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JSE Sustainability Disclosure Guidance

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In support of

JSE Guidance and Requirements: Understanding the distinction

This paper is issued as a guidance tool that may be used by issuers on a voluntary basis to:

- Assist local companies to navigate the global sustainability and ESG landscape
- Provide for South Africa's specific sustainability challenges
- Improve the quality of sustainability and ESG information available to enable more informed investment decisions
- Drive improved sustainability performance, accountability, and business leadership.

The paper does not constitute disclosure or reporting obligations for issuers pursuant to the provisions of the JSE Listings Requirements.

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A message from the JSE Group CEO, Dr. Leila Fourie

by Dr Leila Fourie,

Group CEO JSE

Over the course of its 134 year history, the JSE has evolved and developed in tandem with the market that it supports. The capital markets environment has shifted considerably over this period in response to changes and developments in the trading and regulatory sphere. Sustainable Development is rapidly becoming a defining feature of the global economy and financial markets will reflect this.

Investor interest in environmental, social and governance (ESG) issues continues to grow, placing business front and centre in driving the shift towards stakeholder capitalism. Within this, there is an exciting opportunity for stock exchanges to play a leading role. The JSE recognises the need to create an enabling environment for better disclosure practices to thrive. As a business, ESG principles are closely aligned with our corporate objectives to grow shared prosperity.

The exchange has long been recognised for its pioneering role in promoting strong governance and sustainability / ESG disclosure globally, through such initiatives as its progressive listings requirements incorporating the King Codes, its 2004 SRI Index (the first such index owned by an exchange and the first of its kind in emerging markets), the JSE was a signatory to the UN-backed Principles for Responsible Investment (PRI), a member and past chair of the World Federation of Exchanges' (WFE) Sustainability Working Group and its activities as a founding partner of the Sustainable Stock Exchanges (SSE) initiative. More recently, we took on the role of co-chair of the SSE Committee on Climate Disclosure Guidance, as well as co-chair of the Global Investors for Sustainable Development Alliance (GISD), and member of the Net Zero Service Providers Alliance (NZSPA).

The SSE (2015) and WFE (2018) have both produced "model" ESG Guidance for exchanges to adapt to their context to help local issuers improve their disclosure. While the JSE is considered to have held existing requirements for sustainability/ESG disclosure through its links to the King Codes on corporate governance, no detailed guidance to assist listed companies on sustainability/ESG reporting has previously been issued. This document succeeds in laying out the wide range of benefits to sustainability/ESG disclosure guidance.

We recognise the need for clear <u>guidance</u> that:

1. *helps local companies to navigate the ESG landscape;*
2. *reflects South Africa's unique sustainability challenges;*
3. *assists in driving improved ESG performance, accountability, and business leadership; and*
4. *contributes to enhanced transparency and consistency.*

In response to the rapidly evolving landscape of sustainability standards and frameworks, this guidance provides JSE-listed issuers with guidelines specifically tailored to the South African context, whilst being fully cognisant of global best practice. It is intended that this Disclosure Guidance will serve as an umbrella for sub-topic guidance as needed, with the first such guidance on Climate Disclosure, to be released at the same time.

The JSE Sustainability Disclosure Guidance is aligned with, and draws on, the most influential global initiatives on sustainability/ESG and climate change disclosure – including the GRI Sustainability Reporting Standards, the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, the IFRS's ISSB[1]'s prototypes, and the Value Reporting Foundation's Integrated Reporting Framework – as well as an extensive range of other frameworks and standards (Annex 1) and the ESG guidance of various peer exchanges.

This Disclosure Guidance is not intended to replace any of these global initiatives, but rather seeks to help companies navigate the landscape of reporting standards without being onerous, and to provide explicitly for the South African context. This guidance document takes into account the many hundreds of ESG metrics currently available and highlights those metrics that are generally well-established, universal, industry-agnostic and that we believe to be material in the South African context.

It is our hope that this set of guidance documents will be a valuable resource and tool to all our listed companies regardless of size or sector and we look forward to receiving your comments and feedback as we refine this work in preparation for the final document to be published in 2022.

I would like to thank our Chief sustainability Officer, Shameela Soobramoney, and Jonathan Hanks from Incite, and his team, for their work in supporting this guidance note. I would also like to thank the International Finance Corporation (IFC) for their support of this project through partial sponsorship as well as through technical expert input via their global network.

I look forward to the consultation process and to receiving your valuable inputs for this important endeavour.

[1] *International Financial Reporting Standards and the International Sustainability Standards Board*

Introduction

Securities exchanges are uniquely placed to facilitate more efficient capital markets by properly pricing social and environmental risks through effective, consistent, and comparable sustainability and climate-related disclosure.

Globally and locally, companies are feeling increased pressure to improve their performance and disclosure on environmental, social and governance (ESG) and climate-related issues, and to demonstrate leadership in addressing social and environmental challenges. Increasing investor interest in ESG disclosure, coupled with the recent growth in sustainable finance instruments and the varying methodologies and indicators of ESG rating agencies and global reporting standards, has prompted calls for more consistent, comparable, and verifiable sustainability metrics and narrative disclosure.

In this context, the JSE welcomes the recent global initiatives aimed at ensuring greater convergence and harmonisation of sustainability reporting standards. The JSE believes that meaningful sustainability disclosure plays an important role in building resilient markets, helping to attract financial capital, and fostering greater accountability and improved business performance. We believe that locally listed companies and investors will benefit from the global activities – by the G20, G7, the European Commission, the Financial Stability Board, the IFRS Foundation, the Global Reporting Initiative (GRI), and others – towards developing a common baseline of international sustainability reporting standards. We are committed to ensuring that the disclosure practices of South African companies are aligned with these initiatives, and that the country continues to play an influential role in contributing to these developments.

To help local companies navigate the recent changes in the global reporting landscape, and to stimulate improved sustainability disclosure and performance, the JSE has developed this *Sustainability Disclosure Guidance* that is aligned with global expectations and best practice, and specifically tailored to the South African business context. It is intended that this Disclosure Guidance will serve as an umbrella for topic-related guidance as needed, with the first such guidance – on Climate Disclosure – to be released at the same time.

Ensuring coherence: The link between the JSE Disclosure Guidance and key global initiatives

The Sustainability Metrics and Narrative Disclosures provided in the *JSE Sustainability Disclosure Guidance* are fully aligned with, and draw from, the following international initiatives on sustainability and climate change disclosure:

- The initial work of the recently established International Sustainability Standards Board (ISSB), including the two recently published prototypes developed by the IFRS Foundation Technical Readiness Working Group (TRWG)[2]
- The standards and guidance in the Value Reporting Foundation's Integrated Thinking Principles, Integrated Reporting Framework, and SASB Standards

[2] *General Requirements for Disclosure of Sustainability-related Financial Information Prototype* and *Climate-related Disclosures Prototype (both published on 3 November 2021)*

- The Climate Disclosure Standards Board (CDSB) Framework (soon to be consolidated – together with the Value Reporting Foundation – within the IFRS Foundation)
- The recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)
- The WEF's Measuring Stakeholder Capitalism metrics
- The SDG Disclosure Recommendations
- The GRI's Sustainability Reporting Standards, developed by the Global Sustainability Standards Board (GSSB)
- The work of the European Commission and European Financial Reporting Advisory Group (EFRAG) regarding the development of EU sustainability reporting standards as part of the proposed Corporate Sustainability Reporting Directive (CSRD)

As outlined in Figure 1, these various global initiatives that inform the JSE Disclosure Guidance relate to one of three broad arenas for corporate disclosure on sustainability issues: sustainability reporting, integrated reporting, and financial reporting. The *ISSB* and *TCFD*, for example, focus explicitly on disclosure to inform an assessment of enterprise value (and are thus traditionally addressed in integrated reports and financial statements), while the *GRI's Sustainability Reporting Standards* and the EU proposal for a *Corporate Sustainability Reporting Directive* both look at disclosure through the broader lens of the organisation's impacts on the economy, society, and the environment. In line with the *King IV Code*, the *JSE's Sustainability Disclosure Guidance* aims to improve the quality and availability of information both for investors – focusing on the sustainability-related risks and opportunities that affect the entity's financial performance (the 'outside-in' perspective) – as well as for stakeholders more broadly, covering disclosure on the reporting entity's significant impacts on the economy, society, and the environment ('inside-out')[3].

The *JSE Sustainability Disclosure Guidance* is not intended to replace any of these global initiatives, but instead seeks to help companies navigate this very dynamic landscape of reporting standards, while also providing for the South African business context, legislative requirements, and specific socio-economic and environmental challenges. An important aim of this Guidance is to reduce complexity and the potential for duplicative reporting requirements, assisting reporting entities, investors, and other stakeholders through the provision of decision-useful metrics that are both globally aligned – facilitating access to global markets – yet also locally relevant.

