BOTSWANA STOCK EXCHANGE
SUSTAINABILITY DISCLOSURE GUIDANCE

AUGUST 2024

The BSE Sustainability Disclosure Guidance

The BSE has issued this document as a guidance tool intended for use by locally listed companies on a voluntary basis. This Guidance does not constitute a formal disclosure or reporting obligation for listed companies in terms of the BSE Listings Requirements. This Guidance replaces the *BSE Guidance for Listed Companies on Reporting ESG Information to Investors* that was released in January 2019.

The BSE Guidance is informed by recent developments in global disclosure standards, including:

- The GRI *Sustainability Reporting Standards* (revised in 2021)
- The draft *European Sustainability Reporting Standards* (issued in November 2022)
- The IFRS S1 *Sustainability Disclosure Standard* (published in June 2023)

Given Botswana's close economic ties to South Africa, and the role of the *King IV Code of Code of Corporate Governance Principles for South Africa* in Botswana, there is also close alignment between the BSE Guidance and the JSE Guidance launched in June 2022. The JSE Guidance is one of the most recent sustainability guidance documents issued by a stock exchange, and it was strongly informed by recent global initiatives, as well as a comprehensive process of stakeholder consultation.

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Botswana Stock Exchange

As the global capital markets usher in a new era of sustainability-related disclosures, driven by investor and stakeholder interest in Environmental, Social and Governance (ESG) issues, the BSE is thrilled to play a leading and supportive role to create an enabling environment for better disclosure practices to thrive. To this end, in 2016 the BSE became a Partner Exchange of the UN-backed Sustainable Stock Exchanges (SSE) Initiative, paving the way to pioneer sustainable investment and improved ESG disclosures in Botswana. In 2019, the BSE developed and published the BSE Guidance for Listed Companies on Reporting ESG Information to Investors, based on the Model Guidance from the SSE.

ESG matters continue to increase in prominence fueling the burgeoning investor demand for sustainability disclosures. This information is necessary when risks and opportunities are assessed, of which many arise from sustainability-related factors. The BSE Sustainability Disclosure Guidance offers issuers the opportunity to stay ahead of the curve, address the ever-increasing demands of investors, local and global regulatory bodies in this evolving landscape. Further, this Guidance increases awareness on sustainable value creation and forms foundation for strategic direction and alignment to ESG policies and practices.

The Guidance is structured around recent developments in global disclosure standards including: GRI Sustainability Reporting Standards, European Sustainability Reporting Standards and IFRS S1 Sustainability Disclosure Standards, among others. It provides a background of Sustainability and ESG and recommends sustainability disclosures that incorporate ESG metrics for each component and for the different sectors.

I would like to thank the African Securities Exchanges Association (ASEA) for the role it has played in promoting and advancing the integration of ESG issues and disclosure in the African capital markets through a strategic partnership with Global Reporting Initiative (GRI). Further, I wish to express gratitude to GRI for providing sponsorship and technical assistance for this initiative. The GRI Standards are among the most popular reporting frameworks and standards for sustainability and ESG reporting, and the foundation for various Guidance tools in many markets. Lastly, I thank the Consultancy team, Incite and WISE Leadership, for their stewardship in developing this Guidance.

The launch of this Guidance paves way for the development of sustainability oriented products, such as indices and ETFs, that could draw in a new interest group of investors to the market. We are excited that the Guidance comes at a come that we have in place a partnership through which we avail ESG ratings, and the Guidance is closely aligned to the ESG rating model. Thus, the BSE commits to work with the local capital markets ecosystem to promote the elucidation of this Guidance and encourages listed entities to adopt and implement this Guidance, with the long-term vision this will lead to the creation of ESG assets for listing on the Exchange.

Kopano Bolokwe
Chief Executive Officer (A.g)
Botswana Stock Exchange

The Botswana Stock Exchange (BSE)

The Botswana Stock Exchange (BSE) is licensed by the Non-Bank Financial Institutions Regulatory Authority to operate as a securities exchange in accordance with the Securities Act No. 26 of 2014. At present, the BSE is the only securities exchange in Botswana. The BSE is a Member of the World Federation of Exchanges (WFE), a Partner Exchange of the Sustainable Stock Exchanges (SSE) Initiative, a member of the African Securities Exchanges Association (ASEA), a member and Secretariat of the Committee of SADC Stock Exchanges (COSSE), a Recognized Exchange under the UK's Her Majesty Revenue and Customs (HMRC) and a member of the Association of the National Numbering Agencies (ANNA). The BSE is the sole owner of the Central Securities Depository Company of Botswana Limited (CSDB) which is a member of the World Federation of CSDs (WFC), and a member of the Africa & Middle East Depositories Association (AMEDA).

Global Reporting Initiative

Transparency on the impacts of a business is essential for continuous improvement as well as for stakeholder relationships. Without transparency, there is no trust – and without trust, markets do not function efficiently, and institutions lose their legitimacy. That is why the practice of sustainability reporting has been established over the past two decades. For 25 years GRI has been leading the way by providing the world's most widely adopted standards for sustainability impacts, the GRI Standards.

The last few years we have seen a significantly growing demand for transparent information on companies' impacts. Around the world policy makers and capital market regulators are addressing this call for information by increasingly mandating corporate sustainability reporting and transparency. Today there are at least 542 policies around the world in 132 countries that mandate companies to report their sustainability impacts. This has a profound impact on companies around the world who are competing in complex global value chains.

However, the good news is that a global corporate reporting regime is emerging in which sustainability impact reporting and strengthened financial reporting are mandated on equal footing as two key perspectives and managed with the same rigor. Companies are expected to consider and report both their impacts on the world as well as how sustainability issues impact the financial well-being of the company. The complementary GRI Standards and the IFRS Sustainability Standards provide the globally accepted standards for reporting on these two perspectives. In fact, this global reporting baseline is often supplemented with a layer of local and regional additions to ensure it fits with national political ambitions and existing legal frameworks. The European Corporate Sustainability Disclosure Directive (CSRD) with its mandatory European Sustainability Disclosure Standards (ESRS), is a good example of this.

Thanks to our intense collaboration, a high degree of interoperability between the GRI Standards, the IFRS Sustainability Disclosure Standards and the ESRS has been achieved. This prevents the need for double reporting and supports a more user-friendly reporting system without undue complexity.

The importance of providing robust guidance to companies on how to effectively disclose their sustainability impacts using these standards can't be over emphasized. We therefore commend the Botswana Stock Exchange (BSE) for producing this updated ESG guide for sustainability reporting as a tool to navigate the global reporting requirements. It will certainly help companies in Botswana to be accountable for their impacts while increasing their competitiveness in the global marketplace.

GRI appreciated the opportunity to collaborate on this publication with BSE, Incite and WISE Leadership. We acknowledge the support received from the Swiss State Secretariat for Economic Affairs (SECO) and Swedish International Development Cooperation Agency (SIDA) towards the development of the guidance. We look forward to continuing to work together with BSE and listed companies in support of a sustainable future.

Peter Paul van de Wijs
Chief Policy Officer
Global Reporting Initiative

1 Introduction

The Botswana Stock Exchange (BSE) has an important role and responsibility in encouraging and assisting locally listed companies to strengthen their sustainability disclosure and work towards greater alignment with emerging global disclosure standards. In seeking to fulfil this responsibility by issuing this Sustainability Disclosure Guidance, the BSE is striving to create a more efficient and effective local capital market.

In the context of heightened stakeholder concerns regarding the state of environmental, social and governance (ESG) pressures – such as climate change, biodiversity, poverty, inequality and human rights – companies are facing mounting pressure to improve their performance and disclosure on sustainability-related impacts, risks and opportunities. They are also increasingly being expected to demonstrate leadership in addressing social and environmental challenges and to respond effectively in identifying and managing the social and environmental issues impacting their business performance.

The recent increase in global and regional investor engagement on ESG issues, the varying methodologies and metrics used by ESG rating agencies, and the proliferation of sustainable finance instruments such as green bonds, have spurred calls for more uniform, comparable and verifiable sustainability performance data, as well as greater consistency in global and regional disclosure standards.

Given this context, the BSE welcomes recent international efforts aimed at achieving greater alignment in sustainability reporting standards. The BSE believes that locally listed companies and the country's investor community will both benefit from these global efforts to establish a common foundation for sustainability reporting standards. With the understanding that more effective sustainability disclosure will foster enhanced accountability and business performance, build more resilient markets, and assist in attracting financial investment, we believe that it is in our collective interest to help companies in Botswana to improve their disclosure practices to align with these global initiatives and reflect emerging best practice in corporate sustainability reporting, while remaining attuned to the specific business context of Botswana.

