

IRC of SA online comment submission on the Revised ESRS Exposure Drafts July 2025 Public Consultation Survey

26 September 2025

This is a pdf of the online submission to EFRAG using the prescribed survey format. Only the survey questions pertinent to integrated reporting and integrated thinking have been answered. The relevant survey questions are in bold text and the IRC's answers are underlined.

Part 2: General Feedback

11. Clarifications and simplification of the Double Materiality Assessment (DMA) (ESRS 1 Chapter 3) and materiality of information as the basis for sustainability reporting

Rationale for the changes

The Amendments have clarified the requirements in ESRS 1 Chapter 3 about materiality of information and simplified the DMA process. They are described in Lever 1 of simplification in the Basis for Conclusions (see BfC Chapter 4). Link here to access the [Log of Amendments](#), ESRS 1, Chapter 3 if you would like to review the detailed Amendments and their rationale. The Explanatory Memorandum (EM) which accompanies the EC Omnibus proposals (page 5) identified the following objective for this lever: “[the simplification] will provide clearer instructions on how to apply the materiality principle, to ensure that undertakings only report material information and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process”.

Description of the changes

To meet this objective, EFRAG has introduced the following changes which aim to strike a balance between simplification and the necessary robustness of the Double Materiality Assessment (DMA):

1. A new section presenting practical considerations for the DMA has been drafted, including the option of implementing either a bottom-up or top-down approach (Chapter 3.6 of ESRS 1)
2. More prominence has been given to materiality of information as a general filter and all the requirements are subject to it.
3. The relationship of impacts, risks and opportunities, and topics to be reported has been clarified (ESRS 1, paragraph 2 and 22)
4. It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information

5. Emphasis is put on ESRS being a fair presentation framework, to reinforce the effectiveness of the materiality principle and avoid excessive documentation effort due to a compliance and checklist approach to the list of datapoints (DP); an explicit statement of compliance with ESRS is included in (ESRS 1, Chapter 2)
6. To avoid excessive detail in reported information, it has been clarified that all the disclosures can be produced either at topical level or at impacts, risks and opportunities (IRO) level, depending on the nature of the IROs and on how they are managed
7. The list of topics in AR 16 (now Appendix A) has been streamlined by eliminating the most detailed sub-sub-topic level and has now an illustrative only and non-mandatory status.
8. More emphasis has been put on the aggregation and disaggregation criteria for reporting information at the right level. Explanations have been provided with respect to the consideration of sites for the DMA and reported information, so as to avoid long lists of sites being included in the sustainability statement.

Question

Do you agree that the proposed amendments have sufficiently simplified the DMA process, reinforced the information materiality filter and have succeeded in striking an acceptable balance between simplification and robustness of the DMA? Do you agree that the wording of Chapter 3 of ESRS 1 is sufficiently simplified?

- **I agree**
- I partially agree and partially disagree
- I disagree
- I would like to skip this question and provide my feedback in Part 3

[Comment: We agree with the ESRS positioning of double materiality in reporting on sustainability impacts, risks and opportunities \(IROs\). We see this as encompassing stewardship by the organisation's governing body and accountability through balanced, complete and transparent reporting. Furthermore, a double materiality approach facilitates integrated thinking within an organisation by considering its inputs, impacts and outcomes over the short, medium and long term.](#)

[The changes made in the Amended ESRS simplify the double materiality assessment and can serve to reduce the reporting burden, facilitating a focus on the organisation's main sustainability IROs, rather than becoming a compliance-based exercise. The efforts to achieve interoperability with other global standards also serve to reduce reporting complexity. The simplification measures, which eliminate the detailed sub-sub-topic level, allow for more streamlined reporting. The option to disclose at either topic or IRO level](#)

enables an organisation to reflect the way its business is managed during the year and its internal reporting system.

The ESRS double materiality approach aligns with the call for both financial and impact materiality in the King V Code of Corporate Governance Draft (and which is inherently implied in the current King IV Code) making it welcome for those South African organisations that fall within the scope for ESRS reporting. (The final King V Code is scheduled for release on 31 October 2025.)

We put forward, for your consideration, that an integrated report prepared in accordance with the *Integrated Reporting Framework* can help stakeholders effectively assimilate the volume of detailed sustainability and financial information released by an organisation. This is because it affords a unique overview of the organisation, providing high-level business-critical information on overall governance, overall strategy, overall risks and opportunities, overall performance and overall outlook. The benefits of conciseness, readability and understandability make the integrated report a key document in the organisation's corporate reporting architecture.

12. New guidance in ESRS 1 on how to consider remediation, mitigation and prevention actions in assessing materiality of negative impacts

Rationale for the changes

To address a frequent implementation question and an area of divergence in practice, new guidance has been introduced (ESRS 1 paragraphs 34 to 36 and Appendix C; Basis for Conclusions (BfC) Chapter 8) on how to consider implemented remediation, mitigation and prevention actions in the DMA (the so called “gross versus net” issue). The EFRAG SRB has prioritised the guidance on impacts, as in financial materiality there is already reporting experience which can be leveraged.

