registrant companies to include climate-related information in their registration statements and periodic reports, including risks and impacts, GHG emissions, targets, goals and transition plans.	United States	Expected to be compulsory for listed entities in the US.	Investors	Financial materiality		Incorporate the TCFD recommendations.
JSE Sustainability and Climate Disclosure Guidance	Builds on established standards, directives and frameworks, including draft S1 and S2, draft ESRS, GRI Standards, Framework, SASB Standards, CDSB Framework, TCFD, SDGs, SSEI Model Guidance on Reporting ESG Information to Investors, World Federation of Exchanges ESG Guidance and Metrics. Note: Released in June 2022 – before final S1 and S2 Standards and ESRS.	South Africa	Voluntary	All stakeholders of JSE-listed companies (but can be used by non-listed organisations).	Double materiality	The location is flexible.	Interoperable with GRI Standards, and also with TCFD recommendations (but applying a double materiality perspective).

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The IRC website is a resource for preparers, investors and users of integrated reports, offering the latest integrated reporting excellence awards in South Africa, publications, blogs, webcasts of our annual conferences, and academic research papers.

If you would like to receive our technical releases, event invitations and other communications, you can join the free IRC Network by clicking on the menu button on the homepage of our website.

We hope you find this Paper useful and welcome your comments and suggestions, addressed to admin@integratedreportingsa.org.

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The IRC is a voluntary association, not for gain, in South Africa, founded in May 2010. The IRC's role as a national body is to provide direction on matters relating to integrated reporting and integrated thinking in South Africa through technical information and guidance, conferences and other activities.

The IRC's board, as at October 2024, comprised Professor Mervyn King (Chair), Professor Suresh Kana (Deputy Chair), Leigh Roberts (CEO), Graeme Brookes (JSE Ltd), Milton Segal (South African Institute of Chartered Accountants), Parmi Natesan (Institute of Directors in South Africa), Sunette Mulder (Association for Savings and Investment South Africa), Khoboso Tsike (Legal Practitioners Indemnity Insurance Fund NPC) and Ansie Ramalho (IRC honorary member).

The IRC CEO is Leigh Roberts, the Head of the IRC Secretariat is Lyn Bunce, and the Secretariat of the IRC Working Group is Wendy Marshall. The IRC relies on a team of people who volunteer their services: Bronwyn Forsyth (social media), Darren Gorton (IT) and Sheralee Morland (IR Practitioners Forum).

The IRC's membership comprises organisation members (professional and industry bodies), corporate members, SME corporate members and honorary members. The founding organisation members are the Association for Savings and Investment South Africa (ASISA), the Institute of Directors in South Africa (IoDSA), JSE Ltd (JSE) and the South African Institute of Chartered Accountants (SAICA).

Our other organisation members are the Association of Chartered Certified Accountants South Africa (ACCA), Auditor-General of South Africa (AGSA), Banking Association South Africa (BASA), Chartered Institute for Business Accountants (CIBA), Chartered Governance Institute of Southern Africa (CGISA), Chartered Institute of Management Accountants South Africa (AICPA-CIMA SA), The Companies and Intellectual Property Commission (CIPC), Council of Retirement Funds for South Africa (Batseta), Institute of Internal Auditors of South Africa (IIA SA), Institute of Risk Management South Africa (IRMSA), International Association for Sustainable Economy – Africa (IASE – Africa), Financial Sector Conduct Authority (FSCA), South African Institute of Professional Accountants (SAIPA), University of Johannesburg: Department of Accountancy, and the University of the Witwatersrand – School of Accountancy.

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