1.1 The Purpose and Intended Audience of the BSE Sustainability Disclosure Guidance

The primary purpose of the BSE Sustainability Disclosure Guidance is to encourage the availability of more useful, consistent and comparable sustainability information to inform better decision-making by companies, investors and other stakeholders with the aim of encouraging improved company performance in identifying and managing sustainability-related impacts, risks and opportunities.

To achieve this purpose, the Guidance has the following objectives:

- To improve the quality of information available on companies' sustainability-related impacts, risks and opportunities to enable more informed investment decisions, internally and externally
- To encourage improved sustainability performance and business leadership in addressing the country's environmental, social and governance challenges, by enabling stronger accountability

- To assist Botswana's companies to navigate the plethora of recent and emerging sustainability-related disclosure standards, and to encourage them to strengthen their disclosure in alignment with these standards
- To present the business case for companies to strengthen their disclosure on sustainability governance and management practices, and their performance on material ESG metrics

The BSE Guidance is designed to be of value both to companies with little or no experience in sustainability and ESG disclosure, as well as to those companies with significant experience in sustainability reporting who are looking for assistance in aligning their disclosures with the latest developments in global reporting standards.

Although developed primarily to assist BSE-listed companies, this Guidance is also intended to be of value to institutional investors and the various entities that they invest in (including non-listed companies and debt issuers), as well as a range of stakeholder groups interested in sustainability disclosure and performance. Investors are increasingly interested in sustainability issues as this pertains to all their investments, irrespective of whether they are large or small, equities or bonds, listed or unlisted, across all sectors. All these entities are encouraged to use these guidelines.

This Guidance does not constitute a listing requirement and is not intended as a new reporting standard or to replace existing legal obligations or local corporate governance expectations. The Guidance avoids being prescriptive, and leaves responsibility for decision-making with the reporting organisation, particularly as regards the identification of material sustainability issues. The Guidance is intended however to ensure greater levels of consistency in disclosure by using the "suggested sustainability metrics" aimed at assisting in identifying the material topics per sector.

1.2 The BSE's Environmental, Social and Governance Initiatives.

The BSE became a Partner Exchange of the United Nations-backed Sustainable Stock Exchanges (SSE) Initiative in 2016. In doing so, the BSE voluntarily committed – through dialogue with investors, companies and regulators – to promoting long-term sustainable investment and improved ESG disclosure and performance among companies listed on the BSE. In 2017, the BSE partnered with the United Nations Development Programme (UNDP) Botswana to profile the sustainability practices of the domestic companies listed on the Exchange, to recognise and showcase their exemplary sustainability efforts. In 2019, the BSE released the *BSE Guidance for Listed Companies on Reporting ESG Information to Investors*, the basis of which was the SSE Initiatives' *Model Guidance on Reporting ESG Information to Investors.* This has served as a voluntary tool for issuers to communicate ESG information to investors. As global standards continue to develop, the BSE recognises the need to encourage local companies to adopt sustainability disclosure standards that are closely aligned with emerging international best practice. On these basis, in 2023, the BSE, entered into a partnership with the Global Reporting Initiative (GRI), under a collaboration agreement between GRI and the African Securities Exchanges Association (ASEA), to develop the BSE Sustainability Disclosure Guidance to be applied by listed companies on the exchange.

1.3 The Botswana Corporate Governance Landscape

The Botswana corporate governance landscape is still developing. At present, the different regulators in the market have developed different corporate governance guidelines for their specific industries. These guidelines are not necessarily guided by a common corporate governance code, but rather by a mix of codes and standards as preferred by each regulator.

There are currently various corporate governance regulations and codes for different sectors in Botswana; these include a mix of the King III Code of Corporate Governance Principles for South Africa, 2009 ("King III") and the "King IV" Code of 2016. Some key examples include:

- The Botswana Stock Exchange (BSE), which adopted, at a minimum, the King III Code in its BSE Equity Listings Requirements.
- The Non-Bank Financial Institutions Regulatory Authority (NBFIRA), which has aligned its Corporate Governance Guidelines for Insurers and Reinsurers with the King IV Code.
- The Bank of Botswana (BOB), which has developed the Guidelines for Corporate Governance for Banks/Financial Institutions licensed and supervised by the Bank of Botswana, adopting the Basel III Committee Corporate Governance Principles for Banks.
- A State Owned Enterprises Corporate Governance Code, announced by the President of the Republic of Botswana in his State of the Nation Address in November 2023

The Botswana Accountancy Oversight Authority (BAOA) has emerged as the ultimate regulator of corporate governance in Botswana. BAOA is a regulator for Public Interest Entities (PIEs) as prescribed by the Financial Reporting Act, 2010 (amended in 2020). The Financial Reporting Regulations, 2022, has empowered BAO to establish a code of corporate governance to be used by a PIE, and further to monitor and enforce compliance with the code of corporate governance. The above-mentioned regulators are included in the threshold for PIEs as prescribed in the Act, making BAOA the ultimate corporate governance regulator.

BAOA is currently developing the *Pula Code of Corporate Governance*, which is a legal requirement that applies to all PIEs other than 'insignificant' ones as defined in the Act. The Code is aligned to the King IV Code. Where there is a conflict between the Pula Code and the King IV Code, the Pula Code will take precedence as it is law in Botswana. ESG issues are intrinsically covered in the principles of the Pula Code of Corporate Governance in Botswana, making application of ESG principles within the Code mandatory to all applicable PIEs.

Box 1 – The BSE Sustainability Disclosure Guidance and Recent Global Initiatives

The BSE Sustainability Disclosure Guidance has been informed by the following recent global initiatives on sustainability-related disclosure (see also Section 2.2 and Annex 1):

- The ***GRI's Sustainability Reporting Standards***, developed by the Global Sustainability Standards Board (GSSB), with the latest revisions published in October 2021
- The ***European Sustainability Reporting Standards***, developed by the Project Task Force on European sustainability reporting standards (PTF-ESRS), published in April 2022
- ***IFRS S1 and S2 Sustainability Disclosure Standards***, developed by the International Sustainability Standards Board (ISSB) and published in June 2023
- The recommendations of the ***Task Force on Climate-related Financial Disclosure*** (TCFD), created by the Financial Stability Board (FSB) and released in 2017

- The recommendations of the ***Task Force on Nature-related Financial Disclosure*** (TNFD), published in September 2023
- The Value Reporting Foundation's ***Integrated Reporting Framework***, updated in January 2021
- The Sustainable Stock Exchanges Initiative (SSE) ***Model Guidance on Reporting ESG Information to Investors***
- The World Federation of Exchanges (WFE) ***ESG Guidance and Metrics***
- The World Economic Forum's ***Measuring Stakeholder Capitalism*** document
- A selection of Sustainability Disclosure Guidance documents developed by peer exchanges globally, including specifically the following guidance documents from African exchanges: *the Eswatini Stock Exchange ESG Reporting Guide, the Ghana Stock Exchange ESG Disclosures Guidance Manual, the Johannesburg Stock Exchange Sustainability Disclosure Guidance, the Nairobi Securities Exchange ESG Disclosures Guidance Manual*, *and the Nigerian Stock Exchange Sustainability Disclosure Guidelines*.

The *BSE Sustainability Disclosure Guidance* is not intended to replace any of these initiatives, but instead seeks to help companies navigate this very dynamic landscape of reporting standards, while also providing for the Botswanan business context, legislative requirements, and specific socio-economic and environmental challenges.

An important aim of this Guidance is to reduce complexity and the potential for duplicative reporting requirements, assisting reporting entities, investors, and other stakeholders through the provision of decision-useful metrics that are both globally aligned – facilitating access to global markets – yet also locally relevant.

Box 2 – Corporate disclosure and the UN Sustainable Development Goals (SDGs)

Adopted by all United Nations member states in 2015, the 17 UN SDGs provide the blueprint for a more sustainable future by tackling the world's most urgent global challenges, such as poverty, inequality, climate change and environmental degradation. The private sector is recognised as having a significant responsibility to use their global reach and innovative potential to make a meaningful contribution to achieving the SDGs.

Many companies are now measuring and reporting their impact in relation to the SDGs. Some companies are also using the aspirations of the SDGs to inform the development of new products and services that contribute to solving global social and environmental challenges. Ideally companies should use a structured strategy review process to identify the priority SDGs where they can make a meaningful contribution through their core business activities, rather than simply retrofit their reporting to provide for the SDGs.

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

2 Sustainability and ESG: The changing disclosure context

2.1 Understanding 'Sustainability' and 'ESG' for disclosure purposes

Although 'sustainability' and 'ESG' are terms that have been used by companies, investors, standards setting bodies, and civil society organisations for some time, there is no consistent agreement on the nature and scope of each these terms. Often used interchangeably, they can mean very different things to different people.

