Are you reporting for a sustainable future?

South Africa's perspective on the changing global landscape

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Introduction

In a world increasingly being shaped by AI breakthroughs, climate change and geopolitical volatility one question stands out: Is your business evolving quick enough to stay ahead in a rapidly changing world?

Sustainability is one of the most pertinent issues of our time. Therefore, how an organisation creates value and measures success can no longer be defined by financial performances alone. **PwC's 28th Annual Global CEO Survey: Sub-Saharan Africa perspective** notes that business leaders in the region are becoming increasingly aware of environmental and social risks. It is noted that 14% of CEOs believe that their companies will be exposed to climate change as a key threat in the next 12 months. However, social inequality stands out as a distinct challenge for Africa, as 17% of CEOs indicated high exposure to this threat as compared to 7% globally. This highlights the fact that Africa is no exception to the complex interplay of environmental and social risks.

71%

of investors believe sustainability should be embedded directly into their corporate strategy.

Sustainability also remains an important topic for investors. **PwC's 2024 Global Investor Survey** highlights that 71% of investors believe sustainability should be embedded directly into their corporate strategy. Moreover, 72% view a company's ability to manage sustainability-related risks and opportunities as an important factor in investment decision-making.

This reflects a broader shift: **sustainability is no longer just a response to climate change—it's reshaping how businesses operate, report and grow**.
As environmental and social pressures mount, companies are being pushed to rethink traditional models and adopt more sustainable, forward-looking approaches.

72%

of investors view a company's ability to manage sustainability-related risks and opportunities as an important factor in investment decision-making.

Effective corporate reporting—particularly sustainability reporting—has become a cornerstone in informing strategic decision-making for investors and other stakeholders. Consistent, comparable and transparent sustainability reporting is essential in demonstrating how effectively a business is executing its strategy. It also builds stakeholder trust, improves access to capital, lowers the cost of capital and supports the long-term success and sustainability of an entity.

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The rapidly evolving global sustainability reporting landscape

The sustainability reporting landscape has changed considerably in the past few years with mandatory reporting beginning to supersede voluntary reporting worldwide. Driven by powerful megatrends like climate change, businesses are no longer just expected to deliver financial returns—they're being held accountable for their broader impact on society and the planet.

The sustainability reporting frameworks expected to have the broadest effect on most entities globally include the: [1]

- European Sustainability Reporting Standards (ESRS) adopted by the European Commission (EC) for purposes of compliance with the Corporate Sustainability Reporting Directive (CSRD)
- IFRS® Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB)[2].

On 26 February 2025, the EC published the first of the 'Omnibus' packages—aimed at streamlining and simplifying sustainability reporting requirements across the EU. These proposals include updates related to the CSRD. All the proposals are still in draft form and subject to significant change through the adoption process. As such, some of the CSRD-related content in this publication could be impacted. For the most current updates, please refer to our **Viewpoint** page.[3]

In the United States, the Securities and Exchange Commission (SEC) issued its climate disclosure rules, **The Enhancement and Standardization of Climate-Related Disclosures for Investors**, on 6 March 2024. The rules would require entities to disclose climate-related risks they are exposed to, as well as their greenhouse gas (GHG) emissions. The effectiveness of these rules, however, was stayed on 4 April 2024, to "facilitate the orderly judicial resolution" of pending legal challenges. Subsequently on 27 March 2025, the SEC voted to end its legal defence of these rules.[4] Entities with operations in the US should consider whether they are affected by other jurisdictional sustainability reporting requirements, for example the California climate disclosure laws.[5]

A notable aspect of these reporting requirements that should be considered by reporters is the effect of these sustainability reporting frameworks on entities outside their direct jurisdictions.[6] See the *'Applicability of the sustainability reporting frameworks'* section below for further observations in this regard.

1 For the purposes of this publication, the CSRD/ESRS and the IFRS Sustainability Disclosure Standards will hereafter be collectively referred to as 'sustainability reporting frameworks'.
2 ISSB standards' and 'IFRS Sustainability Disclosure Standards' are used interchangeably throughout this publication.
3 PwC In Brief: European Commission publishes 'Omnibus' proposals
Simplification: Council agrees position on the 'Stop-the-clock' mechanism to enhance EU competitiveness and provide legal certainty to businesses
4 SEC votes to end defence of climate disclosure rules.
5 SRG Chapter 2.4.2: California, page 2-40.
6 For the purposes of this publication, 'reporters' include those entities that either already produce a suite of corporate reports or are otherwise in various stages of their corporate reporting journey.

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The adoption of the ISSB Standards

In June 2023, the ISSB released its first two IFRS Sustainability Disclosure Standards: *IFRS S1, 'General Requirements for Disclosure of Sustainability-related Financial Information', and IFRS S2, 'Climate-related Disclosures'* (see below for an overview of these two standards). IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, subject to the adoption of the standards by local jurisdictions. Early adoption of the standards is permitted.

Since the inception of the ISSB in 2021 and following the release of IFRS S1 and IFRS S2 in 2023, many regulatory discussions have been taking place with respect to the adoption of the ISSB standards in South Africa.

South African entities currently apply a variety of sustainability reporting frameworks (see *'Linkage between current reporting frameworks used and the ISSB'* section below for more information). In the absence of law or regulations mandating the use of sustainability reporting frameworks, reporters can decide which frameworks to apply and to what extent.

Therefore, there is a need for a consistent and comparable sustainability reporting framework that still aligns with the current King IV Report on Corporate Governance™ ("King IV Report"). As such, it is being debated whether the ISSB standards should be used as a baseline for sustainability reporting in South Africa, while determining how to retain existing disclosure practices in the market, such as integrated reporting. Local adoption should allow a sufficient degree of proportionality considering the different types of entities within South Africa and their varying capabilities in transitioning to a new sustainability reporting framework.

The objective of the ISSB is to develop a high-quality and comprehensive global baseline of sustainability disclosures.[7] Adopting globally accepted sustainability reporting standards could result in South African entities having better access to international capital markets. This in turn may incentivise foreign investment and unlock capital flows. Reporting in accordance with global standards should not be seen as a compliance burden—it is a strategic move to increase innovation, enhance operational efficiency, build trust and gain a competitive edge.

It is therefore not surprising that territories across the world are moving ahead, either already having adopted or otherwise using the ISSB standards to inform their jurisdiction specific reporting requirements. These territories include African countries such as Ghana, Nigeria, Tanzania and Zambia. For further information, refer to **The Global PwC Sustainability Reporting Adoption Tracker**. This tracker provides an overview of the local regulatory or legal sustainability reporting requirements by territory, including the adoption status thereof.

Although the path towards adopting the ISSB standards in South Africa has not yet been clearly set out, it is important for entities to be aware of and keep up to date with developments. Proactive engagement now will not only ensure that entities are prepared, but also unlock the full value of sustainability reporting—even in the absence of regulation.

7 ISSB: Frequently asked questions

Reporting beyond compliance

As governments, standard setters and regulators look to transform the sustainability reporting landscape, it is understandable that rules, laws, policies and regulations will evolve to adapt to and address changing reporting needs.

While regulatory compliance remains crucial, forward-thinking entities are encouraged to not wait for regulation but take the initiative to drive their sustainability reporting journey.

93%

of consumers said that they are experiencing firsthand the disruptive effects of climate change in their daily lives

According to the South African findings in **PwC's 2024 Voice of the Consumer Survey**, a remarkable 93% of consumers said that they are experiencing firsthand the disruptive effects of climate change in their daily lives. This is notably higher than the global average of 85%. Entities therefore have an opportunity to better connect with their eco-conscious consumers by providing information about their sustainability-related initiatives. In doing so, they not only support informed consumer choices but also create value through meaningful transformation.

Shareholder and other stakeholder activist bodies also focus on the actions of entities to address sustainability-related issues, as well as the information that they put out into the market. In South Africa, **Just Share** is an example of such a body that works towards urgent action to combat climate change and reduce inequality through responsible investment decisions.

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Objective of this report

Sustainability reporting perspectives: Obtaining South African observations and insights

To assist preparers on their sustainability reporting journey, we—drawing on our expertise and deep understanding of sustainability reporting—have conducted a benchmarking exercise between the integrated reports and specific supplemental reports (see below) of 13 Johannesburg Stock Exchange (JSE) listed entities against the requirements of IFRS S1 and IFRS S2 only (refer to the key considerations below for further detail regarding the parameters of the benchmarking exercise). The sample included eight entities with dual listings and ten entities who are included in the JSE Top 40 Index. The industries in which these entities operate include banking, insurance, mining and retail.

In this report we share our observations and insights from the benchmarking exercise we conducted, along with key considerations that reporters can already start thinking about in the build-up to the potential adoption of the ISSB standards in South Africa and/or if they are in scope of reporting through other territory reporting regulations.

Additionally, while reporting in accordance with the ISSB standards is currently not mandatory in South Africa, entities can voluntarily adopt the standards.

Note on methodology

The following key points in relation to the methodology applied should be noted with respect to the observations, insights and considerations set out in this report:

- The benchmarking performed was in relation to specific themes/topics as set out in this report— such as materiality, reporting boundary and more—but did not include a detailed disclosure gap assessment against each of the disclosure requirements in IFRS S1 and IFRS S2. Additionally, this report does not provide any assurance regarding the completeness of entities' disclosures with respect to the disclosure requirements of IFRS S1 and IFRS S2.
- Reference to 'entities' in the observations only refers to the population of JSE listed entities included in the benchmarking exercise and therefore does not refer to all JSE listed entities and/or other entities.
- While reference is made to 'sustainability-related risks and opportunities', the concepts equally apply to climate-related risks and opportunities. Where there are specific differences and/or additional disclosures required under IFRS S2, these have been indicated.
- It is acknowledged that although some of the reports reviewed as part of the benchmarking exercise referenced the ISSB standards, none stated compliance with the requirements of the ISSB standards.

Disclaimers

Consider the following limitations regarding the information contained in this report:

- The observations, insights and considerations have been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this report without obtaining specific professional advice. Accordingly, to the extent permitted by law, we (PwC South Africa and its members, employees and agents) accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining from acting, in reliance on the information contained in this document or for any decision based on it, or for any consequential, special, or similar damages even if advised of the possibility of such damages.

- This report should be read in conjunction with the IFRS Sustainability Disclosure Standards and is not intended to be a comprehensive guide to each of the disclosure requirements in IFRS S1 and IFRS S2.

- The sustainability reporting landscape continues to evolve rapidly. The content of this report is based on information available as of April 2025. Accordingly, certain aspects of this publication may be superseded as new guidance or interpretations emerge. Entities are therefore cautioned to stay abreast of—and evaluate the effect of—subsequent developments.