[3] *This dual approach is sometimes referred to as 'double materiality'. See eg Section 3.1 and the EU Non-Financial Reporting Directive (Directive 2014/95/EU)*

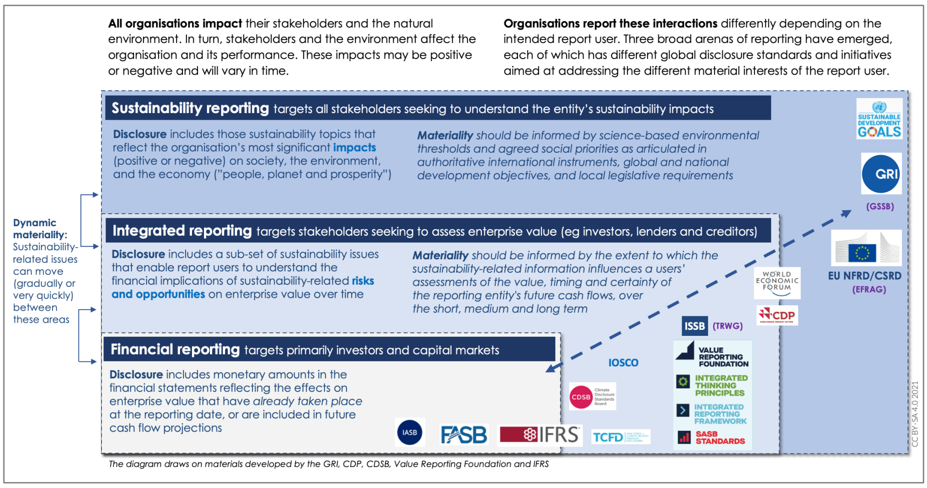

***Figure 1** – Global standards and different lenses for corporate sustainability disclosure*[4]

The JSE Sustainability Disclosure Guidance: Purpose and intended audience

This Disclosure Guidance does not constitute a new listing requirement and is not intended as a new reporting standard or to replace legal obligations. The Guidance highlights emerging best practice for disclosure in line with international developments. It is intended to inform a reporting organisation's sustainability materiality process with a view to enhancing business practice.

At the heart of this Disclosure Guidance is the belief, firstly, that sustainability issues are material to enterprise value creation and increasingly provide valuable opportunities for commercial innovation, and secondly, that if we are to transition to a more sustainable economy – as outlined for example in the UN SDGs and the Glasgow Climate Pact – then organisations need to deepen their understanding and disclosure of their most significant social and environmental impacts.

As a conduit between issuers and investors, securities exchanges are uniquely placed to encourage and facilitate more transparent and efficient capital markets that generate long-term value. Transparency builds trust, which is critical to well-functioning markets. Effective corporate disclosure enhances internal management practice and enables meaningful accountability, both of which are critical drivers for improved sustainability performance.

This Disclosure Guidance aims to enable more useful, consistent, and comparable sustainability disclosure to inform better decision-making and action. To achieve this, the Guidance seeks to:

- Help issuers navigate the rapidly evolving landscape of sustainability disclosure
- Support the convergence of global reporting standards
- Outline the business case for disclosing the organisation' sustainability governance and management practices and their performance on relevant ESG metrics
- Stimulate interest in the innovation opportunities in sustainability challenges
- Assist in contributing to the achievement of national and international sustainable development commitments and priorities, such as the National Development Plan and UN SDGs

[4] *This diagram draws on various material developed by the GRI, CDP, CDSB, Value Reporting Foundation and IFRS*

This Guidance avoids being prescriptive, and leaves responsibility for decision-making with the reporting organisation, particularly as regards the identification of material sustainability issues. The *Sustainability Narrative Disclosures* and the *Core and Leadership Metrics* in Part 3 of this Disclosure Guidance are intended to inform any materiality processes that organisation's use to inform the content of their various annual reports. The Guidance is designed to be helpful for those companies with little or no experience in sustainability and ESG disclosure, as well as helping more experienced reporting companies to align with recent changes in global standards and international best practice.

While intended primarily to assist JSE-listed companies, this guidance will also be of value to institutional investors and the different entities that they invest in (including non-listed companies and debt issuers), as well as a range of stakeholder groups interested in sustainability disclosure and performance. Investors are increasingly interested in sustainability issues as this pertains to all their investments, irrespective of whether they are large or small, equities or bonds, listed or unlisted, across all sectors. The JSE believes that the characteristics of high-quality disclosure and effective engagement with investors is broadly the same for all entities, whether it is a large publicly listed issuer with a long track record of reporting, a smaller company, a privately held business, or a debt issuer. All these different entities are encouraged to use these guidelines.

PART 1. WHAT IS SUSTAINABILITY AND WHY REPORT ON IT?

1 What is Sustainability and ESG?

The concepts of 'sustainability' and ESG (environmental, social and governance issues) often mean different things to different people. Despite the terms increasingly being used by investors, companies, standards setting bodies, and academics, there is no clear agreement on the exact scope of each of these terms.

For many companies, practitioners and standards setting bodies, ESG and sustainability are seen as interchangeable concepts. In the London Stock Exchange's *Guide to ESG Reporting*[5], for example, the stock exchange recognises that "many companies use 'sustainability', 'corporate responsibility' or 'corporate social responsibility' to refer to strategies or programmes related to environmental, social or governance (ESG) activities". While the LSE states that they "make no particular recommendation concerning which term to use", for the purpose of their guidance, the LSE chooses to use ESG "as it has become a commonly-used investment term." Significantly, the LSE's guidance has a strong investor focus, identifying material ESG issues as those that influence the economic decisions of shareholders.

The view of 'ESG' as being primarily about 'enterprise value' is widespread in the investment community. As the International Organization of Securities Commissions (IOSCO) puts it: "ESG ratings, rankings and scorings serve the same objective, namely the assessment of an entity, an instrument, or an issuer's exposure to ESG risks and/or opportunities."[6] This focus on enterprise value is at the heart of the Value Reporting Foundation (and before that, of SASB and the IIRC) and is informing the standards being developed by the International Sustainability Standards Board (ISSB). Whether the term 'ESG' is necessarily limited to a focus on enterprise value might be up for debate, but there is a strong case to be made that this is how it is predominantly applied, certainly in the investment sector.

'Sustainability' takes a much broader focus and recognises the need to drive systemic change in achieving a more equitable society and economy that operates within ecological boundaries. This understanding of sustainability focuses on an organisation's impacts on society, the environment, and the economy (on 'people, planet and prosperity') enabling an assessment of the organisation's contribution toward global commitments such as the UN SDGs. This approach informs the work of the GRI's *Sustainability Reporting Standards* developed by the Global Sustainability Standards Board and is also evidenced in the EU's sustainable finance regulation, which defines 'sustainable investment' as "an investment in an economic activity that contributes to an environmental objective…. or a social objective… (such as) tackling inequality or that fosters social cohesion, social integration, and labour relations…[7] King IV similarly makes it clear that "sustainable development is not confined to individual matters, such as the economic viability of the organisation…"[8]

[5] *London Stock Exchange Group Your Guide to ESG Reporting (2020)*

[6] *IOSCO (2021) Environmental, Social and Governance (ESG) Ratings and Data Products Providers: Consultation report*

[7] *EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector*

[8] *King IV Report on Corporate Governance for South Africa 2016*

In line with approach adopted by the *King IV Code*, the *JSE's Sustainability Disclosure Guidance* aims to improve the quality and availability of information both about the sustainability-related risks and opportunities that affect the organisation's financial performance (sometimes referred to as ESG), as well as information about the organisation's impacts on people, the environment, and economy. As outlined in Figure 1 (page 5), the Guidance is thus intended to inform disclosure for the purposes of annual integrated reports, sustainability reports, and annual financial statements.

Box 1 – The United Nations Sustainable Development Goals (SDGs)

There is increasing appreciation in both the business and investment communities about the commercial significance of sustainable development and the 17 SDGs. Adopted by all United Nations Member States in 2015, the 17 UN SDGs provide the blueprint for a more sustainable future by tackling some of the biggest and most urgent global challenges, such as poverty, inequality, climate change and environmental degradation; the private sector is recognised as having a significant responsibility to use their global reach and innovative potential to make a meaningful contribution to achieving the SDGs. Companies can measure and report their impacts in relation to the SDGs and implement new ideas that improve the business, reducing their footprint and minimizing overall negative impacts. Companies can also use the SDGs as inspiration and design criteria for new product development and business process innovation, developing profitable products and services that contribute to solving global social and environmental challenges.

SDG 12 encompasses target 12.6, which "encourage(s) companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle." Governments are required to report the numbers of sustainability reports submitted on an annual basis, as required in SDG indicator 12.6.1. The need for accountability of companies' direct contribution to sustainable development is consistent with a rising interest among investors to understand sustainability performance in the context of broader social and environmental outcomes.

1.1 Growing stakeholder and investor interest in sustainability performance and disclosure

Although sustainability and ESG issues are sometimes referred to as 'non-financial', these issues clearly contribute to financial value in various ways. Effective sustainability responses can:

- ***Protect value –*** through initiatives taken in response to material social, environmental and governance risks
- ***Create value –*** by stimulating innovation in response to sustainability challenges, delivering profit-led environmental or social benefits, at scale
- ***Enable value creation –*** for example by encouraging collaboration with peers (including competitors) to address systemic sustainability risks to the broader market ecosystem

As sustainability pressures continue their anticipated upward trend, an organisation's sustainability policies, practices and performance will increasingly impact on the organisation's value. Its ability to communicate its sustainability performance more effectively – and investors' ability to track this better – is increasingly impacting access to capital.

A new kind of financial instrument – sustainability-linked finance– is gaining traction, including as part of the efforts to achieve national commitments under the Paris Agreement. Both corporate issuers and investors are moving beyond green bonds and loans, broadening the scope of sustainable finance to align with the need to integrate sustainability in the core management and governance of companies. This follows closely on the heels of national and regional initiatives to develop taxonomies for green finance, such as the EU *Sustainable Finance Taxonomy*[9] and the South Africa *Green Finance Taxonomy* currently out for public comment.[10] Indications from the EU, G7 and G20 are that financial institutions will be increasingly encouraged to invest in the "transition" space, but to do so in a rigorous manner requiring evidence of robust sustainability risk management practices. Given this context, there is seen to be valuable potential for JSE listed companies to use this Disclosure Guidance to leverage this opportunity.