For the purposes of this Guidance, and informed by the general historical application of these two terms, we have suggested the following broad distinction, which is summarised in Figure 1:

- **'ESG'** is generally used to refer to the inclusion of 'Environmental, Social and corporate Governance' issues when assessing company value for investment purposes. As a concept, ESG can trace its origins back to a 2004 report published by the UNEP Finance Initiative Asset Management Working Group, reviewing the materiality of ESG issues for equity pricing.[1] This view of ESG as being primarily about impacts on the company is widespread in the investment community. The International Organisation of Securities Commissions (IOSCO) suggests for example that "ESG ratings, rankings and scorings serve the same objective, namely the assessment of an entity, an instrument, or an issuer's exposure to ESG risks and/or opportunities."[2] This approach lies at the heart of the IFRS Sustainability Disclosure Standards, which focus explicitly on requiring disclosure of "sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.... its cash flows, access to finance or cost of capital over the short, medium or long term."[3]
- **'Sustainability'** (and sustainable development) dates back much further than ESG, gaining widespread prominence with the launch of the Brundtland Report in 1987.[4] The concept takes a much broader focus than "the entity's prospects", and recognises the need to drive systemic change in achieving a more equitable society and economy that operates within ecological boundaries. This understanding of sustainability focuses on an organisation's impacts on people and the environment enabling an assessment of the organisation's contribution toward global commitments such as the UN Sustainable Development Goals. This approach informs the GRI's Sustainability Reporting Standards, which seeks to "provide transparency on how an organisation contributes or aims to contribute to sustainable development… (by enabling) an organisation to publicly disclose its most significant impacts on the economy, environment, and people, including impacts on their human rights and how the organisation manages these impacts."[5] King IV similarly makes it clear that "sustainable development is not confined to individual matters, such as the economic viability of the organisation."[6]

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[1] UNEP FI (2004) The materiality of social, environmental and corporate governance issues to equity pricing

[2] IOSCO (2021) Environmental, Social and Governance (ESG) Ratings and Data Products Providers: Final report

[3] IFRS S1 (2023) General Requirements for Disclosure of Sustainability-related Financial Information (Paragraph 3)

[4] WCED (1987) Report of the World Commission on Environment and Development: Our Common Future

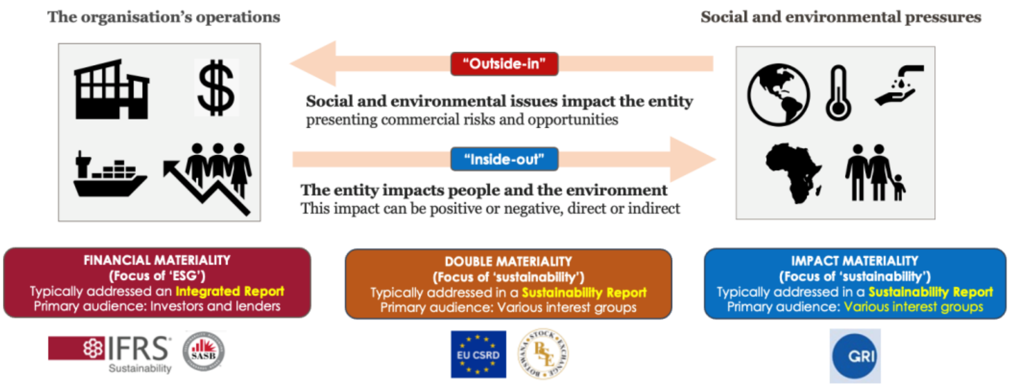
[5] GRI (2021) GRI 1: Foundation 2021

[6] King IV (2016) King IV Code on Corporate Governance

The EU's Corporate Sustainability Reporting Directive (CSRD)[7] adopts both approaches, requiring all large companies and all listed companies (except listed micro-enterprises) to disclose information on what they see as the risks and opportunities arising from social and environmental issues ('ESG'), as well as disclosing the impact of their activities on people and the environment ('sustainability'). This reflects a 'double materiality' approach (see Box 5 on page 17) which aims to improve the quality and availability of information on the reporting entity's 'inside-out' sustainability impacts ('impact materiality'), as well as the 'outside-in' sustainability-related risks and opportunities affecting the reporting entity's financial performance ('financial materiality').

In the context of these developments – and informed by the belief that understanding an organisation's sustainability impacts provides an important basis for fully appreciating sustainability-related risks and opportunities – the BSE's Sustainability Disclosure Guidance has similarly adopted a double materiality approach in advising on the Recommended Disclosures (Section 4) and Suggested Sustainability Metrics (Section 5).

Figure 1 *–Distinguishing ESG and Sustainability in the context of corporate disclosure* [8]



2.2 Recent developments in the sustainability disclosure landscape

An important objective of the BSE's Sustainability Disclosure Guidance is to assist local companies to navigate the plethora of sustainability-related disclosure guidelines and frameworks, and to encourage them to strengthen their sustainability disclosure in broad alignment with the most recent sustainability disclosure standards.

There have been some profound developments in disclosure initiatives over the last three years, with a significant move towards greater standardisation and consolidation. A brief timeline of some of the most significant recent developments is presented below, with a longer history of sustainability-related disclosure initiatives summarised in Figure 2.

- **September 2020:** The International Federation of Accountants (IFAC) called for the creation of an International Sustainability Standards Board (ISSB) to sit alongside the International Accounting Standards Board (IASB) under the auspices of the IFRS Foundation, "to meet the demand from investors, policymakers and other stakeholders for a reporting system that delivers

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[7] *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022*

[8] *Diagram adapted from https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf*

consistent, comparable, reliable, and assurable information relevant to enterprise value creation, sustainable development and evolving expectations.[9]

- **September 2020**: The five leading voluntary standard-setters on sustainability- and climate-related disclosure – the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB) – committed for the first time to work towards a shared vision, and co-published a joint statement of intent to drive towards this goal, by working together and committing to engage with key actors, including IOSCO, the IFRS, the European Commission and the WEF's International Business Council.[10]
- **June 2021**: The IIRC merged with SASB to form the Value Reporting Foundation (VRF), "designed to help businesses and investors develop a shared understanding of enterprise value."
- **October 2021**: The GRI launched its updated system of GRI Sustainability Reporting Standards, comprising Universal Standards, Sector Standards and Topic Standards. These were developed to "enable an organisation to publicly disclose its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how the organisation manages these impacts"[11]; these are an important evolution on the GRI Sustainability Reporting Guidelines that have been in place in various iterations since the first version of the GRI Guidelines were launched in 2000.
- **November 2021:** The IFRS Foundation announced the establishment of the International Sustainability Standards Board (ISSB), the consolidation of the CDSB with the Value Reporting Foundation, and the publication of two prototype disclosure requirements – on General Requirements for Disclosure of Sustainability-related Financial Information, and on Climate-related Disclosures.
- **March 2022**: The IFRS Foundation and GRI announced a collaboration agreement under which their respective standard-setting boards, the ISSB and the Global Sustainability Standards Board (GSSB), will seek to coordinate their work programmes and standard-setting activities. The intended purpose of the two organisations working together is to "provide two 'pillars' of international sustainability reporting – a first pillar representing investor-focused capital market standards of IFRS Sustainability Disclosure Standards developed by the ISSB, and a second pillar of GRI Sustainability reporting requirements set by the GSSB, compatible with the first, and designed to meet multi-stakeholder needs".[12]
- **March 2022:** The ISSB issued Exposure Drafts of the first two IFRS Sustainability Disclosure Standards: IFRS-S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS-S2 Climate-related Disclosures. There were published in response to "calls from primary users (investors, lenders and other creditors) of general purpose financial reporting for more consistent, complete, comparable and verifiable sustainability-related financial information to help them assess an entity's enterprise value."[13]

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[9] https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/enhancing-corporate-reporting-way-forward

[10] https://www.integratedreporting.org/resource/statement-of-intent-to-work-together-towards-comprehensive-corporate-reporting/

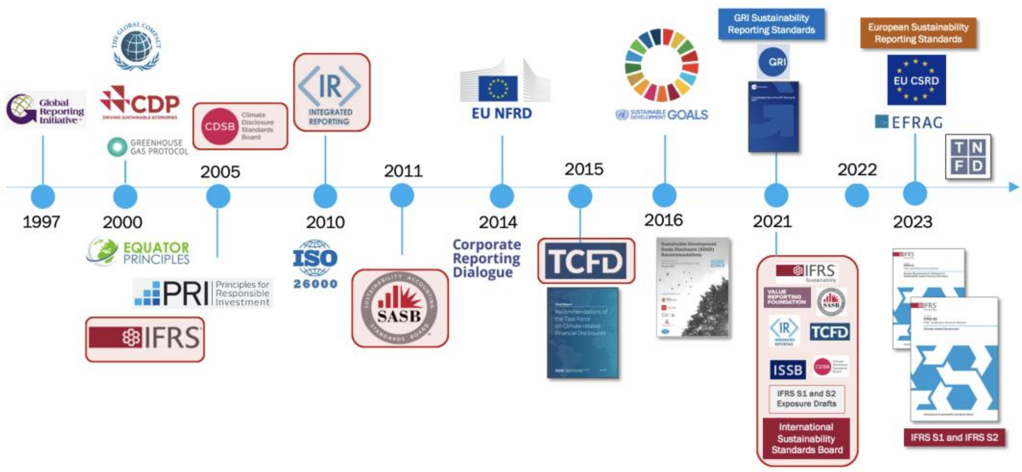
[11] GRI (2021) Consolidated Set of the GRI Standards 2021