Applicability of the sustainability reporting frameworks

A key first step for entities to determine whether they are subject to mandatory sustainability reporting requirements is to understand which sustainability reporting frameworks are applicable.

It should be highlighted that the sustainability reporting frameworks referenced earlier have ‘extraterritorial provisions’—that is, the requirements may apply to entities headquartered outside of the territory imposing the reporting.

Observation(s):

- Almost all the entities reviewed are multinationals.
- Some entities are foreign private issuers (FPIs), with a listing on a US stock exchange. Entities with operations in the US should consider whether they are affected by jurisdictional sustainability reporting requirements, for example the California climate disclosure laws.[8]
- A significant portion of the entities have operations within Africa. As noted above, there are numerous African countries that have either adopted the ISSB standards or are in the process of adopting or otherwise using these standards to inform their jurisdiction specific reporting requirements. The same applies outside of Africa, that is, some of these entities have operations in other international regions which have also adopted, or are otherwise using the ISSB standards, or are in the process of doing so. Such territories include Australia, Canada and Brazil.
- There are several entities with operations within Europe and/or make sales to European countries. While the CSRD has been imposed by the EU, it is important to note that non-EU entities with securities listed on an EU-regulated market, as well as non-EU entities with significant operations in the EU are in scope of the CSRD.[9] (Refer to the *‘The rapidly evolving global sustainability reporting landscape’* section for details on the ‘Omnibus’ package which includes proposals relating to CSRD).

It is evident from the above that South African multinational entities—irrespective of the industry in which they operate—could fall within the scope of one or more sustainability reporting framework. They may also be required to comply with other local or territory specific reporting obligations.

For more information on the scope and applicability of these frameworks, refer to PwC’s Sustainability Reporting Guide (SRG): **Chapter 2: Applicability of sustainability reporting**.

8 SRG Chapter 2.4.2: California, page 2-40
9 EU, Directive 2013/34/EU, Article 40a, paragraph 1.

Reporting requirements as a result of being in the value chain of a reporting entity

It is equally important to keep in mind that even if an entity is not directly within the scope of a sustainability reporting framework(s), the entity could still be required to provide information to other entities that do have a reporting obligation.

This is due to the ISSB standards and the ESRS requiring the disclosure of material information related to sustainability-related impacts, risks and opportunities (as applicable) in an entity's upstream and downstream value chain. The example below illustrates this principle:

Example

Entity X operates in a territory that has not adopted the ISSB standards. Therefore, there is no mandatory reporting required in accordance with the IFRS Sustainability Disclosure Standards, and Entity X has not voluntarily adopted the standards. Additionally, Entity X has assessed that it is not in scope of the CSRD. No other local reporting requirements apply. However, Entity X has a supplier, Supplier Y, which operates in Europe, and is in the scope of CSRD. As Entity X is an entity within Supplier Y's downstream value chain, Entity X could be required to provide certain information that is necessary for Supplier Y to comply with the disclosure requirements of the ESRS.

It is therefore critically important for entities to stay informed about both local and global reporting developments in the regions in which they are domiciled, listed and/or operate, to assess if, and how they might be impacted by the relevant requirements. Furthermore, entities should be aware that reporting obligations placed on others within the upstream and downstream value chain could impose additional reporting requests, even if they themselves are not directly in scope of the sustainability reporting frameworks.

For further information on boundaries of sustainability reporting, including guidance on value chain, refer to PwC's SRG **Chapter 3.1 Boundaries of sustainability reporting**. Additionally, refer to the *'Reporting entity'* section below for observations and insights in this regard.

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Overview of IFRS S1 and IFRS S2

As this publication draws on insights and observations in relation to the IFRS Sustainability Disclosure Standards, a high-level overview of IFRS S1 and IFRS S2 is provided in this section. The sections that follow contain further detailed information regarding specific concepts and disclosure requirements of the ISSB standards only and does not address considerations relating to the CSRD/ESRS.

- IFRS S1 provides the overarching disclosure requirements for entities to communicate material information to investors about sustainability-related risks and opportunities across an entity's value chain over the short, medium and long term.
- IFRS S1 sets out the general requirements for the content and presentation of these disclosures, and includes key principles relating to materiality, fair presentation, reporting entity and connected information. Additionally, IFRS S1 provides guidance on judgements, uncertainties and errors.
- IFRS S2 is the first thematic standard issued by the ISSB and sets out requirements for entities to disclose information about climate-related risks and opportunities.

In the absence of other thematic standards, entities are required to use IFRS S1 to identify the relevant disclosures relating to those other sustainability-related risks and opportunities identified.[10]

IFRS S1 and IFRS S2 may be applied when preparing financial statements in accordance with IFRS® Accounting Standards or other generally accepted accounting principles or practices (GAAP).[11] This is to allow for a wider application of the standards, and not just those entities that use IFRS as their accounting framework. This further supports the ISSB's objective to develop a global baseline of sustainability reporting standards.

The ISSB standards are designed to be flexible, enabling entities of different sizes and levels of maturity in sustainability reporting to apply them effectively. The ISSB standards contain transition reliefs to assist entities in preparing to apply the standards. Such transition reliefs include entities not having to provide comparative information in the first annual reporting period in which it applies IFRS S1 and IFRS S2.[12] These are discussed in more detail in the **'Transition reliefs'** section of this publication.

10 IFRS S1 paragraphs 5-7
11 IFRS S1 paragraph 8
12 IFRS S1 Appendix E paragraph E3; IFRS S2 Appendix C paragraph C3

South African corporate reporting practices

The future of integrated reporting

Within South Africa, the King IV Report encourages the use of the International Integrated Reporting Framework (the '<IR> Framework'). The <IR> Framework has been widely adopted by South African listed entities, as the JSE requires listed entities to adopt the King Code on an "apply or explain" basis.[13]

With global momentum building around the adoption of the ISSB standards, one key question is emerging for many South African reporters: **How does reporting in accordance with the ISSB standards align with integrated reporting?**

The Value Reporting Framework (VRF), which houses the Sustainability Accounting Standards Board Standards (SASB® Standards), and the <IR> Framework were consolidated into the IFRS Foundation in 2022. The International Accounting Standards Board (IASB) and the ISSB, which sit under the umbrella of the IFRS Foundation, have since jointly assumed responsibility for the <IR> Framework. Both the IASB and the ISSB have made a long-term commitment to develop a corporate reporting framework that encompasses the principles and concepts of the current <IR> Framework.

In May 2024, the IFRS Foundation released an updated guide *Transition to integrated reporting: A guide to getting started and a mapping tool*. The mapping tool maps the core content disclosure requirements of IFRS S1 and IFRS S2 to core elements of the <IR Framework>.[14] The guide and mapping tool are intended to assist entities that want to apply both the <IR> Framework and the IFRS Sustainability Disclosure Standards, irrespective of where they may be on their integrated reporting journey.

In June 2024, following an agenda consultation on what its priorities should be over the next two years, the ISSB published its 2024-2026 workplan. The ISSB decided not to undertake a separate project on integration in reporting. However, the ISSB continues to support the use of the <IR> Framework in future.[15]

13 JSE Listings Requirements.
14 Updated guide to help companies use the Integrated Reporting Framework while considering IFRS Sustainability Disclosure Standards;
How to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2: A mapping tool
15 ISSB Consultation on Agenda Priorities.

Integrated reporting therefore has the potential to underpin the subsequent efforts of the ISSB.

Looking ahead—and in response to stakeholder feedback—the ISSB has decided to prioritise supporting the implementation of IFRS S1 and IFRS S2. Other focus areas include enhancing the SASB standards, as well as initiating research and standard-setting projects on nature-related topics (biodiversity, ecosystems and ecosystem services) and human capital.[16]

Observation(s):

While integrated reporting has been a widely adopted practice in South Africa for several years, it is observed that entities often publish further supplementary reports in their corporate reporting suite in addition to the integrated report. Such reports include sustainability or environmental, social and governance (ESG) reports, climate, environmental and/or Task Force on Climate-related Financial Disclosures (TCFD) reports and the financial statements. (Also, see the *'Linkage between current reporting frameworks used and the ISSB'* section below for more information).

This is a consistent practice across multiple industries.

With the introduction of the ISSB standards, and in the absence of mandatory reporting requirements, reporters might be deliberating whether they should voluntarily adopt the standards and/or how this might fit into their current integrated reporting suite.

16 ISSB Consultation on Agenda Priorities.

In its paper **A Global Comprehensive Corporate Reporting System: An Information Paper** the Integrated Reporting Committee (IRC) of South Africa explained that there are two approaches that an entity might apply:[17]

- The umbrella approach
- The single report approach

Under the umbrella approach, the integrated report is seen as the 'umbrella report'—providing users with an integrated and concise overview of the entity. The umbrella/integrated report will then refer users to separate subject-specific and more detailed reports for additional information. The information required by the ISSB standards could therefore be included in a sustainability report for instance (refer to the *'Location of disclosures'* section below for further considerations).

As observed above, many entities currently follow this approach.

Under the single report approach, the same information contained in the umbrella approach is provided, however the presentation of the information is different. That is, the integrated report, the sustainability report and the financial statements are provided in a single or combined report. However, to meet the requirements of the <IR> Framework, the integrated report needs to be a clearly designated section of the single report.

Location of disclosures

While IFRS S1 does not specify the structure of an entity's sustainability reporting, it does call for an entity to provide the disclosures required by the IFRS Sustainability Disclosure Standards in its general-purpose financial reports.[18] Therefore, such information can be included in management's discussion and analysis or similar report, including an integrated report when this forms part of the entity's general purpose financial reports.[19]

However, it is important to note that entities need to be aware of any jurisdictional laws or regulations that prescribe where the information should be disclosed. Therefore, an entity reporting under the ISSB standards should follow the structure specified by jurisdictional laws or regulations.[20]

Should the ISSB standards be adopted in South Africa and an adoption approach finalised, it will be clearer whether there is a specific location(s) in accordance with local law or regulation regarding where information required by the IFRS Sustainability Disclosure Standards should be disclosed.

In the absence of such local laws or regulations, as noted above, IFRS S1 provides some flexibility in terms of where information is disclosed, provided the relevant report(s) form part of an entity's general purpose financial reports. Additionally, entities can look to the information paper referred to above for further guidance.

17 A global comprehensive corporate reporting system: An information paper
18 IFRS S1 paragraph 60
Definition of 'General purpose financial reports' in IFRS S1 Appendix A: "Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity."
19 IFRS S1 paragraph 61
20 SRG Chapter 5.6.2: Structure of the ISSB sustainability reporting, page 5-34

Entities listed on the JSE are required to comply with the JSE listing requirements. Additionally, entities might be required by other laws or regulations to disclose specific information. This could relate to specific industry requirements for instance and/or if entities are required to report in accordance with other sustainability reporting frameworks.