2 Why report on sustainability? The business case for good disclosure

Done properly, sustainability disclosure can result in valuable benefits for the reporting organisation. The extent to which these benefits are realised depends significantly on the effectiveness of the organisation's reporting process, and on the quality of the disclosure in the report (see section 3.2 on a set of disclosure principles aimed at strengthening the quality of the disclosure). The Sustainable Stock Exchanges Initiative has identified the following suggested benefits of effective sustainability disclosure:[11]

Enhancing access to capital

- Demonstrating effective management of material sustainability risks and opportunities can enhance the ability to attract capital and secure more favourable financing conditions.

Driving profitability and growth

- Generating increased financial value for the company by identifying opportunities for cost savings, revenue generation and risk mitigation.
- Prompting innovation and enhancing market differentiation and competitiveness, by creating a deeper understanding of stakeholder needs.
- Enabling strengthened management and board scrutiny of sustainability opportunities and risks and promoting greater company-wide alignment on goals.

Improving compliance and risk management

- Addressing mandatory reporting requirements on financially material factors and mitigating compliance risks related to financial disclosure obligations.
- Helping the company stay ahead of emerging sustainability disclosure regulations, as well as enhancing its ability to comply with sustainability performance requirements more broadly.
- Protecting the company's license to operate by demonstrating corporate transparency and responsiveness to stakeholder needs.

Enhancing corporate reputation and stakeholder relationship

- Demonstrating corporate commitments to responsible management of environmental, social, and economic impacts.
- Exhibiting corporate adherence to industry ethical standards and national and international frameworks on corporate sustainability and sustainable development.
- Enhancing corporate reputation by improving stakeholders' perception of a company through reporting-related stakeholder engagement.

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[9] *EU Taxonomy for Sustainable Activities*

[10] *https://sustainablefinanceinitiative.org.za/taxonomy*

[11] *Sustainable Stock Exchanges Initiative (2015) Model Guidance on Reporting ESG Information to Investors (Annex C)*

- Improving employee perception of the company, helping to attract, retain, motivate, and align new and existing employees.

Improving information flow

- Ensuring that key stakeholders have the relevant information that is needed to make informed decisions about the company's ability to create value in the short, medium, and longer term.
- Enhancing the flow of relevant information between the board and management.

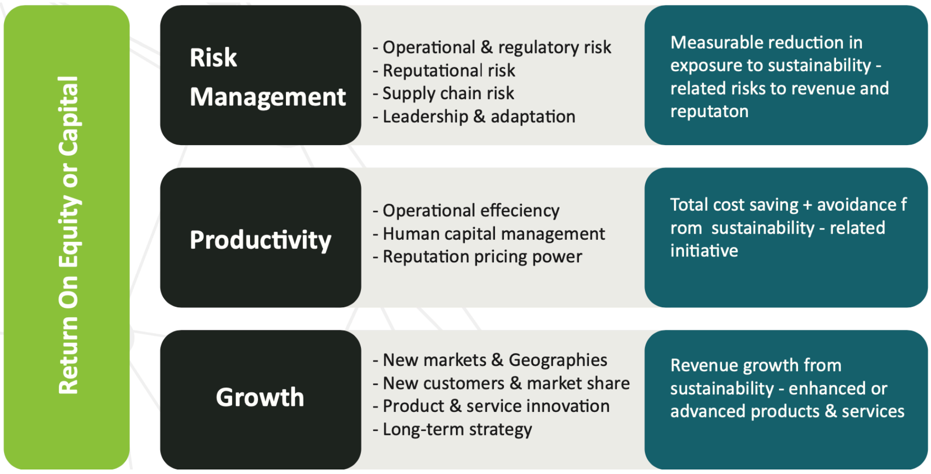

Figure 2 *– Value drivers for enhanced sustainability performance and disclosure*[12]

2.1 Growing convergence in the sustainability disclosure landscape

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Figure 3: *Emergence and convergence of global sustainability and climate-related disclosure standards*[13]

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[12] *Derived from the UN Global Compact value driver model (https://www.unglobalcompact.org/library/811), as presented in the*

[13] *Diagram based on various similar source documents, developed internally for JSE –* ***Draft to be updated***

The following text will be revised and updated as needed – keeping this all succinct in giving a very high-level overview and linking it with the above diagram. Provision will also be made for the most current developments in terms of the IFRS, ISSB and VRF, and developments with GRI and EFRAG; some of these developments are very current and may change before final publication.

- In Sept 2020, the five leading voluntary framework- and standard-setters on sustainability and climate-related disclosure – *CDP*, the *Climate Disclosure Standards Board (CDSB), GRI*, the *International Integrated Reporting Council (IIRC)*, and the *Sustainability Accounting Standards Board (SASB)* – for the first time committed to work towards a joint vision.
- In 2020 The *International Federation of Accountants (IFAC)* called for the creation of an *International Sustainability Standards Board (ISSB)* to sit alongside *the International Accounting Standards Board (IASB)* under the auspices of the *IFRS Foundation*.
- In early 2021 the *IIRC* and *SASB* combined to establish the *Value Reporting Foundation (VRF),* and in November 2021, the *VRF* and the *CDSB* announced their intention to consolidate with the *IFRS Foundation*, jointly positioning their resources to serve as a framework to connect the work of *IASB* and the *ISSB*
- The European Commission is revising its *Non-Financial Reporting Directive (NFRD)*, adopting a proposal for a *Corporate Sustainability Reporting Directive (CSRD)* that would inter alia extend the scope of the *NFRD* to all large companies and all companies listed on regulated markets (except micro-enterprises), as well as introducing more detailed reporting requirements, aligned with the *GRI Sustainability Reporting Standards*
- The *International Organisation of Securities Commissions (IOSCO)* has set out its intention to accelerate the harmonization of sustainability standards and is supportive of the approach of the ISSB
- The *Taskforce on Nature-related Financial Disclosures (TNFD)* was launched in June 2021 to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, which aims to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

PART 2. HOW MIGHT AN ORGANISATION APPROACH SUSTAINABILITY DISCLOSURE?

3 Sustainability reporting: Core concepts

3.1 Understanding materiality

Material information is any information that is reasonably capable of making a difference to the conclusions that reasonable stakeholders may draw when reviewing the related information. The definition of materiality focuses on the material information needs of the primary stakeholders for the report being issued.[14]

For any disclosure to be useful it needs to address the interests of the targeted user. From a traditional annual reporting perspective, material information is traditionally defined through an investor lens as: 'any information that could be expected to influence an investor's economic decision making with respect to the object of investment'. As outlined earlier (section 2.1) sustainability issues can often meaningfully affect a company's operational and financial results, and thus are 'material' in influencing investors' perceptions of the company. Many stakeholders have different interests in the organisation's performance, including specifically in understanding the organisation's significant impacts (positive and negative) on the economy, society, and the environment.

The recently published prototypes developed by the IFRS Foundation for the International Sustainability Standards Board, and the *TCFD Recommendations,* both focus on informing an assessment of enterprise value by investors and other participants in the world's capital markets, while the *GRI's Sustainability Reporting Standards* and the EU's proposed *Corporate Sustainability Reporting Directive* looks at materiality though the lens of impacts on the economy, society, and the environment. Recognising these different interests for disclosure purposes, in 2017 the European Commission introduced the concept of 'double materiality'[1], comprising

- Financial materiality, referring to the entity's "development, performance [and] position"; and
- Environmental and social materiality, referring to the "impact of [the entity's] activities"

The JSE's *Sustainability Disclosure Guidance* has adopted this double materiality approach, and recommends that:

- Those sustainability issues that could reasonably be foreseen to meaningfully affect a company's operational and financial results, should be disclosed in an annual integrated report; and
- More detailed sustainability information relating to the organisation's management of its significant impacts on the economy, society, and the environment – including, but not limited to, where these impacts affect enterprise value – should be disclosed in addition to the IR in an appropriate format, such as a separate sustainability report (see Box 3)

[14] *See eg European Commission's Non-Financial Reporting Directive*

BOX 2 – Materiality: meeting the information needs of the report user

Standard setters have provided diverse perspectives on the issue of materiality for the purposes of an organisation's sustainability disclosure, reflecting the different intended purpose and outcome of the standard setting organisation. None of these definitions are either 'right' or 'wrong': it is the context that defines which of these definitions might be more appropriate than the others.

- ***The International Accounting Standards Board*** defines 'material' information as that which, if omitted, misstated, or obscured, could influence the economic decisions of readers relying on the financial statements.
- ***The Value Reporting Foundation's Integrated Reporting Framework*** suggests a matter is material if it "substantively affects the organisation's ability to create value over the short, medium and long term."
- ***The IFRS Foundation's recommendations to the ISSB***, maintains that sustainability-related financial information is material "if it influences users' assessments of the value, timing and certainty of the entity's future cash flows."
- ***The GRI's 2021 Sustainability Reporting Standards*** suggests that a sustainability topic is material when it "represents the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights."

3.2 Different reporting formats

There are various reporting formats for disclosing sustainability information. The chosen format depends on the report's purpose and its intended target audience (see also Figure 1).