[12] https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/

[13] IFRS (2023) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (page 5)

- **April 2022:** The European Financial Reporting Advisory Group (EFRAG) submitted Exposure Drafts of the European Sustainability Reporting Standards (ESRS) for comment.
- **November 2022:** EFRAG submitted the first set of draft ESRS to the European Commission, specifying disclosure requirements for the sustainability reports issued in accordance with the Corporate Sustainability Reporting Directive (CSRD); the standards adopt a 'double materiality' approach, in terms of which a matter should be included in a sustainability report "if it is material from either the impact perspective or the financial perspective or both perspectives". Although developed for the EU market, the ESRS will have global reach, with many large companies that have substantial business activity in Europe needing to comply with the CSRD's requirements. The ESRS will require limited assurance by 2026 and reasonable assurance from 2028.
- **June 2023**: The ISSB issued its first two IFRS Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.[14]
- **July 2023**: The European Commission adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). This is in addition to related EU regulation, including the Sustainable Finance Disclosure Regulation (SFDR).[15]
- **September 2023:** The final Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) were launched, providing companies and financial institutions of all sizes with a risk management and disclosure framework to identify, assess, manage and, where appropriate, disclose nature-related issues.
- **November 2023:** The GRI and EFRAG renewed their MoU, strengthened their partnership that aims to align the ESRS with the GRI Standards and facilitate technical support for reporting companies. The partnership has resulted in the GRI-ESRS Interoperability Index, a tool designed to streamline reporting processes by demonstrating the commonalities between ESRS and GRI standards.

***Figure 2** – A timeline of recent sustainability and climate-related disclosure standards*



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14 https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/#final-stage

15 https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en

Box 3 – The rise of corporate ESG ratings[16]

In recent years we have seen increasing use by investors of ESG ratings undertake by various different ESG ratings agencies. These ratings comprise an assessments of a company's sustainability performance, derived by analysing the company's publicly available or directly solicited sustainability-related data. ESG rating agencies generate their ratings and related products to sell them, primarily to institutional investors.

These agencies' ratings methodologies – that often are not publicly available – typically comprise a mix of quantitative analysis with direct analyst oversight. The resulting ESG rating reflects a distillation of data and opinion, analysing and assessing a companies' sustainability performance into decision useful data for investors. The rating agencies often differ quite significantly in terms of their rating methodology, customer base, data sources and product design, as well as in their organisational structure, ranging from non-profit organisation, to large, listed companies.

Large companies can sometimes be rated by ten or more ESG raters, while investors are more likely to select one to three ESG rating firms for all their data and rating needs. Comparing individual companies' ratings within a single rating product lets investors compare across an industry sector and identify leaders and laggards. Investors may also value the methodological differences between ESG rating products, the same "noise" that creates serious headaches for corporations.

While ESG raters have become key players in the sustainable investing ecosystem, discontent and confusion about ratings and how they work – among investors, companies, and other stakeholders – is growing.

2.3 The business case for good sustainability disclosure[17]

Sustainability disclosure, if done properly, can result in valuable benefits for the reporting organisation. The extent to which these benefits are realised depends significantly on the effectiveness of the organisation's reporting process, and on the quality of the disclosure in the report. For these benefits to be fully realised, it is recommended that the reporting organisation should strive to meet the principles for effective sustainability reporting presented in section 3.5 of this Disclosure Guidance.

The Sustainable Stock Exchanges (SSE) Initiative has identified the following suggested benefits of effective sustainability disclosure:

Enhancing access to capital

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

Driving profitability and growth

- Generating increased financial value for the company by identifying opportunities for cost savings, revenue generation and risk mitigation.

[16] *For a useful overview of ESG rating agencies see The SustainAbility Institute Rate the Raters 2023*

[17] *These benefits are drawn from the JSE Sustainability Disclosure Guidance (2022)* and the *Sustainable Stock Exchanges Initiative Model Guidance on Reporting ESG Information to Investors (2015) (Annex C)*

- Prompting innovation and enhancing market differentiation and competitiveness, by creating a deeper understanding of stakeholder needs.
- Enabling strengthened management and board scrutiny of sustainability opportunities and risks and promoting greater company-wide alignment on goals.

Improving compliance and risk management

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

Enhancing corporate reputation and stakeholder relationship

- Demonstrating corporate commitments to responsible management of environmental, social, and economic impacts.
- Exhibiting corporate adherence to industry ethical standards and national and international frameworks on corporate sustainability and sustainable development.
- Enhancing corporate reputation by improving stakeholders' perception of a company through reporting-related stakeholder engagement.
- Improving employee perception of the company, helping to attract, retain, motivate, and align new and existing employees.

Improving information flow

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

Figure 3 *– Business case benefits associate with quality sustainability disclosure*[18]

[18] *Derived from the UN Global Compact value driver model, as presented in GPW (2021) ESG Reporting Guidelines and JSE (2022) Sustainability Disclosure Guidance*

3 Sustainability reporting: Approach and core concepts

3.1 Towards effective reporting: seven core questions to consider

In developing and implementing an effective sustainability reporting system, the reporting organisation should consider the following seven questions:[19]

MOTIVATION: What is the report's purpose?
A critical opening question is to have absolute clarity on the primary purpose of the report. What is the main intended outcome that the organisation is striving to achieve through the reporting process and the final report? Is it simply to 'tick the box' and ensure compliance with listing requirements, is it intended to be a means of attracting further financial investment in the company, and/or is it looking to provide a positive review of the organisation's sustainability initiatives?

MARKET: Who is the report's target audience?
For a report to be effective, there needs to be clarity on the priority stakeholder group/s that the organisation is seeking to inform and influence through its disclosure, and what their specific interests are regarding the organisation's disclosure.

MATERIALITY: What is of material interest to the target audience?
Having a clear understanding of the purpose of the report, and the target audience, is essential in identifying what information to include in the report. If targeted at investors the primary focus will be on the financial prospects and it will thus include those sustainability-related risks and opportunities that may materially impact the entity's financial prospects over the short, medium or long term (financial materiality). Ideally identification of these risks and opportunities will be informed by an assessment of the organisations impacts. If the report is targeted at stakeholders interested in the entity's social and environmental impacts, then it will have much broader coverage of sustainability issues, covering both the organisation's significant sustainability-related impacts (impact materiality), as well as those sustainability-related risks and opportunities affecting the organisation (financial materiality). By disclosing both, the sustainability report typically adopts a "double materiality" perspective. (See further Box 5).

MEDIUM: What reporting format will work best for the target audience?
The purpose and audience will also inform the preferred format of the report – such as an integrated report, a sustainability report, a combined report, or a subject-specific report (Section 3.4). In some instances, the means of disclosure will not be in the form of a traditional report, but may include direct engagements with interested stakeholder, marketing documents and/or electronic media.

MEANS: How will the reporting process be managed and integrated across the business?
While reporting provides decision-useful information for stakeholders, the process of compiling the information can be used to strengthen internal reporting systems and inform strategic goals, shape the business model, and assist in identifying risks and opportunities. For these opportunities to be

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[19] Incite (2006) Presentation to University of Cambridge Institute for Sustainability Leadership (CISL) BSP Executive programme; see also JSE Sustainability Disclosure Guidance (2022).

realised there needs to be clarity on the internal process and responsibilities, ensuring that this is properly integrated across the organisation, and not managed in silos.

MEASUREMENT: Does the sustainability-related data support the report?

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

MONITORING: Has the integrity of the data been assured?

Reports are generally more credible when they are supported by robust internal assessment processes involving existing internal audit, risk and data control verification systems. If resources allow, and when properly managed, external assurance can provide an added degree of trust, credibility, and recognition, and can play a significant role in reviewing and improving the internal data gathering and assessment processes.