IFRS S1 requires entities to ensure that any additional information that it provides, such as information required by regulators, does not obscure the information required by the IFRS Sustainability Disclosure Standards.[21]

IFRS S1 paragraph BC28

IFRS S1 is intended to be compatible with law or regulation in the jurisdictions in which entities operate, including law or regulation that specifies the documents, formats and structures for disclosing information.

Entities are permitted to report additional information needed to meet jurisdictional requirements alongside information required by IFRS Sustainability Disclosure Standards. The ISSB observed that, for the purposes of comparability, it is important for the global baseline to be visible in an entity's sustainability-related financial disclosures. IFRS S1 permits additional disclosures if they do not obscure the information required by IFRS Sustainability Disclosure Standards.

Therefore, South African entities will be able to provide additional information required by the JSE listing requirements, and/or any other information required by law or regulation alongside the information required by the IFRS Sustainability Disclosure Standards, *if* such additional information is clearly identifiable and does not obscure the information disclosed under the standards.

21 IFRS S1 paragraph 62

Cross referencing

As sustainability-related information covers many different topics, such as climate, human capital and biodiversity—to name a few—it is understandable that such information might not naturally fit into one place in an entity's reporting suite. As observed above, in many cases entities currently produce several different supplemental reports to complement or expand on the information provided in the integrated report.

To avoid duplicating information in multiple reports, information that is required by the IFRS Sustainability Disclosure Standards can also be incorporated by reference (or cross referenced) to another report. However, this only applies if the following conditions are met: [22]

- The incorporated information is available on the same terms and at the same time as the information disclosed in accordance with the IFRS Sustainability Disclosure Standards.
- The complete set of sustainability disclosures is not made less understandable by including information by incorporation.
- The incorporated information meets the requirements of the IFRS Sustainability Disclosure Standards, including the qualitative characteristics of IFRS S1.

In addition to the conditions set out above, it is important to note that when information is incorporated by reference, IFRS S1 paragraph B47 requires an entity to specify precisely where the original information is disclosed and how a user can access that information.

Observation(s):

As noted above, most entities prefer using the umbrella approach when producing integrated reports and used cross-referencing to reduce the unnecessary duplication of information across various reports.

While some entities provided specific details regarding cross referenced information, a large portion of the population only referred users to a separate report, such as the climate report, without providing the specific details of where in that report a user can find the relevant information. As a result, a greater degree of precision will be required if entities voluntarily adopt or are required to adopt the ISSB standards.

These conditions will therefore require entities to review and revise how information is currently being cross-referenced and to provide additional details where required. As entities currently publish many corporate reports, there is an extensive amount of information that investors and other users need to work through. Providing clearer and more detailed cross-references can assist them in navigating such information and enhance the overall usefulness of the information.

22 IFRS S1 paragraph 63 and paragraphs B45-B47

In some instances, as there may be different teams or functions within an entity that take responsibility for certain information, reporters should note that IFRS S1 also requires those responsible for authorising the sustainability reporting to take responsibility for the referenced disclosures, in the same way they would if the information was directly included in the sustainability reporting.[23]

Linkage between current reporting frameworks used and the ISSB

Observation(s):

In the absence of mandatory reporting under the ISSB Standards in South Africa, the entities considered have already been disclosing sustainability-related information.

In addition to using the <IR> Framework (refer above), the majority of the entities have used the recommendations of the TCFD as a basis for disclosing information on climate-related risks and opportunities. Other commonly used standards include the Global Reporting Initiative (GRI) Standards.

A minority of entities used or considered the SASB Standards, the JSE Sustainability and Climate Disclosure Guidelines and the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) in preparing their reports on climate and other sustainability-related matters.

Considering the level of interaction with the above-mentioned frameworks, standards and guidelines that are currently in use and the ISSB requirements, South African listed entities are well positioned with a strong foundation and a solid starting point for future reporting under the ISSB standards.

23 IFRS S1 paragraph B46

The table below shows the interactions between existing sustainability reporting frameworks and the ISSB

Frameworks, standards and guidelines currently considered by entities in preparing the Integrated Report and/or supplementary sustainability-related reports (not an exhaustive list)	Link to the IFRS Sustainability Disclosure Standards issued by the ISSB
TCFD recommendations	IFRS S1 and IFRS S2 are structured around the four pillars of the TCFD recommendations: governance, strategy, risk management and metrics and targets. Also refer to the *'Core content'* section below. The IFRS Foundation has taken over the monitoring of climate-related disclosures from the TCFD as of 2024.[24] In a 2023 **comparison** of IFRS S2 and the TCFD recommendations, the IFRS Foundation noted that although IFRS S2 includes some additional requirements, it still fully satisfies the TCFD recommendations. This means that entities will not need to apply the TCFD recommendations in addition to IFRS S2 when reporting on climate-related risks and opportunities.
Global Reporting Initiative (GRI) Standards	In 2022 the GRI and ISSB entered into a memorandum of understanding. The collaboration between GRI and the ISSB aims to enhance how GRI and ISSB standards can be used together by entities seeking to meet the information needs of investors as well as broader stakeholders.[25] In January 2024, the GRI and IFRS Foundation jointly issued a publication: *Interoperability considerations for GHG emissions when applying GRI Standards (GRI 305: Emissions)* and ISSB Standards (IFRS S2).[26]
JSE Sustainability and Climate Disclosure Guidance	In 2022 the JSE issued two voluntary guidance documents—'The JSE Sustainability Disclosure Guidance' and 'The JSE Climate Disclosure Guidance'. The guidance is aligned with and draws on the initial work of the ISSB, specifically the Exposure Draft on Sustainability-related Financial Information (IFRS S1) and the Exposure Draft on Climate-related Disclosures (IFRS S2). The JSE announced that it has taken a decision to delay the release of an updated JSE Disclosure Guidance considering the various regulatory discussions taking place regarding sustainability reporting in South Africa.[27]

24 IFRS Foundation welcomes culmination of TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024
25 IFRS Foundation and GRI to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures;
GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting
26 New resource on emissions reporting using GRI and ISSB Standards
27 JSE's Sustainability and Climate Disclosure Guidance

Frameworks, standards and guidelines currently considered by entities in preparing the Integrated Report and/or supplementary sustainability-related reports (not an exhaustive list)	Link to the IFRS Sustainability Disclosure Standards issued by the ISSB
SASB Standards	Since the consolidation of the VRF into the IFRS Foundation, the ISSB has assumed responsibility of the SASB Standards. IFRS S1 requires an entity to refer to and consider the SASB standards when identifying and disclosing sustainability-related risks and opportunities in the absence of a specific IFRS Sustainability Disclosure Standard.[28] The ISSB published amendments to the SASB standards in December 2023 to enhance their international applicability. Additionally, the ISSB has committed to continue enhancing and building upon the SASB Standards.[29]
TNDF recommendations	Following a consultation on future priorities, the ISSB will commence research projects about risks and opportunities associated with biodiversity, ecosystems and ecosystem services in response to stakeholder feedback. In undertaking such research, the ISSB will draw on recommendations of the TNFD.[30]

28 IFRS S1 paragraphs 55(a) and 59
29 International Applicability of the SASB Standards
30 TNFD welcomes the ISSB's decision to commence work on nature-related issues; ISSB to commence research projects about risks and opportunities related to nature and human capital; IFRS Foundation work plan regarding Biodiversity, Ecosystems and Ecosystem Services.

Connectivity in reporting

A common question often on the minds of reporters is whether sustainability reporting has an impact on or is connected to the financial statements.

Investors are one of the primary users of general-purpose financial reports, which includes both sustainability-related disclosures and financial statements. To aid better investment decision-making, investors need general purpose financial reports to provide them with a transparent, holistic, comprehensive and consistent picture of an entity. Therefore, it is important for entities to assist investors in understanding how matters reported in the sustainability-related disclosures and financial statements are connected.

Connectivity in reporting is not only a key area for investors—it is also drawing growing attention from regulators and other key stakeholders who increasingly expect a more integrated and transparent approach. In the 2024 JSE Proactive Monitoring Report, the JSE highlighted the following as some of the key considerations to avoid negative findings:

- Whether disclosures are clear, concise and specific to the entity
- Whether the entire story is being told and in a consistent manner, i.e. is the content or messaging aligned with other communication made to stakeholders.[31]

31 Report on proactive monitoring of financial statements in 2024: 1. Key considerations, page 3.

ISSB: Connected information

Connected information is one of the conceptual foundations of IFRS S1. In addition to requiring connections between information disclosed within the sustainability reporting of an entity, the following is required under IFRS S1 with respect to connectivity with the *financial statements*:

- Information shall be provided in a manner that allows users to understand the connections between information in the sustainability-related disclosures and other general purpose financial reports, such as the related financial statements.[32]
- An entity is required to identify the financial statements to which the sustainability-related disclosures relate.[33]
- An entity shall use the presentation currency of its related financial statements when currency is specified as the unit of measure in the sustainability-related disclosures.[34]

Additionally, IFRS S1 requires the use of consistent data and assumptions when preparing sustainability-related disclosures with those used in the related financial statements, to the extent this is possible.[35] It is acknowledged that there might be circumstances in which this might not be possible. In this situation, IFRS S1 requires entities to disclose the significant differences. Although the reason for significant differences between the data and assumptions used in the sustainability reporting and financial reporting is not required to be disclosed, we believe that it is good practice to do so.[36]

32 IFRS S1 paragraph 21(b)(ii)
33 IFRS S1 paragraph 22
34 IFRS S1 paragraph 24
35 IFRS S1 paragraphs 23, B42
36 SRG Chapter 5.3.2: Connected information — Disclosures required by the ISSB standards, Question SRG 5-1, page 5-10.

IASB: Climate-related and Other Uncertainties in the Financial Statements

It is important to note that the IASB issued an exposure draft, **Climate-related and Other Uncertainties in the Financial Statements** in July 2024. The exposure draft provides illustrative examples on how an entity applies the IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its *financial statements*.

The illustrative examples were developed in response to a strong demand from stakeholders (investors in particular), who were concerned that information about climate-related uncertainties in the financial statements was either in some instances insufficient or appeared to be inconsistent with information disclosed outside of the financial statements.

The exposure draft therefore intends to assist in strengthening the connections between the information an entity provides in its financial statements and the information provided in the sustainability-related disclosures. It also seeks to enhance the transparency of information provided in the financial statements.

