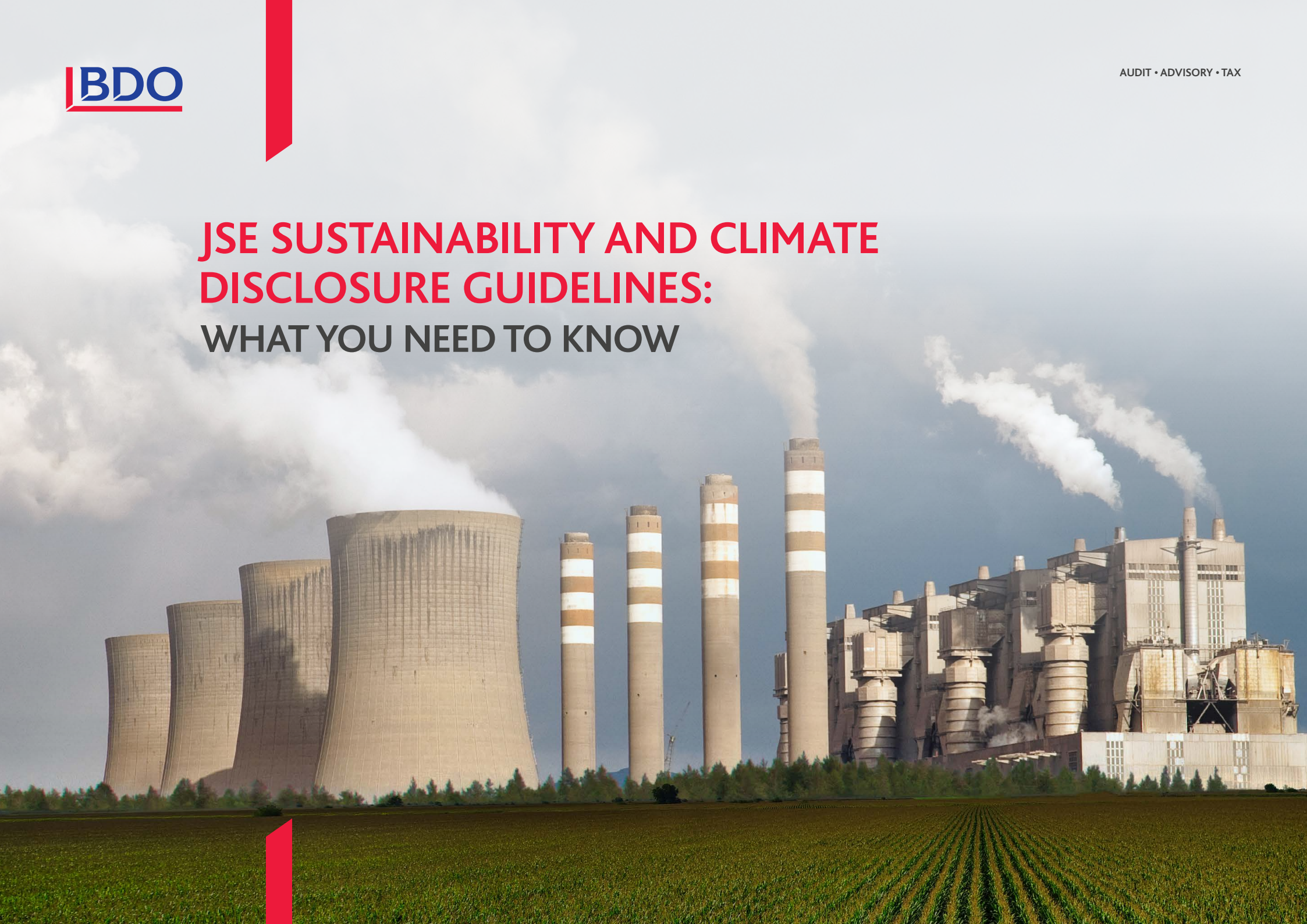


JSE SUSTAINABILITY AND CLIMATE DISCLOSURE GUIDELINES: WHAT YOU NEED TO KNOW



BDO SUSTAINABILITY COMPETENCIES

Corporate reporting is rapidly changing. With a myriad of different reporting frameworks and a dynamic regulatory environment responding to global challenges, corporate reporting and clearly articulating commitments, challenges and opportunities to shareholders and stakeholders are becoming increasingly important.