Box 4 – GRI Sustainability Reporting Standards: Key Concepts[20]

In their Sustainability Reporting Standards, the GRI identifies five key concepts that are seen to lay the foundation for sustainability reporting. Understanding how these concepts are applied is essential for those who collect and prepare information for sustainability reporting, as well those who interpret information that is reported, using the Standards

- **Impact:** In the GRI Standards, impact refers to the effect an organisation has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organisation's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. These impacts indicate the organisation's contribution, negative or positive, to sustainable development.
- **Material topics:** An organisation may identify many impacts on which to report. When using the GRI Standards, the organisation prioritizes reporting on those topics that represent its most significant impacts on the economy, environment, and people, including impacts on their human rights. In the GRI Standards, these are the organisation's material topics.
- **Due diligence:** In the GRI Standards, due diligence refers to the process through which an organisation identifies, prevents, mitigates, and accounts for how it addresses its actual and potential negative impacts on the economy, environment, and people, including impacts on their human rights. The organisation should address potential negative impacts through prevention or mitigation. It should address actual negative impacts through remediation in cases where the organisation identifies it has caused or contributed to those impacts.
- **Stakeholder:** Stakeholders are individuals or groups that have interests that are affected or could be affected by an organisation's activities. Common categories of stakeholders for organisations are business partners, civil society organisations, consumers, customers, employees and other workers, governments, local communities, non-governmental organisations, shareholders and other investors, suppliers, trade unions, and vulnerable groups.

[20] *GRI Standards (2021) GRI 1: Foundation 2021*

3.2 Key steps in a sustainability reporting process

Building on the proposed seven questions that inform the reporting process, the following steps may be followed to help organisations improve their sustainability disclosure and strengthen integration across their suite of reports. Throughout the reporting process, the organisation should ensure that the principles for effective sustainability reporting (section 3.5) are properly applied.

1. Obtain leadership buy-in, and agree the purpose and audience for each report

An important first step in the sustainability reporting process is to obtain the leadership team's buy in on the scope and objectives of the organisation's sustainability disclosure. For each report in the organisation's suite of annual reports, the team should agree the specific stakeholder group/s being targeted for the report ('audience') and the stakeholder interest/s that the report seeks to address ('purpose'). This will inform the materiality lens being applied.

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2. Undertake the materiality analysis

A second key step is to identify and prioritise the material sustainability/ESG matters for each report, informed by the intended purpose and audience for that report, and by a clear understanding of the distinction between 'financial materiality' and 'impact materiality', and with clarity on the reporting boundary for each report type (see Section 3.4 and Figure 4). An effective materiality process will require consideration of the following issues:

- The reporting entity's business model, noting its key revenue and costs drivers.
- The nature of the entity's dependencies and impacts (positive and negative, direct and indirect) on the key resources and relationships ('capitals') that it relies on to create value.
- The risks and opportunities in the operating environment may have financial effects on the entity.
- The expectations of the entity's prioritised stakeholders
- The nature of the entity's purpose and its strategy for short, medium and long term

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3. Identify the relevant disclosure metrics

Organisations should seek to provide a response to each of the Recommended Disclosures listed in section 4), as well as on all the sustainability-related metrics that are seen to be material from a financial and/or impact perspective. It is useful to consult additional local or global frameworks, guidance or standards, as appropriate (see Annex 1).

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4. Collect the data and draft the report/s

Informed by the outcome of the above steps, the reporting organisation should collect and collate the required sustainability data, both qualitative and quantitative. Ideally there should be a schedule in place for collecting and assessing the agreed data, with clear processes and responsibilities. For the purposes of any annual reporting, this could be complemented by scheduled interviews and clear data collection templates. The material sustainability data and supporting information should be presented in the report/s, ideally over a suitable historical period to allow for trend analysis.

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5. Assurance

Credibility of the entity's sustainability disclosures can be enhanced through effective internal audit processes, quality assurance on reported data, and credible external third-party assurance on priority disclosure topics.

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6. Publish the report/s

The final step in the process is to make the report/s available to the various targeted stakeholders, typically electronically via the reporting entity's website, sometimes with additional copies printed for distribution to selected stakeholders. Some organisations also organise a formal launch event for the report, supported by social media campaigns.

3.3 Understanding ‘materiality’ for the purposes of sustainability disclosure

“The definition of materiality focuses on the material information needs of the primary stakeholders for the report being issued… Material information is any information that is reasonably capable of making a difference to the conclusions reasonable stakeholders may draw when reviewing the related information.”[21]

For any disclosure to be useful it needs to address the interests of the targeted user. To determine what sustainability-related information is material, the reporting organisation needs to consider which stakeholders they are targeting for the report (*audience*), and how these stakeholders are planning to use this information (*purpose*).

The recent significant developments in global reporting frameworks and standards (section 2.2) and their various approaches to materiality (Box 5) have helped to clarify the purpose and audience of different types of annual reports, distinguishing between:

- Reports that address the entity’s impacts on people and the environment (‘impact materiality’).
- Reports that focus on information to assess the entity’s prospects (‘financial materiality’).
- Reports that seek to do both (‘double materiality’).

The BSE Sustainability Disclosure Guidance adopts double materiality, and recommends that:

- Those sustainability issues that could reasonably be foreseen to meaningfully affect a company’s operational and financial results, should be disclosed in an integrated annual report; and
- More detailed sustainability information relating to the organisation’s management of its significant impacts on the people and the environment– including, but not limited to, where these impacts affect the organisation’s prospects – should be disclosed in addition to the IR in an appropriate format, such as a separate standalone sustainability report (see section 3.4)

Box 5 – Materiality as defined in global reporting standards and frameworks

Standard setters have provided diverse perspectives on the issue of materiality for the purposes of an organisation’s sustainability disclosure, reflecting the different intended purpose and outcome of the standard setting organisation, and the different needs of the intended report user.

- ***GRI’s Sustainability Reporting Standards***: *(Impact materiality)*
  “When using the GRI Standards, the organisation prioritizes reporting on those topics that represent its most significant impacts on the economy, environment, and people, including impacts on their human rights. In the GRI Standards, these are the organisation’s material topics.”[22]
- ***International Financial Reporting Standards IFRS-S1:*** *(Financial materiality)*
  “An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects. In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.” [23]

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[21] *Corporate Reporting Dialogue (2016) Statement of Common Principles of Materiality of the Corporate Reporting Dialogue*

[22] *GRI (2021) GRI 1: Foundation 2021, Section 2.2*

[23] *IFRS-S1 General Requirements for Disclosure of Sustainability-related Financial Information (paragraphs 17-18)*

- ***The European Sustainability Reporting Standards:*** *(Double materiality)*
  "A sustainability matter is "material" for the undertaking when it meets the criteria defined for impact materiality… or financial materiality… or both… A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term… A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the undertaking…"[24]
- ***Recommendations of the Task Force on Nature-related Financial Disclosure:*** *(Mixed)*
  "Report preparers should use their jurisdiction's regulatory approach to materiality. In the absence of such guidance, the TNFD recommends that report preparers: i) Provide information consistent with meeting the material information needs of capital providers as a baseline, consistent with the ISSB and the TCFD, with a focus on risk management and how dependencies and impacts on nature create risks and opportunities for an organisation's financial position; ii) Should they need or choose to do so, provide information consistent with meeting the material information needs of stakeholders aligned with a broader materiality approach, reporting against both the ISSB global sustainability reporting baseline and the impact materiality approach of GRI."[25]

3.4 Different annual reports for sustainability-related disclosure[26]

When it comes to annual disclosure of sustainability-related information, there are various reporting formats that an organisation can choose to use, with the nature of the sustainability information to be presented in each format varying, depending on the report's intended purpose and target audience. King IV Principle 5 (Recommended Practice 10) states that "the governing body should approve management's determination of the reporting frameworks (including reporting standards) to be used, taking into account legal requirements and the intended audience and purpose of each report"[27] Recent developments in global reporting frameworks and standards have helped to clarify the purpose and audience of different types of annual reports.

Annual Financial Statements

An organisation's annual financial statements provide a detailed analysis of the organisation's financial results, with audited financial statements typically prepared in accordance with generally accepted accounting practice. These statements reflect in monetary amounts the effects on organisational value that have already taken place at the reporting date, or are included in future cash flow projections, including those effects from sustainability issues.

Integrated Annual Report

Integrated reporting came to prominence globally with the establishment of the International Integrated Reporting Council (IIRC) in 2010, and the subsequent publication of the International <IR> Framework in 2013. The IIRC was established with the specific aim to "improve the quality of information available to *providers of financial capital* to enable a more efficient and productive allocation of capital" [28] (emphasis added). Integrated reporting – as defined in the International

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[24] *Draft European Sustainability Reporting Standards ESRS 1 General Requirements (section 3)*

[25] *Recommendations of the TNFD (2023) (Section 3.1)*

[26] *This section is based on text from the JSE Sustainability Disclosure Guidance (section 2.3)*

[27] *King IV (2016) King IV Code on Corporate Governance*

[28] *IIRC (2013) International <IR> Framework (page 1)*

<IR> Framework – has a clearly articulated purpose and audience: to explain to providers of financial capital how an organisation creates, preserves, or erodes value over time.