Recognising the importance of connectivity in reporting, the ISSB and the IASB have issued a **webcast series** on connectivity between the financial statements and sustainability-related disclosures, which includes practical examples to illustrate this concept.

Useful tips on connected information

- Financial statements and sustainability-related disclosures should provide complimentary perspectives of an entity. Therefore, reporters are encouraged to stand back to assess whether their reporting suite tells a consistent and holistic story of the entity.

- In some instances, the same functions within an entity prepare the integrated report, financial statements and sustainability-related disclosures, such as the finance function. However, in some instances, the responsibility of preparing the sustainability-related disclosures might sit within another team. Therefore, it is important for the relevant teams/functions to collaborate and work together in achieving consistency and connectivity in reporting.

- While the IFRS Accounting Standards do not specifically refer to climate or other sustainability-related matters, it is important for reporters to understand whether these matters have an impact on the financial statements, and how to use the IFRS Accounting Standards to disclose any identified impacts. Entities are encouraged to monitor the standard setting activities in this regard, as well as any regulatory actions. Further guidance can be found in our In depth **Impact of ESG matters on IFRS financial statements**.

09

Materiality

As is the case with financial reporting, materiality is a concept that exists in sustainability reporting.

Materiality is a fundamental concept as it determines what information should be included in an entity's sustainability reporting.

Observation(s):

In some instances, it is not clear what an entity's approach to materiality is, as little or no information is provided in this regard. However, a distinct observation is that most entities apply 'double materiality' in preparing their sustainability reports/ sustainability-related information.

A double materiality approach commonly refers to both financial materiality and impact materiality. However, the ESRS contain more detailed guidance regarding the application of the double materiality approach.[37] Financial materiality in simplistic terms considers how the entity's financial performance and position is affected by the economy, environment and people (typically referred to as an 'outside-in' perspective). Impact materiality refers to how an entity's activities and business relationships affect (or impact) the economy, environment and people (often referred to as an 'inside-out' perspective

On 24 February 2025 the King Committee released the King V Code Draft, which is a streamlined and revised update of King IV. The public comment period closed on 4 April 2025. As part of the recommended practices accompanying the reporting principles, when providing sustainability-related information in external reports, the King V Code Draft refers to both financial materiality and impact materiality being addressed. [38] This reference is an indication that the King V Draft supports the double materiality principle, which was implied in King IV, but not directly stated.[39]

Considering that double materiality is the main approach in sustainability reporting practice, it should be highlighted that the ISSB standards do not follow a double materiality approach but rather considers materiality through an 'investor lens' or a financial materiality perspective.

As the ISSB standards are designed to be the global baseline for sustainability-related financial disclosures, this is a key focus area that entities will need to closely monitor to understand if and how the impact materiality perspective is overlayed in the baseline disclosures, i.e. disclosures required by the ISSB standards, to maintain impact reporting practices in the South African market.

In the absence of clear guidance on a South African approach to materiality, set out below is a high-level overview of the approach to materiality in accordance with IFRS S1 and further observations and insights with respect to reporting practices on materiality.

37 ESRS 1 paragraph 37
38 King V Code Draft. Date accessed: 8 May 2025.
39 King V Draft: Information sheet and questions for public comments, page 13.

Identification and disclosure of sustainability-related risks and opportunities

IFRS S1 requires an entity to disclose material information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital over the short, medium or long term (together referred to in IFRS S1 as an entity's 'prospects').[40] The process to identify and disclose material information about sustainability-related risks and opportunities consists of two steps:

- Step 1: Identify sustainability-related risks and opportunities that could affect an entity's prospects over the short, medium, and long term.
- Step 2: Identify material information—determine which disclosures to provide in relation to the sustainability-related risks and opportunities

In terms of step 1—IFRS S1 explains that sustainability-related risks and opportunities arise from an entity's interactions with its stakeholders, society, the economy and the natural environment throughout its value chain.[41] Therefore, it is important for entities to obtain a thorough understanding of the resources they rely on and the relationships along their value chain.

Although only one thematic standard has been issued (IFRS S2), IFRS S1 requires entities to consider sustainability-related risks and opportunities that can reasonably be expected to affect the entity's prospects, not limited to climate-related information.[42]

40 IFRS S1 paragraphs 3 and 17
41 IFRS S1 paragraph B2
42 IFRS S1 paragraph 30(a)

Observation(s):

While many entities provide comprehensive climate-related disclosures—such as their transition to a lower-carbon economy—it is not always clear what other sustainability-related risks or opportunities they may face.

Further to the observation highlighted in the introduction to this publication regarding social inequality, South Africa contributes about 1% to global GHG emissions but is considered the most unequal country in the world, ranking first among 164 countries in the World Bank's global poverty database.[43]

In some industries, such as mining, in addition to climate, it's clear that matters such as health and safety of employees are considered to be a key risk. However, in other sectors, while information is provided on charitable spend, sponsorships and community and/or employee wellness projects, it is difficult to identify what the sustainability-related risks are, such as human capital/workforce risks.

It goes without saying that climate change and climate-related risks and opportunities are important, however entities should also consider and analyse other sustainability-related risks and opportunities in their risk management processes and internal materiality assessments. This is especially relevant in a world shaped by evolving megatrends—such as demographic shifts, technological disruption and resource scarcity—which continue to influence the sustainability landscape across industries. Entities are encouraged to continue developing the necessary processes and systems to also report other sustainability-related risks and opportunities with equal prominence.

To help entities identify these sustainability-related risks and opportunities that could reasonably be expected to affect their prospects, IFRS S1 includes sources of guidance entities are required to refer to and consider, such as the SASB industry standards. The standard also provides other sources of guidance an entity may choose to refer to and consider.[44]

In terms of step 2—as noted above, the ISSB standards require an entity to apply the concept of financial materiality when determining what sustainability-related information to *disclose* and as a result, information that is material from an impact perspective is outside the scope of the ISSB standards.[45]

43 International Energy Agency: South Africa emissions;
United Nations Development Programme: South Africa;
New World Bank Report Assesses Sources of Inequality in Five Countries in Southern Africa

44 IFRS S1 paragraphs 54–55

45 Sustainability-related risks and opportunities and the disclosure of material information, page 11.

To help entities identify what material information should be disclosed about those sustainability-related risks and opportunities identified in step 1, IFRS S1 similarly includes sources of guidance entities are required to refer to and consider, as well as sources entities may refer to and consider. While the GRI standards as well as ESRS are included in the sources of guidance an entity may opt to consider, it is important to note that this is only in identifying what material information to *disclose* and cannot be used in identifying sustainability-related risks and opportunities. Additionally, IFRS S1 specifically states that these sources may only be used if they assist an entity in meeting the objective of IFRS S1 and do not conflict with the ISSB standards.[46] An entity cannot obscure material information required by the IFRS Sustainability Disclosure standards in applying these sources of guidance.[47]

Observation(s):

As noted above, many entities apply a double materiality approach in their sustainability reporting. However, it is observed that in doing so, there is rarely clear and separately disclosed information on what is material from an impact materiality perspective and what is material from a financial materiality perspective.

In addition to the current reporting practices, as explained in the *'Applicability of the sustainability reporting frameworks'* section, with the introduction of new reporting requirements, entities could fall within the scope of more than one sustainability reporting framework. Therefore, entities could be required to report in accordance with the ISSB standards, following a financial materiality approach, as well as the CSRD/ESRS which specifies a double materiality approach.

In terms of interoperability with other sustainability reporting frameworks, the definition of 'material information' in the ISSB Standards is aligned with the corresponding definition used in ESRS related to 'financial materiality'.[48] In other words, the same financial materiality assessment process can support the identification of sustainability-related risks and opportunities for both IFRS Sustainability Disclosure Standards and ESRS purposes.[49] Similarly, the ISSB is also committed to working with both GRI and EFRAG to enhance the interoperability of the sustainability reporting requirements, considering the different approaches to materiality.[50]

As described above, IFRS S1 states that information required by the ISSB standards may be provided alongside other information that may be required to comply with other regulations.[51] That is, information required by the ISSB standards could be reported with information that is required in accordance with ESRS and as a result include impact materiality considerations. This is as long as that additional information disclosed in accordance with the CSRD/ESRS does not obscure the information provided in accordance with the IFRS Sustainability Disclosure Standards.

46 IFRS S1 paragraph C2
47 IFRS S1 paragraphs C1–C3
48 Sustainability-related risks and opportunities and the disclosure of material information, page 7.
49 EFRAG IG1: Materiality Assessment, paragraph 142.
50 Progress on Corporate Climate-related Disclosures—2024 Report, page 9.
51 IFRS S1 paragraph 62

For more information regarding the concept of materiality, refer to SRG **Chapter 4: Materiality for sustainability reporting**. In addition, the ISSB published **educational material** with the objective of assisting entities in identifying and disclosing material information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

For an illustration of materiality judgements and the materiality assessment under the IFRS Sustainability Disclosure Standards, refer to **PwC's Example sustainability disclosures under IFRS Sustainability Disclosure Standards**.

Reporting entity

Leveraging from the principles in IFRS Accounting Standards, IFRS S1 requires sustainability-related information to be disclosed for the same reporting entity as the related financial statements.[52] For example, when an entity's financial statements are prepared on a consolidated basis, the information required by the IFRS Sustainability Disclosure Standards will also need to be provided on a consolidated basis, that is, disclosing information for the parent entity and its consolidated subsidiaries[53]. This is sometimes referred to as the 'reporting boundary'.

Observation(s):

Entities provided some information regarding the reporting entity for sustainability reporting purposes. However, in many instances it was unclear whether the reporting entity was the same as the one used in the financial statements.

In other instances:

- the reporting entity was clearly disclosed in some, but not all, sustainability and/or climate-related supplemental reports published by that entity; or
- it could not be identified from the integrated report what the reporting boundary was for these other reports.

For example, in one case the reporting entity was clearly disclosed for the climate change report, but it was not specified whether the same reporting entity applied in the sustainability report.

To comply with IFRS S1, entities will need to ensure that the reporting boundary used for sustainability reporting is aligned with the reporting entity defined in their financial statements. Although the IFRS Sustainability Disclosure Standards do not use the term 'own operations', we believe that this concept is useful to distinguish between the entity's reporting boundary and the upstream and downstream value chain.[54]

The following are components making up an entity's own operations:[55]

- The parent/holding company
- Consolidated subsidiaries, including consolidated subsidiaries that are less than wholly owned
- Leased assets
- Joint operations

52 IFRS S1 paragraph 20
53 IFRS S1 paragraph B38
54 SRG Chapter 3.3: Own operations, page 3-4.
55 Entities, assets, operations and sites under operational control, where required by topical ESRS, have been excluded from the list as the focus of this publication is on the IFRS Sustainability Disclosure Standards. For more information, refer to SRG Chapter 3.3: Own operations, page 3-4.