The JSE recently launched the JSE Sustainability Disclosure Guidance, as well as the Climate Disclosure Guidance. The guidance serves as an umbrella for sustainability/climate-related disclosure and is broadly linked to international initiatives within the global sustainability landscape. The guidelines provide a detailed overview of what to include/consider when a company discloses on sustainability considering the changes in the sustainability landscape and how this pertains to South Africa.

JSE DISCLOSURE GUIDANCE OVERVIEW (SUSTAINABILITY AND CLIMATE):

Sustainability is complex. To develop a contextual approach to sustainability, and issues such as social license to operate or climate change, require an integrated approach. This hinges on extensive experience and diverse skills that can effectively address the components of sustainability. The BDO Sustainability team is such a diversely qualified and skilled team. Our sustainability team will ensure we structure, plan, design and implement a practical, fit-for-purpose sustainability-related engagement, whether this be a framework development or a public sector policy.

1

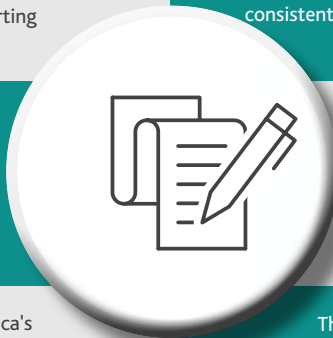
The guidelines inform Voluntary disclosure. However, given global reporting trends and standards development, companies should ready themselves for standardized, compulsory sustainability reporting requirements.

Using and implementing the guidelines should improve the quality of sustainability and ESG information available to enable informed investment decisions (useful, consistent, and comparable).

4

2

The aim is to assist local companies to navigate the global sustainability and ESG landscape.



Improved reporting will support sustainability/ESG performance, accountability, and business leadership.

5

3

The guidelines consider South Africa's specific sustainability/ESG challenges. Issues such as the Just Energy Transition, the importance of a living wage, broader social impact and resource efficiency given South-Africa's natural constraints are considered,

The guidelines differentiate between core and leadership indicators. In other words, companies can determine which indicators they want to report on.

6



JSE SUSTAINABILITY DISCLOSURE GUIDANCE

Purpose	To help local companies navigate the recent changes in the global reporting landscape, and to stimulate improved sustainability disclosure and performance.
Aim	To improve the quality and availability of information both about the sustainability-related risks and opportunities that affect the organisation's financial performance (the 'outside-in' perspective), as well as information about the organisation's impacts on people, the environment, and economy ('inside-out').
Timelines	For the purposes of sustainability disclosure, organisations should disclose relevant sustainability information in a manner consistent with its financial disclosure, and at least annually.
Double Materiality	<p>The JSE's Sustainability Disclosure Guidance has adopted the double materiality approach and recommends that those sustainability issues that could be foreseen to affect a company's operational and financial results should be disclosed in an annual integrated report; and that information relating to the organisation's significant impacts on the economy, society, and the environment should be in addition to the IR.</p> <ul style="list-style-type: none"> • Investor-focused reports, informed by the IFRS Sustainability Disclosure Standards, and that use 'financial materiality'. • Multi-stakeholder reports, such as sustainability reports informed by the GRI Standards, where 'impact materiality' determines the content of reports aimed at a broader range of stakeholders.
Aligned initiatives (Sustainability and Climate)	TCFD recommendations, the SASB Standards, the CDSB Framework application guidance documents, WEF Measuring Stakeholder Capitalism metrics, IFRS Exposure Drafts, Draft European Sustainability Reporting Standards, and the World Federation of Exchanges ESG Guidance and Metrics. Provision has also been made for the requirements in the GRI Sustainability Reporting Standards, the Draft European Sustainability Reporting Standards (ESRS), the Sustainable Development Goals (SDG) Disclosure Recommendations, and the Sustainable Stock Exchanges Initiative (SSE) Model Guidance on Reporting ESG Information to Investors.

JSE CLIMATE DISCLOSURE GUIDANCE

Objective	To support JSE-listed companies in considering how they can approach climate disclosure in a manner that is aligned with the ISSB, which is informed by the TCFD recommendations, and the King IV Guidance Paper on Climate Change.
Aim	Acts as a starting point for all issuers to evaluate and update their current disclosure practices to ensure their resilience to climate-related issues.
Risks	<p>There are two key categories of climate-related risks with implications for enterprise value that report preparers should consider:</p> <ol style="list-style-type: none"> 1. Risks related to the transition to a lower-carbon economy; and 2. Risks related to the physical impacts of climate change.
Double Materiality	<p>As with the JSE's Sustainability Disclosure Guidance, this guidance adopts the double materiality approach, which considers both:</p> <ul style="list-style-type: none"> • Financial materiality, referring to sustainability issues that could affect the organisation's operational and financial position; and • Impact materiality, referring to the organisation's impacts on people, the environment, and the economy.