- **Annual Integrated Report – reporting on enterprise value**
  In line with the King III and King IV Codes, most JSE-listed companies have been producing integrated reports annually since around 2011. An integrated report is defined in the *Value Reporting Foundation's Integrated Reporting Framework* as "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term." Targeted primarily at providers of financial capital, the focus of the integrated report is explicitly on enterprise value; the report should thus include disclosure of all sustainability-related risks and opportunities that could impact the entity's business model, strategy, and cash flows over the short, medium and long term. The proposed standards being developed by the *International Sustainability Standards Board (ISSB)*[15] are intended to inform the identification of sustainability-related financial information for inclusion in 'general purpose financial reporting' (in South Africa this is primarily the annual integrated report).[16]
- **Annual Sustainability Report – reporting on sustainability impact**
  In line with global practice, many South African companies publish separate sustainability reports; the first such reports in the country were published by various high impact companies in the mid-1990s. These reports review the organisation's approach to managing its significant economic, social,

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[15] *See eg [Draft] International Sustainability Disclosure Standard General Requirements for Disclosure of Sustainability-related Financial Information*

[16] *Extensive guidance on integrating reporting can be found on the Value Reporting Foundation's website (https://www.integratedreporting.org/) and the IRC SA website (https://integratedreportingsa.org/about/about-the-irc-of-sa/)*

and environmental impacts, and to addressing those sustainability issues of interest to a broader range of stakeholders than targeted by the integrated report. An important function of these reports is to reflect how the organisation is contributing to national and global development priorities (such as the NDP and the SDGs). Many of these reports use the *GRI Sustainability Reporting Standards*.

- **Combined Report**
  Some companies choose to combine their traditional annual financial report with a more detailed review of their sustainability/ ESG performance into a single 'combined report'.

- **Annual Financial Statements**
  These provide a detailed analysis of the organisation's financial results, with audited financial statements typically prepared in accordance with generally accepted accounting practice[17]. These statements present in monetary amounts the effects on enterprise value that have already taken place at the reporting date, or are included in future cash flow projections, including those effects from sustainability issues.

Given increasing stakeholder expectations, some organisations opt to publish additional 'supplementary' reports that provide more detailed disclosure in areas of particular significance to their operations. Examples include separate TCFD reports, human rights reports and/or B-BBEE Reports.

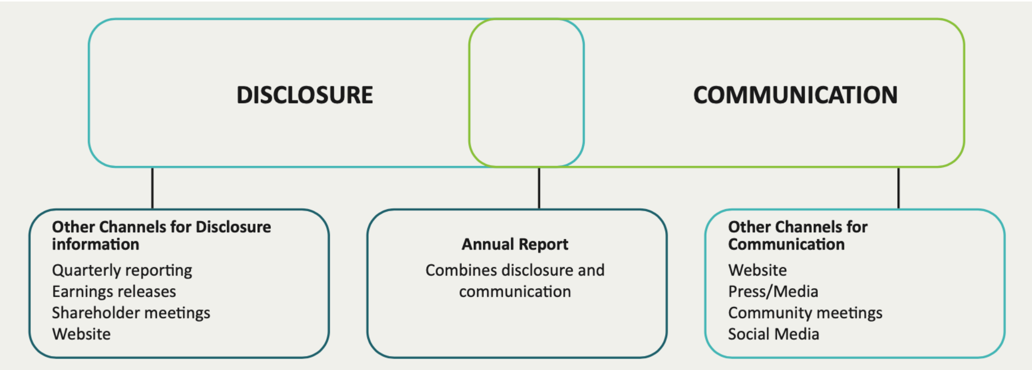

***Figure 4**: Materiality assessments inform organisation's disclosure and communication[18]*

[17] *In South Africa, listed companies are required to use the International Financial Reporting Standards (IFRS).*

[18] *Source: IFC "Beyond the Balance Sheet" Disclosure and Transparency Program*

BOX 3 – Seven questions to inform the reporting process[19]

- ***MOTIVATION: What is the purpose of the report?***
  Be clear from the start on the purpose of the report as this will inform the approach. Is it simply to ensure compliance with listing requirements, is it intended to be a frank disclosure informing investors the company's long-term strategy for value creation, or is it intended to review the organisation's impacts on sustainability?

- ***MARKET: Who is the intended audience for the report?***
  For a report to be effective, it's important to be clear which priority stakeholder group/s the organisation is seeking to inform and influence through its disclosure, and what their specific interests are regarding the organisation's disclosure. It is not useful or effective for the organisation to attempt to address all the information needs of all its stakeholders in one report.

- ***MATERIALITY: What is of material interest to the target audience?***
  Having a clear understanding of the purpose of the report, and the target audience, is essential in identifying what information to include in the report. If targeted at investors the primary focus will be on enterprise value and it will thus include those sustainability issues impacting the organisation; if it's targeted at those stakeholders interested in the organisation's social and environmental impacts, then it will have much broader coverage of sustainability issues.

- ***MEDIUM: What reporting format will work best for the target audience?***
  The purpose and audience will also inform the preferred reporting format (Box 3). In some instances, the means of disclosure will not be in the form of a traditional report, but may include direct engagements, marketing documents or electronic media.

- ***MEANS: How will the reporting process be managed and integrated across the business?***
  While reporting provides decision-useful information for stakeholders, the process of compiling the information can be used to strengthen internal reporting systems and inform strategic goals, shape the business model, and assist in identifying risks and opportunities. For these opportunities to be realised there needs to be clarity on the internal process and responsibilities, ensuring that this is properly integrated across the organisation and not managed in silos.

- ***MEASUREMENT: Does the data support the report?***
  Better data can lead to better decision-making and performance; it is important to have the right internal systems in place to collect and disseminate concise, reliable, and complete data. Rather than creating entirely new channels, organisations should seek as far as possible to use existing internal management and systems.

- ***MONITORING: Has the integrity of the data been assured?***
  Reports are generally more credible when they are supported by robust internal assessment processes involving existing internal audit, risk and data control verification systems. If resources allow, and when properly managed, external assurance can provide an added degree of trust, credibility, and recognition. It is important to recognise, however, that while third-party assurance can be valuable in strengthening internal sustainability reporting systems and enhancing the credibility of reports, an overemphasis on external assurance can be a distraction; it is better to start with reporting with no assurance rather than not start reporting at all.[20]

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[19] *Incite (2006) Presentation to University of Cambridge Institute for Sustainability Leadership (CISL) BSP Exec programme*

[20] *Sustainable Stock Exchanges Initiative (2015) Model Guidance on Reporting ESG Information to Investors (page 18)*

3.3 Principles for useful sustainability data and an effective sustainability report

With enhanced disclosure on sustainability issues increasingly being demanded by investors, analysts, capital market participants and other stakeholders, it is important that the information is of sufficient quality to enable users to make informed assessments and decisions – be it about the organization's impacts and its contribution to sustainable development, and/or the organisation's own viability over time. There is significant convergence on the principles informing effective sustainability reporting in international and local guidance frameworks. Based on this, the following key principles should guide the organization in ensuring the quality and proper presentation of the information that is disclosed.[21]

- ***Accuracy:*** The organisation should report information that is correct and sufficiently detailed to allow an assessment of the organisation's impacts.
- ***Balance:*** The organisation should report information in an unbiased way and provide a fair representation of the organisation's negative and positive impacts.
- ***Clarity:*** The organisation should present information in a way that is accessible and understandable.
- ***Comparability:*** The organisation should select, compile, and report information consistently to enable an analysis of changes in the organisation's impacts over time and an analysis of these impacts relative to those of other organisations.
- ***Completeness:*** The organisation should provide sufficient information to enable an assessment of the organisation's impacts during the reporting period.
- ***Material –*** *in terms of enterprise value and/or impact on society and the environment:*
  The reporting organisation should disclose sustainability information that is reasonably capable of making a difference to the conclusions drawn by:
  - providers of finance concerning the ability of the organisation to create long term value for the organisation; and
  - stakeholders more broadly concerning the organisation's most significant impacts on the economy, environment, and people, including impacts on their human rights
- ***Stakeholder inclusive:*** The reporting organisation should identify its stakeholders and explain how the organisation has responded to their reasonable expectations and interests.
- ***Sustainability context –*** *recognizing critical environmental thresholds and social pressures:*
  The organization should report information about its impacts in the wider context of sustainable development.
- ***Timeliness:*** The organisation should disclose information on a regular schedule and make it available in time for information users to make decisions.
- ***Verifiability:*** The organisation should gather, record, compile, and analyse information in such a way that the information can be examined to establish its quality

[21] These principles are based almost entirely on the GRI's recently released Sustainability Reporting Standards, and are consistent with the principles in many of the initiatives listed in Annex 1.

PART 3. WHAT SUSTAINABILITY INFORMATION SHOULD A COMPANY DISCLOSE?

Investors and stakeholders are increasingly expecting companies to report on their sustainability impacts, risks, and opportunities with the same rigour as they do with financial information. By reporting meaningfully on the proposed *Sustainability Narrative Disclosures* and *Core and Leadership Sustainability Metrics* presented in this Disclosure Guidance – and integrating these considerations into the organisation's governance, strategy, and performance – the reporting organisation will send a signal to shareholders and other stakeholders that it has a sound appreciation of the impacts, risks and opportunities associated with running its business.

Those organisations that align their goals to the long-term goals of society, as articulated for example in National Development Plans and the UN SDGs, are most likely to create long-term sustainable value, driving positive outcomes for their organisation, the economy, society, and the environment more broadly.