It is important for reporters to take note that when assessing the reporting entity for a consolidated group, subsidiaries that are financially immaterial to the related financial statements may not be excluded from sustainability reporting.[56] Additionally, sustainability reporting also includes subsidiaries that are less than wholly owned. Therefore, these investments will still need to be considered in the process of identifying sustainability-related risks and opportunities. While this is the case, as noted above, disclosure is only required of material information. Refer to the *'Materiality'* section above for materiality considerations.

56 SRG Chapter 3.3.1: Consolidated group, page 3-6.

Joint operations

Observation(s)

When considering the current sustainability reporting practices regarding joint operations, it is observed that:

- It is sometimes unclear whether joint operations are included in the reporting boundary for sustainability reporting as often no mention is made of investments beyond subsidiaries.
- The reporting boundary only considers wholly owned investments.
- It was specified that joint operations were excluded from the reporting boundary. For example, in one instance it was noted that an entity's integrated report specifically mentioned that the sustainability report covers all entities in the consolidated financial statements but excludes comprehensive non-financial data for joint operations. Additionally, the climate change report for the same entity mentioned that non-financial data for joint operations is excluded.

IFRS S1 does not refer to or provide any guidance regarding how to consider and report sustainability-related risks and opportunities of joint operations.[57]

57 SRG Chapter 3.3.4.2: Joint operations — ISSB standards, page 3-12.

For joint operations classified as such in accordance with IFRS 11 – Joint Arrangements, as the reporting entity's share of assets, liabilities, revenues and expenses related to the joint operation are included in its financial statements, it is our view that these operations should also be included in the sustainability reporting as part of the entity's own operations. Therefore, sustainability-related risks and opportunities for the assets and liabilities recognised in the reporting entity's financial statements related to the joint operation should be included in the reporting boundary for sustainability reporting purposes.

The ISSB standards do not address how material information should be disclosed for the sustainability-related risks and opportunities related to assets, liabilities, revenues and expenses of the joint operations that are not recognised in the financial statements of the reporting entity. Given the lack of guidance in this area we believe there may be flexibility in how entities report information related to the unrecognised portion of the assets, liabilities, revenues and expenses related to the joint arrangement in their sustainability reporting.[58]

Considering the current sustainability reporting practices identified for these types of arrangements, reporting under the ISSB standards will require a shift in the way entities consider joint operations. It will no longer be sufficient to only assess wholly owned investments. It is important to assess all investments and operations holistically, as this will impact the identification and disclosure of sustainability-related risks and opportunities.

For further discussion and guidance on joint operations – refer to PwC's SRG **Chapter 3.1. Boundaries of sustainability reporting**.

58 SRG Chapter 3.3.4: Own operations — Joint operations, Question SRG 3-6, page 3-10.

Sustainability-related risks and opportunities arising in the value chain

In addition to the reporting boundary considerations noted above, the IFRS Sustainability Disclosure Standards separately require an entity to provide material information regarding sustainability-related risks and opportunities in the entity's upstream and downstream value chain (referred to herein as the 'value chain').

IFRS S1 defines 'value chain' as the full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates. The upstream and downstream value chain include suppliers and customers but also refer to other interactions, resources and relationships an entity uses and depends on to create its products or services from conception to end-of-life.[59]

This requirement does not change the reporting boundary, but it highlights that an entity's prospects are affected by sustainability-related risks and opportunities arising from the entity's value chain.

Value chain information is therefore a critical component for reporting under the ISSB standards. A summary of the disclosure requirements in IFRS S1 related to sustainability-related risks and opportunities in the value chain includes:

- Describing sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects, including those in the value chain.[60]
- Current and anticipated effects of sustainability-related risks and opportunities on the entity's value chain, including where the risks and opportunities are concentrated.[61]

59 IFRS S1 Appendix A
60 IFRS S1 paragraphs 30 and B5; IFRS S2 paragraphs 10
61 IFRS S1 paragraph 32; IFRS S2 paragraph 13

Joint ventures and associates

To identify sustainability-related risks and opportunities, the application guidance of IFRS S1 specifically includes the consideration of resources and relationships that an entity depends on and affects by its activities and outputs. These resources and relationships can take various forms, such as natural, manufactured, intellectual, human, social or financial (similar to the six capitals contained in the <IR> Framework).[62] These resources and relationships are not limited to those the entity directly engages with and includes investments in associates and joint ventures.[63]

Observation(s):

In providing sustainability-related information, there does not appear to be a consistent approach that entities follow in considering associates and joint ventures. Additionally, it is noted that no information was provided for such investments, even if these investments were material to the financial statements.

Some entities either specifically indicated that information relating to associates and joint ventures were excluded, or did not clearly state whether sustainability-related risks and opportunities were identified in relationships with their associates and joint ventures.

62 IFRS S1 paragraph B4
63 IFRS S1 paragraph B5

It is important for entities to consider if sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects exist because of their business relationship(s) with associates and joint ventures. Secondly, these entities would need to consider what material information should be disclosed to users about these sustainability-related risks and opportunities. For example, an entity may have purchases or sales from or to its associates and joint ventures in addition to the investor/investee relationship. If this is the case, material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects because of this business relationship is required to be provided, in the same manner as provided for any other supplier or customer in the value chain.[64]

However, even in the absence of a particular business relationship with an associate or joint venture, such as the purchase/sales example above, an entity must still assess these investments for the existence of sustainability-related risks and opportunities. The same applies to investments without joint control or significant influence.

64 SRG Chapter 3.4.3: Other business relationships, page 3-20.

Complexity in assessing the reporting boundary and scope of the value chain

Applying the principles regarding the reporting boundary and an entity's upstream and downstream value chain is a highly complex area in sustainability reporting. Therefore, reporters need to pay careful consideration to this especially considering the extent of global operations and various business relationships with suppliers, customers and other relationships entities are subject to.

This complexity is further strengthened by the fact that, in many cases, sustainability reporting processes and controls are not as well established as those used for financial reporting. As a result, entities might encounter challenges in determining the scope of their value chain and obtaining the necessary information from other entities within their value chain.

Reporters should, therefore, identify existing investments and other business relationships which are impacted by the new requirements and consider where data challenges may arise and start investigating how those can be addressed.

However, what is helpful in reporting under the ISSB standards, is that IFRS S1 contains a proportionality mechanism when it comes to identifying the scope of, and information from, an entity's value chain. This mechanism allows an entity to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort to determine the scope of the value chain.[65] Refer to the *'Proportionality mechanisms'* section below.

For more information regarding the reporting boundary and value chain, see SRG **Chapter 3: Boundaries of sustainability reporting** and the **PwC Example sustainability disclosures under IFRS Sustainability Disclosure** Standards for example disclosures.

65 IFRS S1 paragraph B6(b)

11

Core content

The ISSB standards are structured around the four pillars contained in the TCFD recommendations. These areas represent the key aspects of how entities operate and include governance, strategy, risk management, metrics and targets. These four pillars are referred to as the 'core content' in the ISSB standards.

The following section contains overarching observations with respect to the core content and is not intended to cover each of the disclosure requirements related to the core content in the IFRS Sustainability Disclosure Standards.

Governance

The objective of the governance disclosures in the ISSB standards is to help users understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.[66]

Identification and the role of the governance body

A governance body plays a key role in overseeing sustainability-related risks and opportunities. Providing information about an entity's sustainability governance structure(s) therefore allows users of such information, including investors, to understand and assess to what extent consideration is given to sustainability-related risks and opportunities and by whom.

The governance disclosure requirements specifically include the disclosure of the governance body(s) or individual(s) responsible for oversight of sustainability-related risks and opportunities.[67] The ISSB standards, however, are not prescriptive regarding who should be responsible for oversight of sustainability-related risks and opportunities.

Observation(s):

It is positive to see overall, that entities did have a governance body in place to oversee sustainability-related matters. We note in many instances that the board of directors was identified as the governance body responsible for the oversight of sustainability-related risks and opportunities.

For some entities, however, it is unclear which governing body or person is responsible, and in some cases, entities provided inconsistent or unclear disclosure in this regard. That is, in different reports a different governing body was identified as being responsible for the oversight of sustainability-related risks and opportunities. It is therefore difficult to ascertain whether that particular body was responsible for a specific risk or opportunity as an example, or if it was in fact inconsistent information being provided.

66 IFRS S1 paragraph 26
67 IFRS S1 paragraph 27(a)

Entities are encouraged to disclose a consistent narrative across the various reports issued and clearly identify which governing body(s) take responsibility for the oversight of sustainability-related risks and opportunities. If there is more than one governance body, in our view, the disclosure should consider them collectively. However, it is important to keep in mind that if aggregate disclosure would obscure material information, then disclosures should be disaggregated by body or individual.[68]

Skills and competencies

Although the ISSB standards do not specify what level of skills and competencies the governance body(s) are required to have, they do require organisations to disclose how these body(s) have assessed—or plan to develop—the necessary skills and competencies to oversee sustainability-related risks and opportunities.[69]

Observation(s):

Some entities provided detailed succession planning information considering current and future skills and clearly state how the governance body has determined that it has the appropriate sustainability-related skills and competencies. Other entities provided no indication regarding their assessment of appropriate sustainability-related skills and competencies.

To comply with this disclosure requirement of the ISSB standards, entities will need to clearly disclose how the governance body has determined whether it has the appropriate sustainability-related skills and competencies (or how it will be developed) to oversee sustainability-related risks and opportunities.

While IFRS S1 does not define the specific elements required in describing the governance body or bodies' skills and competencies, *ESRS 2 – General disclosures* requires specific disclosures in this regard. These disclosures include the expertise the governance bodies currently possess or can leverage through engagement with outside experts or trainings.[70] An entity is required to state whether the governance bodies have access to other sources of skills or experience. This includes topic-specific experts or any training and education that is available to be leveraged by the governance bodies and their members. In our view, we believe entities reporting in accordance with the ISSB standards may also consider making similar disclosures to provide useful information to primary users.[71]

For more information regarding governance-related disclosures required by the ISSB standards, see SRG **Chapter 6: Pillars of sustainability reporting**.

Additionally, section 6 – Sustainability governance of the **PwC Example sustainability disclosures under IFRS Sustainability Disclosure Standards** contains an illustration of the governance disclosures required by the IFRS Sustainability Disclosure Standards.