Description of the changes

Appendix C, which has the same authority as other parts of the Standard, illustrates how to perform the assessment, i.e. before or after the actions that have been taken and have reduced the severity of the impact. The new guidance specifies how to treat actions in DMA differentiating ‘actual’ from ‘potential’ impacts. It also differentiates the current reporting period from the future reporting periods (the latter is relevant as impacts of previous years that are material are also to be reported in the current period). For impacts that are assessed as material, the respective actions are reported (which also include policies implemented through actions). Actual impacts are assessed for materiality before the remediation actions in the reporting period when they occur, while in future periods they are not reported if fully remediated. For potential impacts, when the undertaking must maintain significant ongoing actions to contain severity and/or likelihood below the materiality level, the impact is assessed before the actions are reported. This provision has been introduced to deal with cases such as health and safety negative impacts in highly regulated industries.

Question

Do you agree that the new guidelines clarify how to consider remediation, mitigation and prevention implemented actions in the DMA, contributing to more relevant and comparable reporting?

- I agree
- **I partially agree and partially disagree**
- I disagree
- I would like to skip this question and provide my feedback in Part 3

While clarification in this area is welcomed, the updated wording may still prove challenging for organisations to implement, especially those with limited resources and experience in this area. Additional guidance could be considered using graphics, process diagrams and illustrative examples.

13. Improved readability, conciseness and connectivity of ESRS Sustainability Statements

Rationale for the changes

Starting with the input gathered from the first-time adopters, EFRAG has introduced several changes to support the production of more readable and concise sustainability statements, that are better connected with corporate reporting as a whole. This corresponds to Lever 2 of simplification in the Basis for Conclusions (BfC) (Chapter 4).

Description of the changes

EFRAG has clarified the flexibility that preparers have in preparing their statements. The Amendments describe the possibility of including an 'executive summary' at the beginning of the sustainability statement and have put greater emphasis on the use of appendices to separate more detailed information from key messages. The amendments have also clarified the concept of 'connected information', discouraging fragmentation and/or repetition of information (ESRS 1, Chapter 8).

Question

Do you agree that these proposed Amendments, when combined with the other changes in the Amended ESRS, provide an appropriate level of flexibility to support more relevant and concise reporting, as well as to promote better connectivity with corporate reporting as a whole?

- I agree
- **I partially agree and partially disagree**
- I disagree

We agree with the measures taken to simplify the sustainability statement as set out above. However, the best tool for improved readability, that we strongly recommend, is the inclusion of the integrated report in the reports referred to as allowable for “inclusion by reference”, because it is the only report that offers users an overall and integrated view of the organisation including business-critical information.

For users, the integrated report serves as a starting point in understanding the organisation in its entirety, after which the other detailed and subject-specific financial and sustainability reports and statements can be accessed.

The integrated report offers users key and high-level information on the organisation and its main external environmental factors, the business model disclosing the inputs relied on and the consequential effects on society and the environment over time, the strategic objectives, performance, risks and opportunities, and the governance structure and processes.

The experience of South African organisations that have prepared integrated reports for fifteen years is worthy of sharing. It has yielded significant external benefits and has also generated substantial internal benefits. Notably, it has assisted organisations in embedding integrated thinking and moving away from siloed financial and sustainability thinking. It has shifted the internal mindset away from a short-term financial perspective to a broader view encompassing the short, medium and long term with a focus on the consequential cause-and-effect relationships across the six forms of capital.

With regard to the term “connectivity”, we point out that the integration reflected in the integrated report differs to connectivity - the latter refers to the connectivity of information among the various aspects of the organisation, while the former views the organisation as an integrated whole.

33. Overall feedback per standard

The 12 ESRS Standards have been simplified. The Glossary (Annex II to the 2023 ESRS Delegated Act) has been amended to reflect the changes in the Standards. This includes the reduction of datapoints, the clarification of several provisions that created implementation issues, the enhancement of readability and streamlining of their structure and content. Amendments to the 12 Standards have been designed and implemented to achieve a substantial reduction in reporting efforts, while maintaining the core content that is needed to meet the objectives of the European Green Deal. Please note the following requirements that were not changed in the Amended ESRS as recommended by the EC representatives, as they are subject to ongoing developments on level 1 regulation:

1. Definition of value chain for financial institutions (ESRS 1);
2. Exemption from consolidating subsidiaries by undertakings that are financial holdings (ESRS 1);

3. Relief for omission of confidential/sensitive information (ESRS 1);
4. Phasing-in provisions (ESRS 1);
5. Clarify the meaning of “compatibility with 1.5 degrees” for the Transition Plans disclosure (ESRS E1).

You can access the Exposure Drafts of the Revised ESRS and the amended Glossary at this [link](#). In case you would like to see the rationale behind the amendments, you can access the Log of Amendments and the markup of the Annex II (Glossary) at this [link](#).

34. Any other comments

We emphasise that the integrated report, using the guidance of the *Integrated Reporting Framework*, has a key role in the corporate reporting architecture of an organisation. The integrated report provides a unique and overall perspective of the organisation and its process of value creation, preservation or erosion over time. We believe that a concise integrated report is more accessible to stakeholders than a lengthy report with detailed information. We strongly recommend that the integrated report be included as an “inclusion by reference” report.

Further, on a point of governance, the integrated report is regarded as a board report and is directed to the incapacitated company to which the directors owe their duties of good faith, care, skill and diligence. While the board approves the financial statements, as drawn up by management, as well as the sustainability report, as drawn up by management, it is the integrated report that is considered a board report in carrying out the board’s statutory appointment and accountability.

Ends