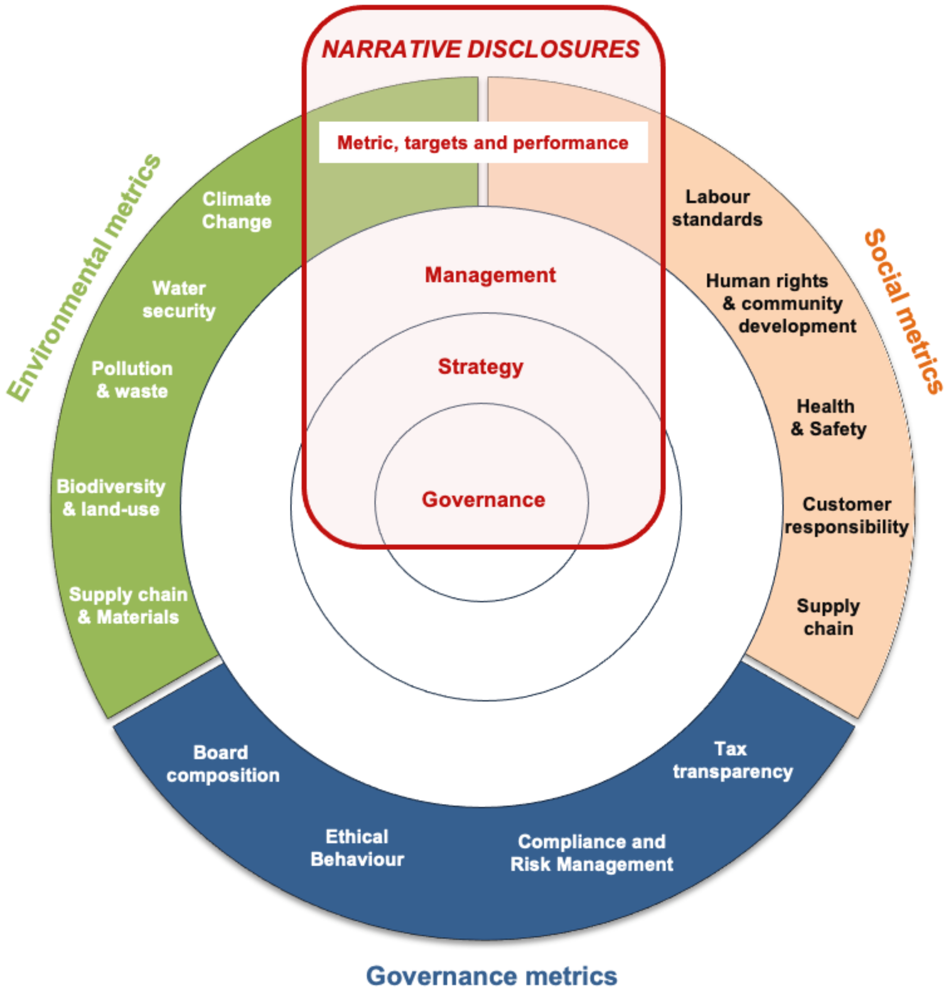

Figure 5: *The JSE Sustainability Narrative Disclosures and Sustainability Metrics*

4 Sustainability Narrative Disclosures

The *Sustainability Narrative Disclosures* provided in this section have been structured in broad alignment with the two recently published prototypes developed for consideration by the International Sustainability Standards Board (ISSB)[22], as well as with the TCFD recommendations[23] the CDSB Framework.[24], the SDG Disclosure Recommendations,[25] and the GRI's Sustainability Reporting Standards[26]. The *Narrative Disclosures* have been slightly revised from the ISSB, TCFD and CDSB recommendations to ensure alignment with 'double materiality'; the review of management issues has been extended beyond risk management, and explicit provision is made for an assessment of the organisation's impacts on the economy, society, and the environment.

4.1 Governance

Investors and other stakeholders have an interest in understanding the role played by the organisation's board in overseeing sustainability issues – such information informs an assessment as to whether these issues are receiving appropriate board and management attention.

RECOMMENDED DISCLOSURE

Describe the board's oversight of sustainability-related impacts, risks and opportunities, and its process for integrating sustainability issues into the overall governance processes.

In describing the board's oversight of sustainability issues, the organisation should disclose the following information:

- ***The process by which that the board sets the direction for sustainability considerations, including disclosing which board committee/s and/or individuals are responsible for oversight of sustainability-related impacts, risks, and opportunities, and how these responsibilities are reflected in the terms of reference, board mandates, and other relevant entity policies.***
- ***The processes and frequency by which the board and/or board committees are informed about material sustainability issues, and the company's interaction with the broader sustainability context, including any significant negative effects that the organisation's operations have had on people, the environment, and economy.***
- ***The processes whereby the board ensures that material sustainability considerations are integrated in:***
  - ***i) board appointments, ensuring that the correct skills and competencies are available to oversee strategies designed to respond to sustainability-related risks and opportunities***
  - ***ii) risk and opportunity assessments, evaluations, and responses***
  - ***iii) the development and monitoring of strategy implementation, through budgets, business plans and performance targets***
  - ***iv) the internal reward systems, including by incorporating any performance metrics and targets on material sustainability issues within remuneration policies***
  - ***v) the organisation's stakeholder engagement, disclosure, and assurance activities.***

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[22] *General Requirements for Disclosure of Sustainability-related Financial Information Prototype* and *Climate-related Disclosures Prototype (both published on 3 November 2021) – available at https://www.ifrs.org*

[23] *https://www.fsb-tcfd.org*

[24] *www.cdsb.net*

[25] *https://integratedreporting.org/resource/sustainable-development-goals-disclosure-sdgd-recommendations/*

[26] *https://www.globalreporting.org/standards/*

- ***The process the board follows in assessing the sustainability goals and targets that have been set, and for monitoring progress against these goals and targets, and responding accordingly.***
- ***The organisational structure/s and management-level responsibilities for assessing and managing sustainability-related impacts, risks, and opportunities.***

4.2 Strategy

Investors and other stakeholders need to understand how sustainability issues may affect an organisation's business model, strategy, and financial planning over the short, medium, and long term; such information is used to inform expectations about the future performance and impacts of the organisation.

RECOMMENDED DISCLOSURE

Describe how an assessment of sustainability-related impacts, risks and opportunities has influenced the organisation's strategy, and what impact this has had on the organisation's overall performance, both positive and negative.

In describing how sustainability issues inform strategy, the organisation should disclose the following information:

- ***The nature and outcome of the processes in place to determine the organisation's material sustainability issues, including an assessment of:***
  - ***i) the organisation's most significant positive and negative impacts on the economy, society, and the environment, over the short, medium, and long term; and***
  - ***ii) the most significant sustainability-related risks and opportunities that the organisation reasonably expects could positively or negatively impact its business model, strategy, and cash flows over the short, medium, and long term – and the impact of these risks and opportunities on enterprise value.***
- ***How the organisation defines short, medium, and long term, and how these definitions are linked to the organisation's strategic planning horizons and capital allocation plans.***
- ***Any trade-offs between sustainability-related risks and opportunities that were considered by management in their decision-making.***
- ***How the identified material sustainability issues have informed the organisation's business model, its strategic objectives and targets, and financial planning, over the short, medium, and long term, recognising that sustainability issues often manifest themselves over the medium and longer term.***
- ***The nature, extent, and outcomes of any analysis, including scenario analysis, undertaken to test the resilience of the organisation's strategy, considering the likelihood and magnitude of material sustainability-related impacts, risks and opportunities in its operations, its products and services, its value chain, and its investment research and development activities.***
- ***Commentary on the value created, preserved, or eroded for the organisation, its stakeholders, and society and the environment more broadly, as a result of implementing its strategy.***

4.3 Management approach

Investors and other stakeholders need to understand how an organisation has integrated sustainability issues into the organisation's management processes; such information informs assessments of the organisation's overall risk profile and performance prospects.

RECOMMENDED DISCLOSURE
Describe how sustainability-related impacts, risks and opportunities have been integrated into the organisation's management processes.

In describing the integration of sustainability issues in the organisation's management processes, the organisation should disclose the following information:

- ***The processes in place for identifying, assessing, prioritising, monitoring, and managing sustainability-related risks and opportunities, and how these processes are integrated into the organisation's existing risk and opportunity management systems.***
- ***The steps taken to facilitate access to a diversity of perspectives in identifying and prioritising sustainability-related impacts, risks, and opportunities.***
- ***The ways in which management processes (such as planning, organising, staffing, and coordinating) have been adapted to enhance sustainability decision-making and action.***
- ***The processes by which the leadership team systematically tracks, reflects on, and responds to sustainability progress and performance.***

4.4 Metrics, targets, and performance

Investors and other stakeholders need to understand how an organisation measures and monitors its sustainability strategy, performance, and impacts. Access to the metrics and targets used by an organisation allows investors and other stakeholders to better assess the organisation's exposure to sustainability issues, and its progress in managing those issues and its impacts, as well as providing a basis to compare organisations within a sector or industry.

Recommended Disclosure
Describe the performance metrics and targets used by the organisation to measure, monitor, and manage its sustainability impacts, risks and opportunities, and its performance against these metrics and targets.