68 SRG Chapter 6.4.1.1: Identifying the governance bodies, page 6-35.
69 IFRS S1 paragraph 27(a)(ii); IFRS S2 paragraph 6(a)(ii)
70 ESRS 2 paragraph 23
71 SRG Chapter 6.4.1.2: Role of the governance bodies — Required disclosures, page 6-39.

Strategy

The objective of the strategy-related disclosures in the ISSB standards is to help users better understand an entity's strategy for managing sustainability-related risks and opportunities.[72] Examples of the required disclosures include, but are not limited to:

- the current and anticipated financial effects of sustainability-related risks and opportunities
- the time horizons over which the effects of each sustainability-related risk and opportunity could reasonably be expected to occur
- the assessment of the resilience of an entity's strategy and business model in relation to its sustainability-related risks.

Current and anticipated financial effects

The IFRS Sustainability Disclosure Standards require entities to disclose the current and anticipated financial effects of sustainability-related risks and opportunities on an entity's s financial position, financial performance and cash flows.[73]

'Current' financial effects refer to the financial effects of sustainability-related risks and opportunities on an entity's financial position, performance and cash flows for the current reporting period.

Whereas 'anticipated' financial effects relate to the effects of sustainability-related risks and opportunities on an entity's financial position, financial performance and cash flows over the short, medium and long term.[74]

Observation(s):

While some entities provide financial information in their sustainability reporting—such as the amount spent in the current financial year on solar installations to reduce the climate-related risks identified, and the expected spend in the new financial year—in most instances it was identified that entities provide limited or no disclosure in relation to the current and anticipated financial effects of sustainability-related risks and opportunities. In other situations, there were current and anticipated financial effects noted, such as quantitative data relating to donations and sponsorships; however, it is unclear how these relate to specific sustainability-related risks and opportunities.

Examples of financial effects that could have an impact on an entity's financial position include increases in investments, such as the acquisition of businesses or increased capital expenditures; impairments of property, plant and equipment and intangible assets, or retirement of assets.[75] The financial effects that are relevant and applicable for an entity will depend on the nature of the sustainability-related risks and opportunities that have been identified.

73 IFRS S1 paragraph 29(d); IFRS S2 paragraph 9(d).
74 IFRS S1 paragraph 34; IFRS S2 paragraph 15.
75 IFRS S1 paragraph 35(c); IFRS S2 paragraph 16(c); SRG Chapter 6.5.3.3: Current and anticipated financial effects, pages 6-63, 6-67

Connectivity with the financial statements

In preparing to report under the IFRS Sustainability Disclosure Standards, it is important to note that the disclosure requirements relating to current and anticipated financial effects are designed to complement and expand upon information in the financial statements, by making connections between sustainability-related risks and opportunities and the information disclosed in the related financial statements.[76]

Some information could already be provided in the notes to the financial statements. Where this is the case, information can be cross-referenced to avoid the duplication of information (see the *'Cross referencing' and 'Connectivity in reporting'* sections above for more information). However, while some information may be included in the financial statements, not all current and anticipated financial effects may be disclosed in the financial statements and related notes. Therefore, reporters will need to assess whether additional information is required to be provided in the sustainability reporting to adequately address the disclosure requirements.

For more information regarding the IASB exposure draft regarding reporting the effects of climate-related and other uncertainties in the financial statements, see the *'IASB: Climate-related and Other Uncertainties in the Financial Statements'* section above.

Anticipated financial effects

Anticipated financial effects include how an entity's financial position, financial performance and cash flows are expected to change in response to its strategy to manage sustainability-related risks and opportunities. This requires consideration of investments and disposal plans (e.g. capital expenditures, major acquisitions, asset retirements) and the planned sources of funding to implement an entity's strategy (cash from operations, debt and/or equity funding).[77] While IFRS S1 provides these examples, there could be other costs linked to the effects of and actions that address sustainability-related risks and opportunities.[78]

IFRS S1 requires both qualitative and quantitative information about the current and anticipated financial effects of sustainability-related risks and opportunities. However, the standard provides assistance through the proportionality mechanisms when it comes to disclosing quantitative information about anticipated financial effects. Refer to the *'Proportionality mechanisms'* section below for further information. Additionally, provided certain criteria are met, an entity is not required to disclose quantitative information about the current and anticipated financial effects of a sustainability-related risk or opportunity. However, in these instances, qualitative information will need to be provided.

For further guidance on current and anticipated financial effects refer to **SRG Chapter 6: Pillars of sustainability reporting**.

76 SRG Chapter 6.5.3.3: Current and anticipated financial effects, page 6-66.
77 IFRS S1 paragraph 35(c); IFRS S2 paragraph 16(c).
78 SRG Chapter 6.5.3.3: Current and anticipated financial effects, pages 6-63, 6-67

Time horizons

The ISSB standards require entities to link their sustainability-related risks and opportunities that could reasonably be expected to affect their prospects to specific time horizons, that is, the short, medium and long term.[79]

Observation(s):

It is noted that currently only a few entities link their sustainability-related risks and opportunities to specific time horizons. Others only described their definition of time horizons but did not link each sustainability-related risk and opportunity to a specific time horizon.

What is helpful to reporters is that the ISSB standards do not prescribe the time horizons to be used but instead allows each entity to determine the appropriate definitions of short, medium and long term based on its own facts and circumstances and to then disclose to its users how it defines these time horizons.[80]

The ISSB acknowledges that the determination of time horizons could depend on various factors, including the industry in which an entity operates and investment and business cycles.

It is positive to note that entities are in many instances already disclosing time horizons, including how these are defined. To the extent that this information is not provided, entities will need to disclose this information together with the effects of each sustainability-related risk and opportunity over these time horizons.

Resilience of strategy and business model (including the use of scenario analysis)

When disclosing an entity's assessment of the resilience of its strategy and business model in relation to its sustainability-related risks, IFRS S1 requires a qualitative and, if applicable, quantitative approach.[81] An entity is also required to disclose information about how the assessment was carried out and the time horizons considered.

IFRS S1 also indicates that other thematic standards issued by the ISSB will specify the type of information to disclose and how to prepare those disclosures.[82] For example, IFRS S2 points out that entities should use a climate-related scenario analysis to assess the entity's climate resilience.[83]

79 IFRS S1 paragraph 30(b); IFRS S2 paragraph 10(c)
80 IFRS S1 paragraph 30(c); IFRS S2 paragraph 10(d).
81 IFRS S1 paragraph 41
82 IFRS S1 paragraph 42
83 IFRS S2 paragraph 22

Observation(s):

In terms of climate-related resilience, many entities already disclose information about a climate-related scenario analysis, including the use of multiple scenarios.

It is important for reporters to understand the distinction between a resilience assessment and scenario analysis.

A resilience assessment is an assessment made by management of the following:

- Possible, but uncertain outcomes
- The implications for the entity's business model and strategy
- The ability and capacity of an entity to respond to and adapt to these outcomes.

Scenario analysis, on the other hand, is the analytical exercise performed to inform the resilience assessment.[84] Scenario analysis is defined as a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty[85]. It is not the results that are required to be disclosed, but rather the interpretation of the results.[86]

Scenario analysis is one of the more complex and evolving areas of sustainability reporting. As practices mature, the methods entities use may shift over time—meaning an entity's approach does not need to remain the same across reporting periods or strategic planning cycles. Acknowledging that an entity's approach to scenario analysis will be based on particular circumstances—IFRS S2 contains proportionality mechanisms to assist reporters in this [87]. Refer to the *'Proportionality mechanisms'* section below for further details.

As observed above, with respect to reporting on climate resilience, many entities already apply the TCFD recommendations and disclose information on climate-related scenario analyses. This is therefore a positive starting point for entities that might be required to or are considering voluntarily adopting the ISSB standards as it is—building further alignment and confidence in sustainability reporting.

For illustrative disclosures on climate resilience and climate-related scenario analysis refer to **PwC's Example sustainability disclosures under IFRS Sustainability Disclosure Standards.**

Risk management

The objective of the required risk management disclosures is to provide users with insights into an entity's processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities.[88]

84 IFRS S2 Basis for Conclusions paragraph BC59
85 IFRS S1 Appendix A
86 IFRS S2 Basis for Conclusions paragraph BC59
87 IFRS S2 paragraphs B16-B18
88 IFRS S1 paragraph 43

It is important for entities to note that while the core content—including the risk management disclosures—is based on the TCFD recommendations, IFRS S1 goes further by expanding the disclosures to include opportunities.[89] Therefore, when disclosing information in accordance with the ISSB standards, entities will have to consider sustainability-related opportunities as well as risks.

Observation(s):

Included in the <IR Framework> is eight content elements, of which risks and opportunities is one.[90] As the entities prepare integrated reports in accordance with the <IR> Framework, disclosures are already provided with respect to the risks and opportunities that are specific to the entity.

While entities often disclose their processes for identifying, assessing, responding to and monitoring risks and opportunities, it was observed that these disclosures typically focus on business and operational risks. In most cases, climate-related risks were the primary sustainability-related risks identified.

It is therefore difficult to gauge to what extent other sustainability-related risks and opportunities are considered as part of the risk management process, and how entities go about identifying, assessing, prioritising and monitoring these other risks.

As discussed in the *'Identification and disclosure of sustainability-related risks and opportunities'* section, it is important for entities to consider other sustainability-related risks and opportunities in addition to climate as part of their risk management processes. Additionally, IFRS S1 requires entities to disclose the extent to which, and how, the process for identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities is integrated with, and informs the overall risk management process.[91]

To integrate sustainability-related processes into an entity's overall risk management process, this requires embedding sustainability-related considerations into the existing risk management cycle. Integration of sustainability matters into the entity's existing risk identification cycle, project risk review, or adding sustainability-related risks into an existing risk matrix is an example of such integration[92]

89 IFRS S1 Basis for Conclusions paragraph BC115
90 The <IR Framework> Part 2, 4D Risks and opportunities
91 IFRS S1 paragraphs 43(a), 44(c); IFRS S2 paragraphs 24, 25(c)
92 PwC SRG Chapter 6.6.1.4: Risk management, page 6-82.

In addition to the above, the risk management disclosure requirements under the ISSB standards include, but are not limited to: [93]

- the inputs and parameters the entities used, such as information about data sources and the scope of operations covered in the processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities
- whether and how the entity uses scenario analysis to help identify sustainability-related risks
- how the nature, likelihood and magnitude of the sustainability-related risks are assessed.

Observation(s):

It is observed that in majority of entities, the inputs and parameters used to identify, prioritise, assess and monitor sustainability-related risks and opportunities was not evident.

While noted in the 'Resilience of strategy and business model (including the use of scenario analysis)' section that many entities currently do provide information about climate-related scenario analysis, it was either not clear or no information was provided on whether scenario analysis was used to identify sustainability-related risks.