Sustainability Report

Many companies globally and regionally now publish separate sustainability/ESG reports. This is not a new endeavour, with the first such reports in the region published by various companies (in the energy and petrochemicals and mining sector) in South Africa in the mid-1990s. Sustainability reports typically review the reporting company's approach to managing its significant social and environmental impacts. An important function of sustainability reports is to reflect how the reporting company is contributing to national and global development priorities, such as the UN SDGs. Many of these reports use the GRI's Sustainability Reporting Standards.

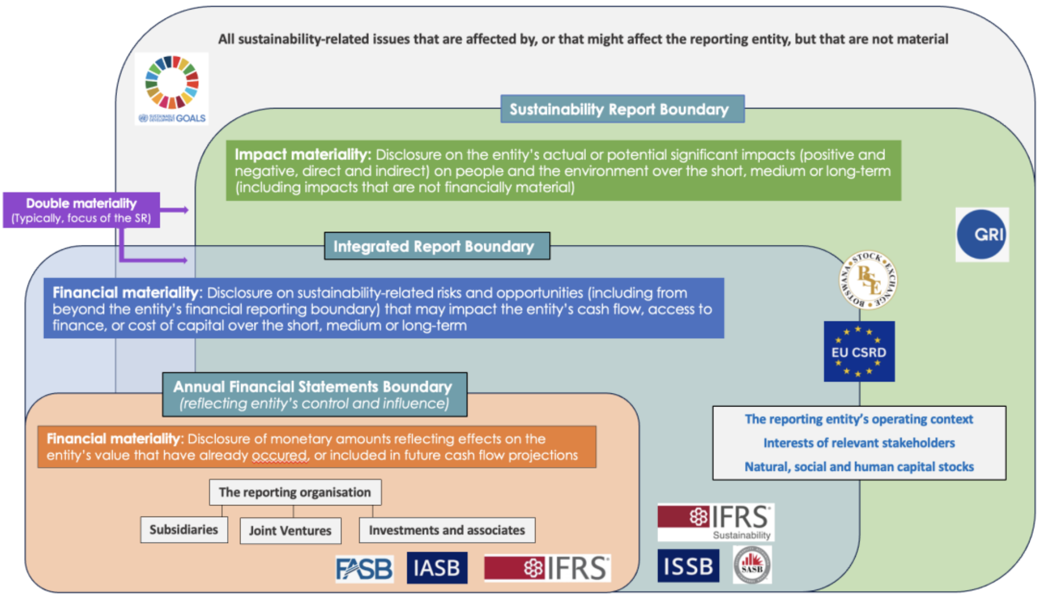
Subject-specific sustainability-related report/s

In response to increased stakeholder expectations on specific sustainability-related issues (such as climate change, human rights, or tax payments), some organisations also opt to publish additional 'supplementary' reports that provide more detailed disclosure on specific ESG areas of particular significance to their operations. Some companies also publish ESG Data Books, compiling the all material sustainability-related data in a detailed tabular format (and some instances in a publicly available Excel spreadsheet).

"Combined Report"

Some companies choose to combine their traditional annual financial report with a more detailed review of their sustainability/ ESG performance into a single 'combined report'. This is different from an integrated report – as defined by the International <IR> Framework – in that it adopts a double materiality perspective and combines both financial and impact materiality.

Figure 4 *–Materiality, reporting boundaries and global disclosure standards*[29]



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[29] This diagram is adapted from Figure 1 in the JSE Sustainability Disclosure Guidance (2022), which itself draws on various material developed by the GRI, CDP, CDSB, Value Reporting Foundation and IFRS

3.5 Principles for effective sustainability reporting

To effectively meet the information needs of investors, analysts, capital market participants and other stakeholders, it is important that the information and data is of sufficient quality to enable the report users to make sufficiently informed assessments and decisions. These assessment and decision might relate for example to the reporting entity's impacts and its contribution to sustainable development, and/or to the entity's own viability over time.

There is significant convergence on the principles informing effective sustainability reporting in international and local guidance frameworks. Based on this convergence between in particular the GRI, IFRS and EU reporting standards, it is recommended that the following key principles should guide the reporting organisation in ensuring both the quality and proper presentation of the sustainability-related information that is disclosed.[30] The GRI's sustainability reporting principles are listed in Box 6.

Relevance

Sustainability information is relevant when it is capable of making a difference in assessments and decisions of the primary users of that information.

Faithful representation

Sustainability information should faithfully represent the reality it depicts. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) accurate. A complete depiction includes all material aspects related to the reportable content, including appropriate descriptions and explanations. A neutral depiction is without bias in its selection and/or presentation of sustainability information. It should be balanced, so as to cover favourable/ positive and unfavourable/negative aspects: both negative and positive material impacts from an impact materiality perspective as well as the risks and opportunities from a financial materiality perspective should receive equal attention. Accurate information implies that the undertaking has implemented adequate processes and internal controls to reduce errors or material misstatements

Comparability

Sustainability information is comparable when it is consistent over time and, to the greatest extent possible, presented in a way that enables comparisons between undertakings, across sectors and within a specific sector. Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by the undertaking as well as by other undertakings to the maximum extent possible.

Connectivity of information

Sustainability information should be provided in such a manner that enables report users to understand the following types of connections:

- The connections between the items to which the information relates, such as the connections and potential trade-offs between various sustainability-related risks, opportunities and impacts;

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[30] These principles are derived primarily from the 'conceptual foundations' provided in IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and the 'general principles' listed in the European Sustainability Reporting Standards Draft ESR1, with provision also for the principles provided in the earlier published GRI Sustainability Reporting Standards

- The connections between the various disclosures provided by the organisation, both within its sustainability-related financial disclosure (such as the connections between disclosures on governance, strategy, risk management and metrics and targets), as well as the connections between its sustainability-related disclosures and its financial disclosures"

Verifiability

Sustainability information is verifiable if it is possible to corroborate such information itself or the inputs used to derive it. Verifiability is about ensuring the reliability of the presented information and of the process of its generation. Reliability is when different independent observers with reasonable expertise would be able to reach a similar conclusion and consider that a particular disclosure conveys a faithful representation. Information is verifiable if it is possible to trace it, which is a prerequisite of information being auditable, as it allows for appropriate evidence on the audit assertions to be obtained.

Understandability

Sustainability information is understandable when it is clear and concise. Understandable information enables all (knowledgeable) intended users to readily comprehend the information being communicated. For sustainability disclosures to be concise, they need to (i) avoid generic 'boilerplate' information, that is not specific to the undertaking; (ii) avoid unnecessary duplication of information; and (iii) use clear language and well-structured sentences and paragraphs.

Materiality

Sustainability information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence the decisions made by:

- existing and potential investors, lenders and other creditors regarding the organisation's prospects over the short, medium or long term; or
- stakeholders more broadly concerning the organisation's actual or potential significant impacts on the economy, environment, or society, over the short, medium or long term.

Timeliness

For the purposes of sustainability disclosure, organisations should disclose relevant sustainability information at the same time as its related financial statements.

Box 6 – GRI Sustainability Reporting Principles

The reporting principles are fundamental to achieving high-quality sustainability reporting. Therefore, an organisation is required to apply the reporting principles to be able to claim that it has prepared the reported information in accordance with the GRI Standards. The reporting principles guide the organisation in ensuring the quality and proper presentation of the reported information. High-quality information allows information users to make informed assessments and decisions about the organisation's impacts and its contribution to sustainable development.

- **Accuracy:** The organisation shall report information that is correct and sufficiently detailed to allow an assessment of the organisation's impacts.
- **Balance:** The organisation shall report information in an unbiased way and provide a fair representation of the organisation's negative and positive impacts.
- **Clarity:** The organisation shall present information in a way that is accessible and understandable.

- **Comparability:** The organisation shall select, compile, and report information consistently to enable an analysis of changes in the organisation's impacts over time and an analysis of these impacts relative to those of other organisations.
- **Completeness:** The organisation shall provide sufficient information to enable an assessment of the organisation's impacts during the reporting period.
- **Sustainability context:** The organisation shall report information about its impacts in the wider context of sustainable development.
- **Timeliness:** The organisation shall report information on a regular schedule and make it available in time for information users to make decisions.
- **Verifiability:** The organisation shall gather, record, compile, and analyze information in such a way that the information can be examined to establish its quality.

4 BSE Recommended Sustainability Disclosures

As noted earlier, there have been growing calls from investors, policymakers and other stakeholders for organisations to provide sustainability-related disclosures with the same rigour as they have traditionally done with financial information. Interested stakeholders are looking for information that is consistent, comparable, reliable and assurable[31] that will assist to inform decisions relating to the reporting organisation's financial prospects and/or its contribution to sustainable development.

To meet these stakeholder expectations, and to assist and encourage Botswana's companies to strengthen their disclosure on sustainability-related impacts, risks and opportunities in alignment with recent and emerging global disclosure standards, this section presents the BSE's Recommended Sustainability Disclosures (Figure 5) designed for application across all sectors.