In describing its sustainability metrics, targets, and performance, the organisation should disclose the following information:

- ***The metrics and targets used to measure, monitor, and manage the organisation's performance against its material sustainability-related impacts, risks, and opportunities, including any cross-industry, sector-based and entity-specific activity metrics.***
- ***The methodologies used to calculate or estimate the metrics and targets, where this is not immediately apparent.***
- ***The nature of its sustainability targets, including where relevant:***
  (i) whether the target is absolute, normalised, intensity, or activity- based
  (ii) the timeframe over which the target applies
  (iii) the base period from which progress is measured
  (iv) any milestones or interim targets.
- ***The nature of any changes to metrics or targets, explaining the reasons for these changes, including (where practical and appropriate) any restated comparative figures.***
- ***A response to each of the Core Metrics listed in the JSE Disclosure Guidance, or a description as to why these are not disclosed and/or not seen to be material, and what steps are being taken to start disclosing those that are material.***

- ***The organisation's performance against its sustainability metrics and targets, with provision for a suitable historical period to allow for trend analysis.***

5 Core and Leadership Sustainability Metrics

The *Sustainability Metrics* presented in this Disclosure Guidance have been informed by a thorough review of current sustainability disclosure expectations and emerging best practice, with explicit provision for South Africa's business context and developmental challenges. The Core (C) and Leadership (L) metrics seek to balance the desirability of a 'simple list' with an applied materiality principle.[27] The metrics include revisions to the approach used in some of the peer exchanges to provide for:

- Greater use of outcome and impact indicators, over simple input and output measures
- The double materiality perspective that is gaining increasing recognition, including specifically as part of the European Union's proposed Corporate Sustainability Reporting Directive (CSRD)
- South Africa's specific environmental, social and governance challenges
- Recognition of planetary boundaries and emerging global expectations on social performance

An organisation's materiality landscape is dynamic. It is important to recognise that organisation's need to determine their own material matters, at appropriate intervals, and that this list is not intended to be exhaustive or prescriptive.

Note: further detail on each metric is provided in a separate Excel sheet, with details on:

- the metric's measurement unit;
- cross-reference to its use in existing standards (eg SASB and GRI); and
- a rationale for each metric.

These details will be included in the final design version of this document following feedback on these metrics in the public consultation process. An example of the suggested presentation for each metric is provided in the social and environmental sections below.

[27] *Some of this has been influenced in particular by the metrics provided in the WEF's Measuring Stakeholder Capitalism*

5.1 Governance Disclosure Metrics

GOVERNANCE METRICS: Core (C) and Leadership (L)		
Board composition		
Board diversity and competence	C	Composition of the board and its committees by: race; gender, membership of under-represented social groups, and stakeholder groups competencies relating to the risks, opportunities and management of economic, environmental, and social issues
Board independence	C	Composition of the board in relation to: executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments
Remuneration practices	C	How performance criteria in the remuneration policies relate to the highest governance body and senior executives' objectives for economic, environmental, and social topics, as connected to the company's stated purpose, strategy and long-term value.
Ethical behaviour		
Anti-corruption	C	Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region.
	C	Total number and nature of incidents of corruption confirmed during the current year, related to this year and previous years.
	C	Description of the organisation's provision for whistleblowing, and the number and nature of issues raised through the whistleblowing facility, and how these were resolved.
	L	Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, to combat corruption
	L	A description of: i) the internal and external mechanisms for seeking advice about ethical and lawful behaviour and organizational integrity, and for reporting concerns about unethical or unlawful behaviour and lack of organizational integrity; and ii) the extent to which these mechanisms have been used, and the outcomes of processes using these mechanisms,
Lobbying and political contributions	C	Identify the significant issues that are the focus of the company's participation in public policy development and lobbying, including within any business association that the company is a member of; describe the company's strategy relevant to these areas of focus; and any differences between its lobbying positions and its purpose, stated policies, goals or other public positions.
	C	Total amount of political contributions made per political party
Monetary loss from unethical behaviour	C	Total amount of monetary losses as a result of legal proceedings (including fines) associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations.
Compliance and risk management		
Incidents	C	Number and nature of significant environmental, social and/or governance related incidents, including incidents of legal non-compliance (whether under investigation, pending finalisation, or finalised) and directives, compliance notices, warnings or investigations, and any public controversies.
Fines	C	Total number of fines, settlements and penalties paid in relation to ESG incidents or breaches, including individual and total cost of the fines, settlements and penalties paid in relation to ESG incidents or breaches
Tax transparency		
Tax paid and estimated tax gap	C	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes
	C	Extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status; estimated tax gap (gap between estimated effective tax rate and estimated statutory tax rate)

5.2 Social Disclosure Metrics

SOCIAL METRICS: Core (C) and Leadership (L)		
Labour standards		
Diversity and inclusion	C	Percentage of employees per employee category, by race, gender, age, and other indicators of diversity
	C	Number of reports of discrimination and harassment incidents, investigation status of reported incidents, and actions taken and the total amount of monetary losses as a result of legal proceedings associated with i) law violations and ii) employment discrimination
Pay equality	C	Ratio of CEO's total annual compensation to median total annual compensation of all employees (excluding the CEO)
	L	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality, including by race, gender, and other relevant equality areas
Wage level	C	Ratios of standard entry-level wage by race and gender compared to local minimum wage for the sector
	L	Mean pay gap of basic salary and remuneration of full-time relevant employees based on gender (women to men) and indicators of race at a company level or by significant location of operation
Living wage	L	Current wages against an identified 'living wage' for employees and contractors in states and localities where the company is operating.
Freedom of Association and Collective Bargaining	C	Percentage of active workforce covered under collective bargaining agreements
	L	An explanation of the assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk including measures taken by the organization to address these risks.
Temporary workers	C	Ratio of temporary workers to permanent workers (and absolute numbers of each), broken down by gender and racial group.
Human rights and community development		
Human rights (see also supply chain below)	C	Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.
	C	Number and type of grievances reported with associated impacts related to a salient human right issues in the reporting period and an explanation of impacts.
Skills for the future	C	Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees)
	C	Average training and development expenditure per full time employee
Employment and wealth creation	C	Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region
	C	Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region
Economic Contribution	C	Direct economic value generated and distributed (EVG&D) – on an accrual basis, covering the basic components for the organization's global operations, ideally split out by: i) Revenue ii) Operating Costs iii) Employee wages and benefits iv) Payments to providers of capital v) Payments to government vi) Community investment (including charitable giving, impact investment and other forms of social investment)
	C	Description of significant identified indirect economic impacts of the organisation, including for example: number of jobs supported in supply or distribution chain; number of suppliers / enterprises supported from defined vulnerable groups; nature of economic development in areas of high poverty; availability of products and services for those on low incomes or previously disadvantaged; enhanced skills and knowledge in a professional community or geographic location
	C	Proportion of procurement spending on suppliers local to the organisation's operations and/or from defined vulnerable groups
	L	Qualitative disclosure describing the extent of significant infrastructure investment and services supported
	L	Financial assistance received from the government - Total monetary value of financial assistance received by the organization from any government during the reporting period

Health & Safety		
Workplace health and safety	C	Number and rate of fatalities during reporting period across the organisation. The disclosure should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
	C	Number of recordable work-related injuries, and number of work-related illnesses or health conditions arising from exposure to hazards at work, during the reporting period. The disclosure should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
	L	An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services and the scope of access provided for employees and workers
Customer responsibility		
High risk products and services	L	Description of products and services that present specific risks to individuals, communities or the environment; an outline of the nature of these risks, and the measures taken to mitigate these.
	C	Number and nature of any product recalls
Product innovation	C	Total costs related to research and development aimed at enhancing social or environmental attributes of products and services
	L	Percentage of revenue from products and services designed to deliver specific social or environmental benefits or to address specific sustainability challenges; if the company applies a taxonomy or benchmark to label their activities as sustainable, they should report on the benchmark used and how they meet the criteria of the benchmark
Consumer data and privacy	C	A description of the mechanisms and steps taken to ensure privacy of consumer data
	C	Number and types of breaches reported in relation to consumer data privacy
Supply Chain		
Supply Chain (Social)	C	Report wherever material across the value chain, mechanisms aimed at enhancing management of social issues (codes, policies, prevention, and treatment)
	C	An explanation of suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to type of operation (such as manufacturing plant) and type of supplier; or countries or geographic areas with operations and suppliers considered at risk.
	L	% of products certified by external agencies, % of traceable origin

Following is an example of the proposed presentation for each metric in the final Guidance

LABOUR STANDARDS	
Diversity and Inclusion	**1. Percentage of employees per employee category, by race, gender, age, and other indicators of diversity (CORE)** **2. Number of reports of discrimination and harassment incidents, investigation status of reported incidents, and actions taken and the total amount of monetary losses as a result of legal proceedings associated with (1) law violations and (2) employment discrimination (CORE)**
How is it Measured	1. Quantitative metric – % of employees by category 2. # and description
Context/Rationale	Organisations with higher levels of diversity, particularly within executive teams, are generally better able to innovate, attract top talent, improve their customer orientation, enhance employee satisfaction, and secure their license to operate. To be effective, organisational culture should be built on a foundation of respect, courtesy, and professionalism, free from any acts of discrimination, bullying or harassment.
Link to standards and frameworks	GRI 405-1; GRI 406-1; SASB 310; SASB 330; WEF