JSE Sustainability Disclosure Guidelines have established two frameworks to guide sustainability reporting:

- 1) Sustainability Narrative Disclosures (also the guiding reporting principles in the JSE Climate Disclosure Guidelines), and
- 2) Standardised Sustainability Disclosures (Core and Leadership Metrics).

SUSTAINABILITY NARRATIVE DISCLOSURES

Broad alignment with the two recently published Exposure Drafts of the IFRS Sustainability Disclosure Standards: IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 – Climate-related Disclosures (informed by the TCFD recommendations).

Governance	The board's oversight of sustainability-related/climate-related impacts, risks and opportunities, and its process for integrating sustainability/climate issues into the overall governance approach.
Strategy	How an assessment of sustainability-related/climate-related impacts, risks and opportunities has influenced the organisation's strategy, and what impact this has had on the organisation's overall performance, both positive and negative.
Management	How sustainability-related/climate-related impacts, risks and opportunities are identified, assessed, and integrated into the organisation's management processes.
Metrics, targets, and performance	The performance metrics and targets used by the organisation to measure, monitor, and manage its sustainability/climate impacts, risks and opportunities, and its performance against these metrics and targets.

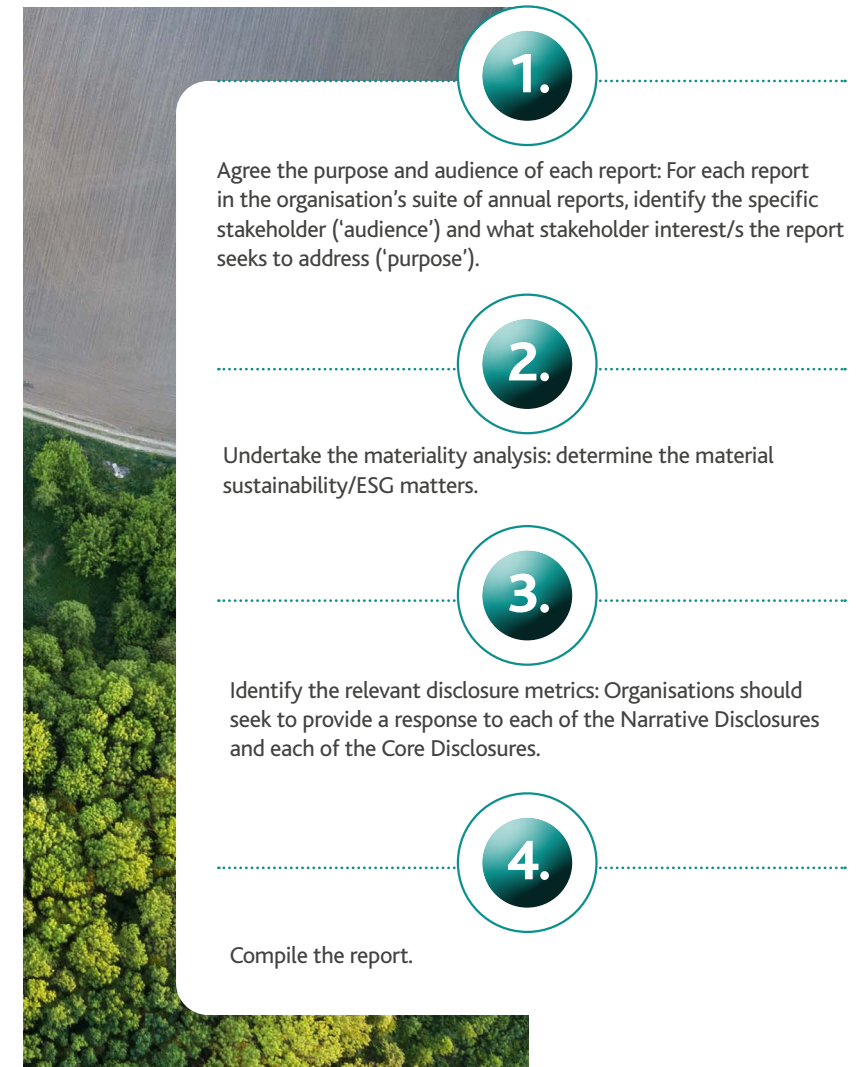
STANDARDISED SUSTAINABILITY DISCLOSURE RECOMMENDATIONS

The Sustainability Disclosures distinguish between Core (C) and Leadership (L) metrics. It is recommended that all organisations provide a response to each of the Core metrics (A response should be provided to Leadership Disclosures when appropriate).