In reporting in accordance with the ISSB standards, it is important for entities to ensure that all the risk management disclosure requirements are adequately addressed. Entities can assess their current risk management disclosures against the disclosure requirements of the ISSB standards to identify what disclosure gaps exist and therefore what information is required to sufficiently address the disclosures.

Paragraph BC116 of the IFRS S1 *Basis for Conclusions* clarifies that the focus of the risk management disclosures is on providing information about the process used to identify, assess, prioritise and monitor sustainability-related risks and opportunities. This differs from the strategy disclosure objective, in which the strategy disclosures are to enable users to understand the strategy for *managing* sustainability-related risks and opportunities. However, the risk management disclosures provide foundational information to support the strategy disclosures, and it is therefore important for these aspects to be considered together.[94]

The core content disclosure requirements in IFRS S1 and IFRS S2 are similar, with IFRS S2 focusing on climate-related risks and opportunities and additional disclosures are required in some instances. In preparing disclosures to fulfil the risk management disclosure requirements in paragraph 25 of IFRS 2, an entity shall avoid unnecessary duplication in accordance with IFRS S1.[95] Therefore, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, integrated risk management disclosures should be provided instead. The same consideration applies for governance disclosures.[96]

93 IFRS S1 paragraph 44(a); IFRS S2 paragraph 25(a)
94 PwC SRG Chapter 6.6.1.3: Process for risks and opportunities, page 6-81
95 IFRS S1 paragraph B42(b)
96 IFRS S2 paragraph 7

Metrics and targets

Once an entity has identified its sustainability-related risks and opportunities, IFRS S1 requires the disclosure of material information on metrics and targets to enable the primary users to understand the entity's performance in relation to these sustainability-related risks and opportunities.[97]

Observation(s)

Consistent with other observations noted above, a theme across entities is that it is mainly climate-related metrics and targets that are currently disclosed, particularly metrics and targets associated with GHG emissions (refer to the *'GHG emissions'* section below for specific considerations in relation to GHG emissions disclosures).

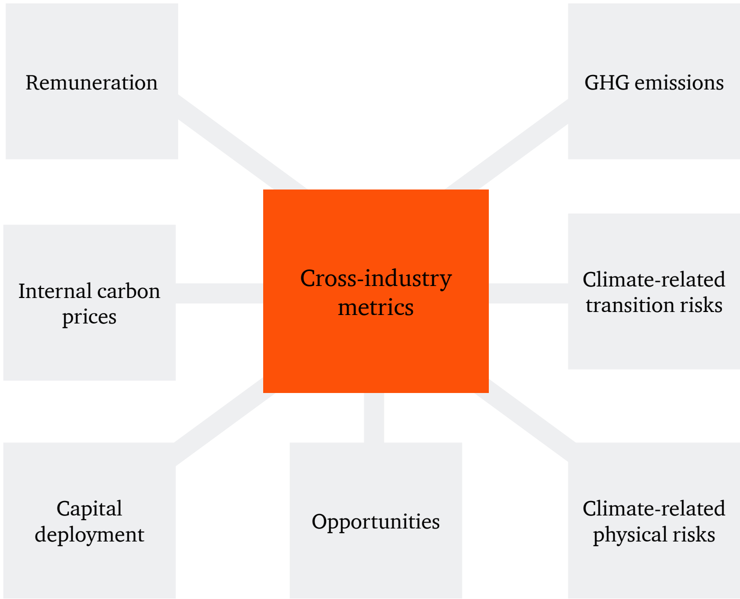
IFRS S2 requires entities to disclose material information regarding all climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.[98] These climate-related risks and opportunities include physical risks (such as costs arising from physical damage to assets from floods or wildfires) and transition risks (such as transitioning to a lower-carbon economy). Therefore, in accordance with the requirements contained in IFRS S2, entities would need to provide information relating to other targets and metrics, not just those related to GHG emissions.

In addition to any targets that the entity has set, or is required to meet by regulation or legislation, IFRS S2 requires entities to disclose industry-based metrics and information relevant to cross-industry metrics (refer to image below).[99] Therefore, irrespective of which industry an entity operates in, the cross-industry metrics would need to be disclosed.

When determining the industry-based metrics, an entity is required to refer to and consider the applicability of the disclosure topics described in the Industry-based Guidance on Implementing IFRS S2.[100]

98 IFRS S1 paragraph 45
99 IFRS S2 paragraphs 28(b) and 32
100 IFRS S2 paragraph 32

Summary of IFRS S2 cross-industry metrics[101]



For all other non-climate related risks and opportunities, entities will disclose material information in accordance with the metrics and targets disclosure requirements contained in IFRS S1. To help entities identify applicable metrics, IFRS S1 provides sources of guidance that entities are either required to refer to and consider or may refer to and consider. Refer to the *'Materiality'* section for further information in this regard.

It is important to note that IFRS S1 requires the disclosure of metrics required by an applicable IFRS Sustainability Disclosure Standard for each sustainability-related risk and opportunity that could reasonably be expected to affect the entity's prospects.[102] This applies even if an entity has not previously used those metrics with respect to the relevant sustainability matter.[103]

Development of metrics and targets

Observation(s):

As noted, there is currently no mandatory sustainability reporting frameworks effective in South Africa. Therefore, outside of metrics and targets required to be disclosed by law or regulation, in most instances entities develop their own metrics and targets.

101 IFRS S2 paragraph 29
102 IFRS S1 paragraph 46
103 PwC SRG Chapter 6.8.1.1: Purpose — To assist in understanding the entity's impacts, risks, and opportunities (as applicable), page 6-117

When an entity has developed a metric in relation to a sustainability-related risk and/or opportunity, IFRS S1 requires an entity to disclose: [104]

- how the metric is defined
- whether the metric is an absolute measure, a measure expressed in relation to another metric or a quantitative measure
- whether the metric has been validated by a third party, and if it has, which third party
- the method used to calculate the metric including the inputs to the calculation.

IFRS S1 requires the definition and calculation of metrics to be consistent over time. In the event of metrics being redefined or replaced, additional disclosures are required, including an explanation of the changes and the reason for the changes.[105]

Observation(s)

It is noted from current sustainability reporting practices, that in majority of entities considered, for metrics that an entity has set, how the metric has been determined and what the inputs are to calculate the metric are not provided.

In other instances, such information was provided for some but not all metrics. Therefore, for the other metrics disclosed, it was unclear whether these were derived from other sources.

IFRS S2 paragraph 33 sets out the specific quantitative and qualitative disclosure requirements related to climate-related targets an entity has set.

Complying with the metrics and target disclosure requirements could pose challenges for entities. These challenges include existing processes and systems not being set up in a way to produce the information required, such as an analysis of changes in metrics.

For some metrics, these could be based on numerous assumptions, multiple data sources and not based on straightforward information, resulting in data gathering and data consolidation challenges.

However, entities can use this as an opportunity to better understand existing metrics and targets, as well those required by the new sustainability reporting requirements. Having a better understanding of what metrics are required to be disclosed, how these should be calculated and the relevant assumptions underlying these calculations can lead to processes being put in place to address any data challenges identified, as well as better decision making. This enhanced understanding also leads to an opportunity for improved transparency, as entities will then be able to better articulate the understanding to users of sustainability reports.

104 IFRS S1 paragraph 50
105 IFRS S1 paragraphs 52 and B52.

Greenhouse gas emissions

IFRS S2 requires entities to disclose information to help users of general-purpose financial reports understand the entity's performance in relation to its climate-related risks and opportunities.[106] As observed above, GHG emissions are the most recognisable metric in relation to climate-related risks and opportunities.

Specifically in relation to GHG emission disclosures, IFRS S2 requires entities to measure these emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard ('GHG Protocol'), unless a jurisdictional authority requires the use of a different method.[107] In addition, IFRS S2 requires more granular disclosures in relation to the measurement methodologies, inputs and assumptions applied, including emission factors as well as the reasons for the selection of those emission factors. IFRS S2 also requires entities to disclose any changes to these measurement methodologies, inputs and assumptions during the reporting period.[108]

Observation(s):

As mentioned above, many entities provide detailed GHG emission disclosures, however some entities do not clearly disclose their measurement methodologies, inputs and assumptions used in measuring these GHG emissions. As a result, in many instances it is difficult to determine whether the judgements and assumptions applied by entities comply with the requirements of the GHG Protocol, as required by IFRS S2, or if another method is used.

Overall, reporting on GHG emissions is a complex area, and it is acknowledged that entities might be in different stages of their reporting journey in this regard. It is important for entities to obtain a detailed and holistic understanding of the sources of direct and indirect emissions across operations and business processes to work towards ensuring GHG emissions inventories are complete. This requires business units across an entity to work collaboratively, as well as with value chain partners.[109]

Reporting on Scope 3 GHG emissions requires data from across the value chain, which can be difficult to obtain. Organisations often face challenges accessing primary data, such as supplier-specific information, and may need to rely on secondary data to produce estimates for their Scope 3 emissions. The quality of Scope 3 emissions disclosure depends on the completeness of emission sources, as well as the quality of the data used to calculate these emissions. The most appropriate methodology to measure Scope 3 GHG emissions is therefore dependent on the availability and quality of data.[110]

106 IFRS S2 paragraph 27
107 IFRS S2 paragraph 29(a)(ii)
108 IFRS S2 paragraphs 29(a)(iii), B26
109 PwC SRG Chapter 7 7.4.1.1: Sources of GHG emissions, page 7-50
110 PwC SRG Chapter 7.7.5.1: Data quality, page 7-114

Given the complexity in reporting GHG emissions and increasing users' interest in understanding the carbon footprint of an entity and the steps entities are taking to reduce those emissions, entities are encouraged to provide transparent and comprehensive disclosures to aid users' understanding. This includes the entity's methodologies and inputs applied in determining GHG emissions, as well as any significant judgements and assumptions used.

Financed emissions

As many entities within South Africa, both within and outside of the financial services industries, might undertake business activities related to asset management, commercial banking or insurance, it should be noted that IFRS S2 requires additional disclosures relating to Scope 3 GHG emissions related to these activities. This additional disclosure includes providing information about the entity's Category 15 GHG emissions or those associated with its investment/financed emissions.[111]

For more information regarding reporting greenhouse gas emissions in accordance with the IFRS S2, see SRG **Chapter 7: Greenhouse gas emissions reporting**.

For an illustration of the strategy, risk management and metrics and targets disclosure requirements under the IFRS Sustainability Disclosure Standards, refer to the **PwC Example sustainability disclosures under IFRS Sustainability Disclosure Standards**.