let's connect

5.3 Environmental Disclosure Metrics

ENVIRONMENTAL: Core (C) and Leadership (L)		
Climate change		
GHG Emissions	C	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO2e) GHG Protocol Scope 1 and Scope 2 emissions.
	L	Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.
Energy mix	C	Total energy use and share of energy usage by generation type noting use of energy from renewable non-fossil sources, (namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas).
Science-based targets	L	Define and report progress against time-bound short, medium, and long-term science-based GHG emissions targets (see also the Narrative Disclosure on Metrics, Targets and Performance) that are in line with the goals of the Paris Agreement and Glasgow Climate Pact. This includes reducing global carbon dioxide emissions by 45% by 2030 relative to the 2010 level, and to net zero around mid-century, on the basis of the best available scientific knowledge and equity, taking into account common but differentiated responsibilities and respective capabilities, and in the context of sustainable development and efforts to eradicate poverty. Science-based emissions reduction targets should be informed by recognised scientific methodologies and verified through approved processes, and should as a minimum be consistent with relevant host country/ies Nationally Determined Contribution.
Just transition	C	Existence and nature of a 'just transition plan' that commits to stakeholder engagement with workers and communities (see the JSE Climate Disclosure Guidance for further detail)
	L	Number of engagements undertaken with affected parties by group and geography
	L	Number of workers in the past year retrained, retrenched, and/or compensated due to implementation of the decarbonisation plan
	L	Nature of climate-related lobbying activities, and those of relevant associations and membership groups, and their alignment with the objectives of the Paris Agreement and Glasgow Climate Pact
	L	Nature of provision for delivery of the transition plan within executive remuneration
	L	Nature of provision for impacts on workers and communities within climate scenario plans
	L	Level of capital or expenditure deployed toward climate adaptation and climate mitigation projects
Water security		
Water usage	C	Total amount of fresh water consumed
	C	Fresh water consumption intensity (water use / sales)
	L	Report for operations where material, mega litres of water withdrawn, mega litres of water consumed and the percentage of each in regions with high or extremely high baseline water stress according to WRI Aqueduct water risk atlas tool
Pollution and waste		
Solid waste	C	Total solid waste generation (non-recycled)
	C	Total hazardous waste generation
	L	Total waste recycled
	C	Waste intensity (total waste / sales)
Single use plastic	L	Report wherever material along the value chain: estimated metric tonnes of single-use plastic consumed and share (%) of single-use plastic weight of total plastic weight
Atmospheric pollution	C	Report wherever material along the value chain: nitrogen oxides (NOx), sulphur oxides (SOx), Volatile Organic Compounds, particulate matter and other significant air emissions
	L	Wherever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas
Water pollution	L	Estimate and report wherever material along the value chain: metric tonnes of nitrogen, phosphorous and potassium in fertilizer consumed

Biodiversity and land use		
	C	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA). Report for operations (if applicable) and full supply chain (if material)
	C	Area of land used for the production of basic plant, animal or mineral commodities (e.g. the area of land used for forestry, agriculture or mining activities).
	L	Percentage of land area in point 1 above covered by a sustainability certification standard or formalized sustainability management programme; Percentage of land area in point 2 above covered by a sustainability certification programme or formalized sustainability management system
Supply chain and materials		
Supply chain (environmental)	L	Report wherever material across the value chain, mechanisms aimed at enhancing management of environmental issues (codes, policies, prevention, and treatment)
Materials of concern	C	Process to identify and manage emerging materials and chemicals of concern in products (materials of concern could include conflict minerals or recognised high impact raw materials such as palm oil)
	L	Percentage of materials identified in point 1 above that are covered by a sustainability certification standard or formalized sustainability management programme

Following is an example of the proposed presentation for each metric in the final Guidance

CLIMATE CHANGE	
Greenhouse Gas Emissions	**1. For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO_{2e}) (CORE)** **2. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate. (LEADERSHIP)**
How is it Measured	1. Total amount, in $CO_{2\text{-}e}$ for Scope 1 and Scope 2 (if applicable) – Trend for at least three years 2. Total amount, in $CO_{2\text{-}e}$ for Scope 3 (if applicable) – Trend for at least three years
Context/Rationale	GHG emissions are a primary driver of climate change, which is expected to have increasingly significant economic, environmental, and social impacts. As a result, GHGs are a key focus area for policy, regulatory, market and technology responses to limit rising temperatures. Organisations with emission-intensive business models are likely to face greater risks from the transition to a lower emission economy in terms of increased regulatory requirements and additional capital expenditure. Climate risk assessments depend on understanding the entire emission profile. For many organisations, the most significant GHG emissions are found in their supply chains, not in their own operations. Reporting on Scope 3 emissions can assist the identification of potential supply chain risks in terms of exposure to the transition to a lower emission economy. It can also help improve energy efficiency and cost reduction programmes.
Link to standards and frameworks	GRI 305:1-3; SASB 110; TCFD; GHG Protocol

CSRD and

ANNEXES

ANNEX 1: Global and regional standards and frameworks relating to sustainability disclosure

CDP (formerly the Carbon Disclosure Project) www.cdp.net
CDP collects standardised information from companies on climate change and the use of natural resources such as water and forests.

Climate Action 100+ Net Zero Company Benchmark Disclosure Indicators https://www.climateaction100.org/progress/net-zero-company-benchmark/
The Benchmark assesses the performance of focus companies against the initiative's three high-level goals: emissions reduction, governance, and disclosure. The benchmark helps investor signatories evaluate company ambition and action in tackling climate change.

Climate Disclosure Standards Board (CDSB) www.cdsb.net
Issued by the Climate Disclosure Standards Board, the CDSB Framework helps companies explain how environmental matters affect their performance and show how they are addressing associated risks and opportunities to investors in annual or integrated reports.

EU Corporate Sustainability Reporting Directive (CSRD) https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
In April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) that would amend the existing reporting requirements of the NFRD, extending the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises), and introducing more detailed reporting requirement.

EU Non-Financial Reporting Directive https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
The EU Non-Financial Reporting Directive (NFRD) establishes a minimum standard for SUSTAINABILITY reporting for large public interest companies across the EU. The Directive requires the largest companies to report on environmental matters, social and employee affairs, human rights, anti-corruption and bribery issues, and diversity on company boards.

EU Sustainable Finance Disclosure Regulation (SFDR) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088
The EU SFDR applies to financial market participants ranging from asset managers to financial advisors. It aims to increase transparency in how sustainability risks and opportunities are integrated into the investment decisions and recommendations of financial market players.

EU Taxonomy Regulation https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
The EU Taxonomy Regulation is a classification system for sustainable economic activities. It defines which economic activities can be considered environmentally sustainable. It focuses on environmental considerations, with social and governance factors to be included by the end of 2021.

GRI (formerly Global Reporting Initiative) www.globalreporting.org
The GRI Sustainability Reporting Standards, issued by the Global Sustainability Standards Board (GSSB), are the most widely used standards for sustainability reporting, developed over many years with multi-stakeholder input. It offers a set of modular standards to enable organisations to report on their sustainability impacts against universal standards and sector-specific standards.

IFC's Corporate Governance Methodology
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/investment+services/corporate+governance+methodology
This is an approach to evaluate and improve the corporate governance of a company— including the governance attributes of key environmental and social policies and procedures—to identify, reduce, and manage risk. Its use can help a company confirm its commitment to demonstrate leadership and promote effective environmental, social, and corporate governance throughout the company.

IFC's Performance Standards on Environmental and Social Sustainability
https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards
These standards define IFC clients' responsibilities for managing the environmental and social risks of their projects in emerging markets, provide guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a more sustainable way.

IFC's Toolkit for Disclosure and Transparency
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/toolkits+and+manuals/beyond+the+balance+sheet+-+ifc+toolkit+for+disclosure+and+transparency
The Toolkit is designed to guide companies in preparing comprehensive and best-in-class disclosures that reflects investors' views of what drives corporate value. The tool provides progressive guidance on the disclosure of material information about a company's strategy, governance, and performance—including the impact of sustainability factors and the contribution to sustainable development.

IFRS Foundation International Sustainability Standards Board https://www.ifrs.org/sustainability-hub/
The International Financial Reporting Standards Foundation is a public interest organisation established to develop globally accepted accounting standards. In response to investor calls for comparable sustainability reporting the Foundation Trustees are working on the creation of a proposed new standard-setting board—International Sustainability Standards Board (ISSB).

ISO 26000 https://www.iso.org/iso-26000-social-responsibility.html
ISO 26000 is an international guidance standard on social responsibility. In addition to its specific guidance on sustainability disclosure, it includes detailed guidance on the fundamental expectations of socially responsible behaviour, derived primarily from authoritative international instruments.

ISO 37000:2021 Governance of organizations https://www.iso.org/standard/65036.html
ISO 37000 provides principles and key aspects of practices to guide governing bodies and governing groups on how to meet their responsibilities so that the organizations they govern can fulfil their purpose. It is also intended for stakeholders involved in, or impacted by, the organization and its governance. It is applicable to all organizations regardless of type, size, location, structure or purpose.

OECD Guidelines for Multinational Enterprises https://www.oecd.org/corporate/mne/
The Guidelines are far-reaching recommendations addressed by governments to multinational enterprises operating. They provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation.

SDG Disclosure Recommendations https://integratedreporting.org/resource/sustainable-development-goals-disclosure-sdgd-recommendations/
The Sustainable Development Goals Disclosure (SDGD) Recommendations seek to establish best practice for corporate reporting on the SDGs and enable more effective and standardized reporting and transparency on climate change, social and other environmental impacts. The report was published by the global accountancy bodies, IFAC, ACCA, ICAS, CA ANZ, as well as the IIRC and World Benchmarking Alliance.

South African Green Finance Taxonomy
http://www.treasury.gov.za/public%20comments/GreenFinance2021/Draft%20Green%20Finance%20Taxonomy%20User%20Guidance.pdf
South Africa's National Treasury published a draft Technical Paper on Financing a Sustainable Economy in May 2020 to unlock access to sustainable finance and stimulate the allocation of capital to support a development-focused and climate-resilient economy. One of the recommendations is to "develop or adopt a taxonomy for green, social and sustainable finance initiatives, consistent with international developments, to build credibility, foster investment and enable effective monitoring and disclosure of performance."