DISCLOSURE	METRICS	
Governance	<ul style="list-style-type: none"> • Board Composition • Remuneration • Ethical Behavior 	<ul style="list-style-type: none"> • Compliance and Risk Management • Tax Transparency
Social	<ul style="list-style-type: none"> • Labour Standards • Community Development • Health and Safety 	<ul style="list-style-type: none"> • Customer Responsibility • Supply Chain
Environmental	<ul style="list-style-type: none"> • Climate Change • Water Security • Biodiversity and Land Use 	<ul style="list-style-type: none"> • Pollution and Waste • Supply Chain and Materials

By reporting meaningfully on the proposed Sustainability Narrative Disclosures and Core and Leadership Sustainability Metrics – and integrating these considerations into the organisation's governance, strategy, and performance – the organisation will send a signal to shareholders that it has a sound appreciation of the impacts, risks and opportunities associated with running its business.

KEY STEPS IN REPORTING PROCESS:



HOW CAN BDO HELP YOU IN THIS REGARD?

Part of the challenge for many businesses is understanding where to start. BDO's roadmap is not meant to be linear, and the adoption and execution of sustainability will not be the same in any two businesses. In some cases, a company may leapfrog several steps or be forced to join in at the 'compliant' stage. But what is important, is understanding that it is a journey – an ongoing journey that will increase in value and importance. BDO has identified a five-stage maturity roadmap that helps illustrate the sustainability integration journey. It aims to help simplify the complexities of sustainability and to promote the value that sustainability integration can create for a business.

BDO'S SUSTAINABILITY INTEGRATION ROADMAP



ACTIVATION – A business at this stage is looking to **ACTIVATE** their sustainability agenda by assessing and prioritising their materiality risks and opportunities through the lens of various stakeholders. The process involves education, training and a review of the business operations and governance. This sets the sustainability baseline for businesses, clarifying both risks and opportunities in terms of sustainability.

COMPLIANT – A business at this stage has elements of a sustainability program in place, albeit on an ad hoc basis as a result of being **REACTIVE** and narrowly focusing on responding to regulatory and stakeholder requirements.

PROACTIVE – A business at this stage has approached their sustainability program in a systematic, whole-of-business approach, looking to boost value creation opportunities internally as well as externally.

STRATEGIC – A business at this stage has embedded sustainability across most parts of the business and is developing products and services, with a focus on circularity and technology, and ensuring they have a positive impact in the markets they operate in.

PURPOSE DRIVEN – A business at this stage has embedded sustainability across all parts of their business and is using social, economic, and environmental criteria beyond what is required by law to positively impact those in their value chain.

**FOR A CLEAR PERSPECTIVE,
PLEASE CONTACT US:**

THUTO MASASA

HEAD OF ADVISORY

tmasasa@bdo.co.za

KARIEN ERASMUS

SENIOR MANAGER SUSTAINABILITY,

CLIMATE CHANGE SPECIALIST

kerasmus@bdo.co.za

RICHARD WALKER

DIRECTOR

rwalker@bdo.co.za



Copyright © 2022. BDO South Africa Services (Pty) Ltd, a South African company, is an affiliated company of BDO South Africa Inc., a South African company, which in turn is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO to discuss these matters in the context of your particular circumstances. BDO, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The information contained in these documents is confidential, privileged and only for the information of the intended recipient and may not be used, published or redistributed without the prior written consent of BDO South Africa Services (Pty) Ltd. The opinions expressed are in good faith and while every care has been taken in preparing these documents, BDO South Africa Services (Pty) Ltd makes no representations and gives no warranties of whatever nature in respect of these documents, including but not limited to the accuracy or completeness of any information, facts and/or opinions contained therein. BDO South Africa Services (Pty) Ltd, its subsidiaries, the directors, employees and agents cannot be held liable for the use of and reliance of the opinions, estimates, forecasts and findings in these documents.