111 IFRS S2 paragraphs 29(a)(vi)(2), B58-B63. In addition, on 28 April 2025, the ISSB released an Exposure Draft focused on amendments to IFRS S2, including measurement and disclosure relief related to Scope 3 category 15 emissions linked to derivatives and some financial activities.

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Transition reliefs

In adopting the requirements of IFRS S1 and IFRS S2, whether voluntarily or through mandatory reporting requirements, there are certain transition reliefs available in the *first year of application* to assist reporters. These reliefs are summarised below.

'Climate-first' reporting	The timing of reporting	Comparative information	The GHG Protocol	Scope 3 GHG emissions
IFRS S1 allows entities to only report on climate-related risks and opportunities in the first year of adoption. Non-climate-related risks and opportunities can then be disclosed in the second year of adopting IFRS S1.[112] In addition, the ISSB also published educational guidance to assist entities in applying this transitional provision.[113]	Entities can report sustainability disclosures after publishing the related financial statements, along with their half-year financial reports. IFRS S1 ordinarily requires the sustainability reporting to be reported at the same time as the financial statements.[114]	No comparative disclosure of IFRS S1 and IFRS S2 are required in the first year, even if an entity chooses to report on climate only. In the second year of adoption of IFRS S1, no comparative information is required for non-climate related risks and opportunities disclosed in accordance with this standard, however comparative information relating to climate-related risks and opportunities will be required.[115]	If an entity has used a measurement method other than the GHG Protocol to measure GHG emissions in the reporting period prior to applying IFRS S2, that method can continue to be used in the first year of applying IFRS S2.[116]	An entity is permitted to not disclose its Scope 3 GHG emissions in the first year it applies IFRS S2.[117]

For further information on transition reliefs available under IFRS S1 and IFRS S2, refer to **PwC's SRG Chapter 3.8.2 Transition provisions — ISSB standards**.

112 IFRS S1 paragraph E5
113 ISSB Educational material: Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2.
114 IFRS S1 paragraph E4
115 IFRS S1 paragraphs E5 and E6; IFRS S2 paragraph C3
116 IFRS S2 paragraph C4(a)
117 IFRS S2 paragraph C4(b)

13

Proportionality mechanisms

To assist entities in applying certain disclosure requirements of IFRS S1 and IFRS S2, the standards contain proportionality mechanisms. These mechanisms have been included to address key challenges entities might face relating to resource constraints, data availability and specialist availability.[118]

It is important to note that the proportionality mechanisms do not apply to all the disclosure requirements in IFRS S1 and IFRS S2, nor do they add additional disclosures. These mechanisms apply to requirements that may be difficult for entities to implement, particularly in situations involving a high degree of judgement or uncertainty. These mechanisms also allow entities to apply the specific requirements in a manner that is proportionate to their own circumstances.[119]

The two proportionality mechanisms are:

- The use of all reasonable and supportable information that is available at the reporting date without undue cost or effort
- Commensurate with the skills, capabilities and resources that are available to the entity.

The ISSB published three webcasts in January 2025 to help entities understand the proportionality mechanisms and contain examples to illustrate how these mechanisms can be applied. The ISSB has issued a factsheet summarising the proportionality mechanisms. A tailored version of this summary is provided below.

Reporting principle included in IFRS S1 and IFRS S2	Reasonable and supportable information that is available at the reporting date without undue cost or effort[120]	Commensurate with the skills, capabilities and resources that are available to the entity
Identification of sustainability-related risks and opportunities	Applicable[121]	
Determination of the scope of the value chain	Applicable [122]	
Anticipated financial effects	Applicable [123]	Applicable [124]
Approach to climate-related scenario analysis	Applicable [125]	Applicable [126]
Measurement of Scope 3 GHG emissions	Applicable [127]	
Calculation of metrics in particular cross-industry metric categories[128]	Applicable [129]	

Refer to **PwC's SRG Chapter 5.1 Foundations of sustainability reporting — Overview** for further information on the proportionality mechanisms.

118 IFRS S1 Basis for Conclusions paragraph BC8
119 IFRS S1 Basis for Conclusions paragraph BC9
120 IFRS S1 paragraphs B8-B10
121 IFRS S1 paragraphs B6(a), B7; IFRS S2 paragraph 11
122 IFRS S1 paragraph B6(b); IFRS S2 paragraph B36
123 IFRS S1 paragraph 37(a); IFRS S2 paragraph 18(a)
124 IFRS S1 paragraph 37(b); IFRS S2 paragraph 18(b)
125 IFRS S2 paragraphs B1, B8-15
126 IFRS S2 paragraphs 22, B1-B2, B6-B7
127 IFRS S2 paragraph B39
128 IFRS S2 paragraphs 29(b-d)
129 IFRS S2 paragraph 30

14

Assurance

Observation(s)

Approximately 85% of the entities considered obtained assurance over certain sustainability-related information, such as scope 1 and scope 2 GHG emissions, and/or other specific key performance indicators (KPIs) such as the number of fatalities, the percentage of employees covered by collective bargaining arrangements to name a few.

In most instances limited assurance was obtained.

44%

of investors agree that, to a large or very large extent, corporate sustainability reporting includes unsupported claims.

76%

of investors say that they put more trust in sustainability information reported by the entities they invest in or cover, if it has been assured.

While there has been a growing global demand for sustainability reporting, the reliability of such reporting is a key issue for investors and other stakeholders.

According to our 2024 Global Investor Survey, 44% of investors agree that, to a large or very large extent, corporate sustainability reporting includes unsupported claims. While entities still have a way to go in earning investor trust in their sustainability reporting, 76% of investors say that they put more trust in sustainability information reported by the entities they invest in or cover, if it has been assured.[130]

It is therefore evident that there is a need for assurance over sustainability-related information. Assurance is crucial in building stakeholder trust, whether through initial limited assurance (providing a lower level of assurance) or progressing to reasonable assurance (providing a higher level of assurance, similar to a financial statement audit) over time.

Recognising this, the International Auditing and Assurance Standards Board ("IAASB") has approved and issued **International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements ("ISSA 5000")**. The ISSA 5000 introduces several key changes to enhance the quality and consistency of sustainability assurance engagements, providing stakeholders with more reliable and relevant information.

It is promising to observe that entities in the South African market currently see the value of having sustainability-related information assured and meeting investor needs in this regard.

130 PwC's Global Investor Survey 2024

15 Practical considerations and next steps

Navigating the dynamic sustainability reporting landscape can be challenging for many entities. However, we encourage entities to embrace this challenge as this can present opportunities as well as yield numerous benefits, including market differentiation, operational efficiency, business innovation, capital attraction and reputational enhancement.[131]

The following are guidelines that entities can consider in their sustainability reporting journey, including if entities are considering voluntarily adopting the ISSB Standards:

Confirming governance structure(s) for sustainability reporting monitoring and oversight

- As observed above, in many instances there are governance structures in place with respect to the responsibility and oversight of sustainability-related matters. Entities can consider whether there is a need for a separate committee or defining new responsibilities for an existing committee and understanding the skills and knowledge that is required.

Assessing whether sustainability and sustainability reporting is aligned with the overall business strategy

- Develop a clear and complete understanding of sustainability information publicly reported by your company, whatever the channel of communication. Assess whether this is aligned with the overall business strategy and/or if enhancements are required to the information currently disclosed. In addition to the disclosure requirements on strategy contained in the IFRS Sustainability Disclosure Standards; as noted above, this is an important consideration for investors who want to see how sustainability matters are incorporated into corporate strategies.

Develop a full understanding of global and local regulation

- Understand the scope and timing of sustainability reporting and assurance regulations, including cross-border impacts. As the sustainability reporting landscape continues to evolve both locally and abroad, it is important to keep abreast of these developments and the potential impacts.

Set roles and responsibilities for a quality and robust reporting process

- A consistent challenge across entities, irrespective of the type of reporter and the maturity of sustainability reporting, is data collection and the quality of data. Compared to financial reporting, sustainability reporting has the added complexity of data having to be obtained from a wide range of sources both within and outside an organisation. It is therefore important to understand the disclosure requirements of the applicable sustainability reporting frameworks, and what information is needed to satisfy the requirements. Having this holistic understanding can inform what data is required and from where. Roles and responsibilities can then be assigned accordingly to ultimately achieve a quality and robust sustainability reporting process.

131 Sustainability reporting is critical to execute business strategy

Determine whether, and which, external assurance is needed for your reporting

- While assurance over sustainability reporting is currently not mandated/regulated in South Africa, it is important to consider assurance beyond regulation. Assurance allows organisations to build credibility with stakeholders, remain competitive, mitigate reputational risks or address concerns about greenwashing. In making decisions around external assurance, consider defining a target scope of information to be assured—that is, the number of KPIs or metrics, and whether limited or reasonable assurance is to be obtained.

Where assurance is required, ensure a realistic and achievable path is defined

- Assess the current maturity of your sustainability reporting process and set a timeline to progress towards your target over an appropriate number of reporting cycles.

By taking early and deliberate steps to strengthen governance, align sustainability with business strategy and build robust reporting processes, South African organisations can move beyond compliance to unlock real business value. These actions lay the foundation for more credible and decision-useful reporting that builds stakeholder trust, supports innovation and enhances long-term resilience. In a rapidly evolving global landscape, those who act now will be better positioned to lead, adapt and grow sustainably.

Unlocking value beyond compliance

The value of sustainability reporting lies not only in meeting stakeholder expectations but in enabling better business outcomes. Companies that act early can gain a competitive edge, improve transparency, and build trust with investors and other stakeholders.

South African companies are entering a pivotal phase in their sustainability reporting journey. With corporate governance within South Africa being synonymous with the King Code, the widespread adoption of the <IR> Framework by listed companies and the use of various sustainability reporting frameworks aligned with or under consideration by the ISSB, South African entities have a strong foundation for the future of sustainability reporting. This is evident through the observations obtained through the benchmarking exercise performed.

However, reporters do not have to wait for regulation in South Africa before exploring the possible implications of reporting in accordance with the IFRS Sustainability Disclosure Standards or how their existing sustainability reporting can be further enhanced in the absence of mandatory reporting requirements. **Sustainability reporting does not have to be seen as a compliance burden, but rather a catalyst for long term value creation.**

Reporting and assurance are at the heart of PwC, and we recognise the urgent need for progress. A key driver in long-term success and resilience lies in integrating sustainability into your strategy, culture and operations. Our multi-disciplinary team can help you connect your corporate reporting with broader business strategy and operations, using technology to connect operations and integrate sustainability across all functions of the business. As a result, we are uniquely placed to help you meet your sustainability reporting needs —so you can lead with confidence, create lasting value and build a more sustainable future.

Get in touch

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Thank you