Building on revising the reporting architecture developed initially by the TCFD, and subsequently incorporated into the IFRS Sustainability Disclosure Standards, the ESRS and the TNFD, the BSE has organised its Recommended Sustainability Disclosures around four pillars: governance, strategy, risk and impact management, and metrics, targets and performance. In developing the associated guidance, provision has also been made for the management and related disclosures in the GRI Sustainability Reporting Standards.

These Recommended Sustainability Disclosures are supported by a set of Suggested Sustainability Metrics (see Figure 6 and Section 5), as well as by proposed Sector-Specific Metrics (Section 5.4).

By reporting meaningfully on the Sustainability Disclosures and Metrics – and integrating these considerations into the organisation's governance, strategy, and performance – we believe reporting organisations in Botswana will be sending a clear signal to shareholders and other stakeholders that it has a sound appreciation of the impacts, risks and opportunities associated with running its business.

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[31] *'Assurable' means the information is presented in a manner that can be readily assured by internal and/or external assurance parties.*

Figure 5 – BSE's Recommended Sustainability Disclosures

(Note: more detail on each Recommended Disclosure is provided in Section 4 below)

Governance	Strategy	Risk and impact management	Metrics, targets and performance
Disclose the governance processes, controls, and procedures in place to monitor, manage and oversee the organisation's sustainability-related impacts, risks and opportunities	Disclose the organisation's sustainability-related impacts, risks and opportunities, and the effect of these impacts on the organisation's business model, strategy, and financial planning	Disclose the processes used to identify, assess, prioritise, and monitor the organisation's sustainability-related impacts, risks and opportunities, and how these are integrated into the organisation's overall management processes	Disclose the metrics and targets used to assess and manage the organisation's sustainability-related impacts, risks and opportunities, and review the organisation's performance in addressing sustainability-related issues
Recommended disclosures	**Recommended disclosures**	**Recommended disclosures**	**Recommended disclosures**
1 Describe the board's oversight of sustainability-related impacts, risks and opportunities	1 Describe the sustainability-related impacts, risks and opportunities that the organisation has identified over the short, medium and long term	1 Describe the processes for identifying, assessing and prioritising sustainability-related impacts, risks and opportunities in its direct operations and its value chain	1 Describe the metrics used by the organisation to track the effectiveness of its actions to address each material sustainability-related impact, risk and opportunity
2 Describe management's role in assessing and managing sustainability-related impacts, risks and opportunities	2 Describe the current and anticipated effect of these sustainability-related impacts, risks and opportunities on the organisation's business model, value chain, strategy and financial planning	2 Describe how these various processes are integrated into the organisation's existing impact, risk and opportunity management systems	2 Describe any measurable outcome-oriented targets used by the organisation to track the effectiveness of its actions to address its material sustainability-related impacts, risks and opportunities

Figure 6 – BSE's Suggested Sustainability Metrics

(Note: more detail on the metrics for each issue is presented in Section 5, with accompanying sector-based metrics)

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
G1 Board composition	S1 Labour standards	E1 Climate change and energy
G2 Ethical behaviour	S2 Community development	E2 Water security
G3 Compliance and risk management	S3 Community human rights	E3 Biodiversity and land use
G4 Tax transparency	S4 Occupational health and safety	E4 Pollution and waste
	S5 Customer responsibility	E5.1 Supply chain and materials
	S6 Supply chain labour standards	

4.1 Governance

Disclose the governance processes, controls and procedures in place to monitor, manage and oversee the organisation's sustainability-related impacts, risks and opportunities.

Recommended disclosures

1) ***Describe the board's oversight of sustainability-related impacts, risks and opportunities, including information on:***
    a) *the individual(s) or body(s) (such as a board committee or equivalent) responsible for overseeing the processes to manage the organisation's sustainability-related impacts, risks and opportunities*
    b) *how the board[32] ensures availability of appropriate sustainability-related skills and competencies*
    c) *how, and how often, the board is informed about the organisation's sustainability-related impacts, risks and opportunities, and how these matters were addressed in the reporting period*
    d) *how the board considers sustainability-related impacts, risks and opportunities when overseeing the organisation's strategy, its decisions on major transactions and its risk management processes*
    e) *how the board oversees the setting of targets on sustainability-related issues and monitors progress towards those targets, including whether and how sustainability-related performance metrics are included in remuneration policies and performance incentives, especially at an executive level.*
    f) *the internal control process(es) relating to the organisation's disclosure and communication on sustainability-related impacts, risks and opportunities*
2) ***Describe management's role in assessing and managing sustainability-related impacts, risks and opportunities, including information on:***
    a) *whether that role is delegated to specific management-level positions or committees and how oversight is exercised over that position or committee, with details on reporting lines to supervisory bodies*
    b) *whether management uses controls and procedures to support the oversight of sustainability matters and, if so, how these controls and procedures are integrated with other internal functions*

4.2 Strategy

Disclose the organisation's sustainability-related impacts, risks and opportunities, and the effect of these impacts on the organisation's business model, strategy and financial planning.

Recommended disclosures

1) ***Describe the sustainability-related, impacts, risks and opportunities that the organisation has identified over the short, medium and long term, including information on:***
    a) *how the material negative or positive impacts affect, or are expected to affect, people or the environment and the reasonably expected time horizons for those effects ('impact materiality')*
    b) *which risks and opportunities the organisation reasonably expects could have financial effects on the organisation, and the reasonably expected time horizons for those effects ('financial materiality')*
    c) *how the entity defines 'short term', 'medium term' and 'long term', and how these definitions are linked to the planning horizons used by the entity for strategic decision-making*
2) ***Describe the current and anticipated effect of these sustainability-related impacts, risks and opportunities on the organisation's business model, value chain, strategy and financial planning, including information on:***

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[32] *Reference throughout this section to the 'board' could be in the form of the specific individual(s) or body(s) referred to in 1(a) above*

a) *where in the organisation's business model and value chain the sustainability-related impacts, risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets)*
b) *how these sustainability-related impacts, risks and opportunities have informed the organisation's business model, strategic objectives and financial planning over the short, medium and long term, recognising that sustainability issues often manifest themselves over the medium and longer term*
c) *how the interests and views of the organisation's stakeholders have informed its strategy*

4.3 Risk and impact management

Disclose the processes used to identify, assess, prioritise and monitor the organisation's sustainability-related impacts, risks and opportunities, and how these are integrated into the organisation's overall management processes.

Recommended disclosures

1) ***Describe the processes for identifying, assessing and prioritising sustainability-related impacts, risks and opportunities in its direct operations and its value chain, including information on:***
   a) *the process(es) to identify, assess and prioritise the undertaking's potential and actual impacts on people and the environment ('impact materiality')*
   b) *the process(es) to identify, assess and prioritise sustainability-related risks and opportunities that have or may have financial effects, and how these risks and opportunities are prioritised relative to other types of risks and opportunities ('financial materiality')*
   c) *whether and how the organisation uses scenario analysis to inform its identification of sustainability-related risks;*
   d) *the steps taken to access a diversity of perspectives (both internal and external to the organisation) in identifying and prioritising sustainability-related impacts, risks, and opportunities.*
2) ***Describe how these various processes are integrated into the organisation's existing impact, risk and opportunity management systems***

4.4 Metrics, targets and performance

Disclose the metrics and targets used to assess and manage the organisation's sustainability-related impacts, risks and opportunities, and review the organisation's performance in addressing sustainability-related issues

Recommended disclosures

1) ***Describe the metrics used by the organisation to track the effectiveness of its actions to address each material sustainability-related impact, risk and opportunity, including information on:***
   a) *how the metric is defined, noting the sustainability metrics proposed in this BSE Guidance (Section 5) and in relevant international disclosure standards*[33]
   b) *whether the metric is derived by adjusting a metric taken from another source and, if so, which source and how the metric disclosed by the entity differs from the metric specified in that source*
   c) *how the organisation has performed in addressing each material sustainability-related impact, risk and opportunity, using the applicable metric and as far as possible ensuring consistent and comparable data and disclosure formats, with provision for a suitable historical period to allow for trend analysis*

[33] *For a list of potential standards see Annex 1*

d) *the organisation's approach to ensuring that the performance data gathered is accurate and reliable, including how the organisation's assurance model has been applied to the reported performance data*

2) ***Describe any measurable outcome-oriented targets used by the organisation to track the effectiveness of its actions to address its material sustainability-related impacts, risks and opportunities, including information on:***

a) *the defined target level to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured*

b) *the scope of the target, including the organisation's activities and/or value chain where applicable, and the geographical boundaries*

c) *the baseline value and base year from which progress is measured*

d) *the period to which the target applies and, if applicable, any milestones or interim targets*

e) *the nature of any changes to targets, explaining the reasons for these changes, including (where practical and appropriate) any restated comparative figures.*

f) *the organisation's progress against its targets, including information on how the target is monitored and reviewed, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the organisation's performance towards achieving the target*