Task Force on Climate-related Financial Disclosures (TCFD) https://www.fsb-tcfd.org
The Financial Stability Board established the TCFD in December 2015 to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The TCFD recommendations were published in June 2017.

UN Global Compact (UNGC) Principles www.unglobalcompact.org
The Global Compact requires companies to commit to a set of ten universal principles concerning human rights, labour, environment, and anti-corruption.

UN Sustainable Stock Exchanges Initiative Model Reporting Guidelines https://sseinitiative.org/esg-disclosure/
The Model Guidance is a voluntary tool for stock exchanges to guide issuers on how to report on environmental, social and governance (ESG) issues.

Value Reporting Foundation: Integrated Reporting Framework www.integratedreporting.org
Issued by the International Integrated Reporting Council (IIRC), which has recently merged with SASB to form the Value Reporting Foundation, the Integrated Reporting Framework helps companies to produce a concise, investor-focused report that looks at an issuer's performance and prospects through the lens of six 'capitals' (financial, manufactured, human, natural, intellectual, social and relationship).

Value Reporting Foundation: Sustainability Accounting Standards Board (SASB) www.sasb.org
SASB issues sustainability accounting standards that help public corporations disclose material and decision-useful information to investors in their mandatory filings, based on their industry, in line with the notion that under existing regulation material information should be disclosed in the Forms 10-K or 20-F.

WEF Measuring Stakeholder Capitalism https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation
Developed in response to a call from 120 of the world's largest companies to develop a set of common metrics on non-financial factors, this document provides a core and expanded set of metrics to be used by companies to align their reporting on sustainability and ESG performance and track their contributions to the SDGs. The metrics are based on existing standards, with the aim of accelerating convergence in sustainability disclosures.

World Benchmarking Alliance (WBA) https://www.worldbenchmarkingalliance.org
The WBA has identified seven systems transformations needed to achieve the SDGs and is developing a series of publicly available benchmarks to assess the contributions of the 2,000 most influential companies to the SDGs. A series of indicators have been (and are being) developed with associated indicators.

ANNEX 2: The JSE Disclosure Guidance, the ISSB Protocols and the EU CSRD – A brief comparison

The JSE *Sustainability Disclosure Guidance* has been developed to ensure full alignment with key global disclosure initiatives, while providing for South Africa's business context and its particular social and environmental challenges. The following table compares the JSE *Guidance* with three recent and potentially significant initiatives – two prototypes being developed for the ISSB[28], and the proposed EU Directive on corporate sustainability reporting[29] – and highlights the strong alignment between the JSE Guidance and these initiatives

	JSE Sustainability Disclosure Guidance	ISSB: General Requirements for Disclosure of Sustainability-related Financial Information	ISSB: Climate-related Disclosures Prototype	EU Corporate Sustainability Reporting Directive (CSRD)
Purpose of the Disclosure Document	Provides **guidance** to JSE listed companies on the disclosure of **sustainability-related impacts, risks, and opportunities**– to meet calls from investors and other stakeholders for more consistent, complete, comparable, and verifiable metrics and narrative disclosures	Sets out the overall **requirements** for disclosing sustainability-related financial information relevant to the **sustainability-related risks and opportunities** of the entity – to assist the primary users of 'general purpose financial reporting' in deciding whether to provide resources to the entity.	Sets out the **requirements** for the identification, measurement, and disclosure of **climate-related financial information** – to assist the primary users of 'general purpose financial reporting' in deciding whether to provide resources to the entity.	Improve sustainability reporting at least possible cost, contribute to the transition towards a sustainable and inclusive economy, enhance clarity and certainty on issues to disclose, reduce competing demands on companies for sustainability information, promote convergence and harmonisation
Target users of the disclosed information	**All stakeholders** with an interest in the reporting entity's sustainability-related impacts, risks, and opportunities, including **investors** specifically on the sustainability-related risks and opportunities impacting enterprise value	Primary users of general purpose financial reporting – namely existing and potential **investors, lenders and other creditors.**	Primary users of general purpose financial reporting – namely existing and potential **investors, lenders and other creditors.**	Two primary users: **investors**, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose to their investments, and the impacts of these investment; and **other stakeholders** that wish to hold organisations to account for their sustainability impacts
Disclosure channel/s covered by the Guidance/ Prototype	**Integrated reports** – disclosure to investors and other creditors about sustainability matters that affect their assessment of enterprise value **Sustainability reports** – disclosures to stakeholders about impacts on people, the environment, and the economy **Annual financial report** – disclosures to investors, lenders and other creditors about monetary amounts included in the financial statements	**General purpose financial reports** – disclosure to investors, lenders and other creditors about sustainability matters that affect their assessment of enterprise value	**General purpose financial reports** – disclosure to investors, lenders and other creditors about climate-related issues that affect their assessment of enterprise value	**Annual management reports and nnual financial statements** Organisations should prepare their financial statements and management report in XHTML format and mark-up sustainability information in accordance with relevant regulations, and tagged according to an agreed digital taxonomy

[28] Both documents, published on 3 November 2021, represent recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustain ability Standards Board (ISSB). While the recommendations build on the established work of the organisations represented on the TRWG (CDSB, IFRS Foundation, TCFD, VRF and WEF), these documents have not been subject to the due process of those organisations or the IFRS Foundation. The ISSB is expected to consult publicly, informed by the TRWG's recommendations, and its work will be subject to the IFRS Foundation's due process.

[29] European Commission COM (2021) 189 final; 2021/0104 (COD), aimed at revising the Non-Financial Reporting Directive, inter alia extending the scope to all large companies and all companies listed on regulated markets (except micro-enterprises), as well as introducing more detailed reporting requirements

	JSE Sustainability Disclosure Guidance	ISSB: General Requirements for Disclosure of Sustainability-related Financial Information	ISSB: Climate-related Disclosures Prototype	EU Corporate Sustainability Reporting Directive (CSRD)
Approach to materiality	**Double materiality** – impact and enterprise value The JSE's Sustainability Disclosure Guidance has adopted the double materiality approach, and recommends that those sustainability issues that could reasonably be foreseen to meaningfully affect a company's operational and financial results should be disclosed in an annual integrated report; and that information relating to the organisation's significant impacts on the economy, society, and the environment – including, but not limited to, where these impacts affect enterprise value – should be disclosed in addition to the IR in an appropriate format, such as a separate sustainability report.	**Single materiality** – enterprise value Information is material if it would *"assist users in predicting the value, timing and certainty of the entity's future cash flows, over the short, medium and long term, and therefore their assessment of enterprise value."* Sustainability matters that do not affect enterprise value are outside the scope of general purpose financial reporting.	**Single materiality** – enterprise value Information is material if it would *"assist users in predicting the value, timing and certainty of the entity's future cash flows, over the short, medium and long term, and therefore their assessment of enterprise value."* Sustainability matters that do not affect enterprise value are outside the scope of general purpose financial reporting.	**Double materiality** – impact and enterprise value Organisations required to report both on how sustainability matters affect the entity, and on the impacts of the activities of the organisation on people and the environment – referred to as the double- materiality perspective, in which the risks to the undertaking and the impacts of the undertaking each represent one materiality perspective
Disclosure guidance *Narrative disclosures*	Disclosure guidance on: (a) governance (b) strategy (c) management (d) metrics, targets & performance *Note: the JSE has ensured consistency in the details within each of above narrative disclosures with those provided in the ISSB Protocol and EU Directive*	Disclosure guidance on: (a) governance (b) strategy (c) risk management (d) metrics & targets	Disclosure guidance on: (a) governance (b) strategy (c) risk management (d) metrics & targets	Disclosure guidance on (amongst others): • Role of board and management • Strategy • Targets • Principal adverse impacts connected to the company and its value chain
Disclosure guidance *Specific metrics*	**Core and Leadership metrics** on: Governance • Board composition • Ethical behaviour • Compliance and risk • Tax transparency Social • Labour standards • Human rights / community dev • Health and safety • Customer responsibility • Supply chain (social) Environmental • Climate change and energy • Water use • Pollution and waste • Biodiversity and land-use • Supply chain and materials	**No specific metrics** in this Protocol These will be included in separate thematic standards on sustainability-related matters (in addition to the current draft on climate), as well as industry-specific standards.	**Specific metrics** on • Greenhouse gas emissions • Transition risks • Physical risks • Climate-related opportunities • Capital deployment • Internal carbon prices • Remuneration	**Specific metrics** to be published in reporting standards; first set by 31 Oct 2022, including: Governance • Role of supervisory bodies • Ethics and culture • Political engagements • Control and risk mngt Social • Equal opportunities • Working conditions • Respect for human rights Environmental • Climate change • Water & marine resources • Resource use & circular economy • Pollution • Biodiversity and ecosystems
Reporting principles	• Accuracy • Balance • Clarity • Comparability • Completeness • Material • Stakeholder inclusive • Sustainability context • Timeliness • Verifiability	• Comparability • Faithful representation • Relevance • Timeliness • Understandability • Verifiability	• Comparability • Faithful representation • Relevance • Timeliness • Understandability • Verifiability	• Comparable • Faithful representation • Relevant • Representative • Understandable • Verifiable

ANNEX 3: Abbreviations and acronyms

These to be completed in final drafts

ANNEX 4: Acknowledgements

Full acknowledgements to be completed in final draft

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Full acknowledgements to be completed in final draft

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Just Share Executive Director	Tracey Davies
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Stakeholders

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