5 BSE Suggested Sustainability Metrics

The BSE's Suggested Sustainability Metrics presented in this section are based on a thorough review of recent and emerging global standards at the time and were further informed by a comprehensive accompanying stakeholder consultation process. The metrics include revisions to the approach used in some recent peer exchanges to provide for:

- Greater use of outcome and impact indicators, over simple input and output measures
- The double materiality perspective that is gaining increasing recognition, including specifically as part of the EU's CSRD, and also recognised in the recently published TNFD recommendations
- Recognition of planetary boundaries and emerging global expectations on social performance

An organisation's materiality landscape is dynamic. It is important to recognise that organisation's need to determine their own material matters, at appropriate intervals, and that this list is not intended to be exhaustive or prescriptive. The metrics presented seek to balance the desirability of a 'simple list' with an applied materiality principle. *(Note: text **underlined in bold** below has an explanation on its definition and scope in Annex 3).*

5.1 *Governance metrics*

G1 – BOARD COMPOSITION	METRIC	UNIT	FRAMEWORKS	RATIONALE
G1.1 **Board diversity**	Composition of the board and its committees by race, gender, age group (under 30, 30-50, over 50) and, where relevant, any **under-represented social groups**	# and %	GRI 2-9 ESRS G1-1	The capabilities and perspectives of board members are important for making robust decisions. This disclosure captures a variety of important dimensions relating to composition, going beyond a single metric, and emphasises competencies relating to economic, environmental, and social topics.
G1.2 **Board competence**	Description of the specific skills, competencies, and experience on the Board to address the organisation's significant sustainability-related impacts, risks, and opportunities	Description	GRI 2-9 ESRS G1-3	
G1.3 **Board independence**	Composition of the board in relation to executive or non-executive; independence; tenure on the governance body; and number and nature of each individual's other significant positions and commitments	# and %	GRI 2-9 ESRS G1-1	

G2 – ETHICAL BEHAVIOUR	METRIC	UNIT	FRAMEWORKS	RATIONALE
G2.1 **Anti-corruption** G2.1a	Total percentage of governance body members, employees and business partners who have received training or awareness-raising on the organisation's anti-corruption policies and procedures, broken down by **employee category** and region	% Board members	GRI 205-2 ESRS G2-5 SASB 510	Corruption undermines stakeholder legitimacy and trust; it is linked to misallocation of capital, environmental harm, human exploitation and unethical and illegal behaviour. Anti-corruption training and investment in initiatives to improve both operating environment and culture develop an organisation's anti-corruption capabilities. The total number and nature of corruption incidents are a proxy for the effectiveness of an organisation's overarching anti-corruption culture and capabilities.
G2.1b	Total number and nature of incidents of **corruption** confirmed during the current year, related to this year and previous years, with a description of the activities taken to address confirmed incidents and of the outcomes of these activities	# and description	GRI 205-3 ESRS G2-3	
G2.1c	A description of: i) the internal and external **grievance mechanisms** (including whistle-blowing facilities) for reporting concerns about unethical or unlawful behaviour and lack of organisational integrity ii) mechanisms for seeking advice about ethical and lawful behaviour and organisational integrity iii) the extent to which these various mechanisms have been used, and the outcomes of processes using these mechanisms	# and description	GRI 2-25 GRI 2-26 GRI 205-3 ESRS G2-6 ESRS G2-7 SASB 510	
G2.1d	Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, to combat corruption.	Description	GRI 205 ESRS G2-3	
G2.2 **Lobbying and political contributions** G2.2a	Total monetary value of financial and in-kind **political contributions** made directly and indirectly by the organisation, by country and recipient/beneficiary	BWP, $US or other currency	GRI 415-1 ESRS G2-9	Consistency between an organisation's activities related to lobbying and its publicly stated purpose and strategy is a core component of alignment on long-term objectives, which is essential for long-term value creation. Monitoring this consistency is an important element of overall transparency and the authentic pursuit of the organisation's objectives.
G2.2b	Identify the significant issues that are the focus of the company's participation in public policy development and lobbying, including within any business association that the company is a member of; describe the company's strategy relevant to these areas of focus, identifying any differences between its lobbying positions and its purpose, policies, goals and other public positions	Description	GRI 415-1 ESRS G2-9	

G3 – COMPLIANCE AND RISK MANAGEMENT	METRIC	UNIT	FRAMEWORKS	RATIONALE
G3.1 **Incidents**	Number and nature of significant environmental, social and/or governance related incidents during the reporting period, including incidents of legal non-compliance (whether under investigation, pending finalisation, or finalised) and directives, compliance notices, warnings or investigations, and any public controversies	# and description	GRI 2-27 SASB 510 SASB 270	The number and nature of significant environmental, social and/or governance related incidents can be a proxy for the general effectiveness of an organisation's overarching culture, management systems and capabilities, particularly when tracked over time.
G3.2 **Fines and monetary loss**	Total number and monetary value of fines, settlements, penalties, and other monetary loss suffered in relation to ESG incidents or breaches, including individual and total cost of the fines, settlements and penalties paid in relation to ESG incidents or breaches; and description of plans to address any incidents or breaches	# / BWP, $US or other currency; and description		
G4 – TAX TRANSPARENCY	**METRIC**	**UNIT**	**FRAMEWORKS**	**RATIONALE**
G4.1 **Tax paid and estimated tax gap** G4.1a	A description of the organisation's approach to tax, including: i) whether the organisation has a tax strategy and, if so, a link to this strategy if publicly available ii) the governance body or executive-level position in the organisation that reviews and approves the tax strategy, and frequency of this review iii) how its approach to tax is linked to the business and sustainability strategies of the organisation	Description	GRI 207-1	Reporting of total tax paid provides global information on the organisation's contribution to governmental revenues. This disclosure provides information on the organisation's global tax profile and on the various categories of taxes that support governmental functions and public benefits.
G4.1b	For each tax jurisdiction: the total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes	BWP, $US or other currency	GRI 207-4	
G4.1c	Extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status; estimated tax gap (gap between estimated effective tax rate and estimated statutory tax rate)	Description	GRI 207-4	

5.2 Social metrics

S1 LABOUR STANDARDS	METRIC	UNIT	FRAMEWORKS	RATIONALE
S1.1 Diversity and inclusion S1.1a	Percentage of **employees** per **employee category** by race, gender, age group (under 30, 30-50, over 50), and where relevant other **diversity indicators**	% workforce by category	GRI 405-1 SASB 330	Organisations with greater diversity, particularly within executive teams, are generally better able to innovate, attract top talent, improve their customer orientation, enhance employee satisfaction, access more wide-ranging networks, and secure their licence to operate.
S1.1b	Number of allegations and confirmed incidents of **discrimination** and/or **human rights** relating to workers incidents during the reporting period, noting the investigation status of reported and actual incidents, actions taken, and total amount of monetary losses due to legal proceedings associated with labour law violation, employment discrimination, and/or human rights violations	# and description	GRI 406-1 ESRS-S1-18 ESRS-S1-25 SASB 310	To be effective, organisational culture should be built on a foundation of respect, courtesy, and professionalism, free from any acts of discrimination, bullying or harassment.
S1.2 Pay equality S1.2a	Ratio between the CEO's total **annual remuneration** and the median, lower quartile, and upper quartile of the total **annual remuneration** of all its employees (excluding the CEO)	Ratio	GRI 2-21 GRI 202-1 ESRS-S1-14 ESRS-S1-17	Globally, economic analysis has shown that high levels of inequality undermine economic growth. As noted under G2.1 Remuneration practices, incentives provided to senior executives, and the manner in which they are structured, can significantly reinforce or impede long-term value creation. However, at an organisational level, a wide gap between CEO compensation and the median reinforces inequality and could undermine long-term value creation. This is seen to be particularly relevant in South Africa given that it has one of the highest levels of inequality globally.
S1.2b	The ratio of the average **annual remuneration** of the top 10% of the organisation's top earners, and the average annual remuneration for the bottom 10% of the lowest earners in the organisation	Ratio		
S1.2c	The total **annual remuneration** of both the highest paid employee and the lowest paid employee; the average remuneration; and the median remuneration of all employees	BWP, $US or other currency		
S1.2d	Ratio of the total **annual remuneration** of women to men, and by race group, for each **employee category**, by 'significant locations of operation' (as defined by the organisation)	Ratio	GRI 405-2 ESRS-S1-16	

S1.3 **Living wage** S1.3a	When a significant proportion of **employees** are compensated based on wages subject to minimum wage rules, report the relevant ratio of the standard **entry level wage** by race and gender compared to the applicable legislated **minimum wage** for the sector	Ratio	GRI 202-1 SASB 310	The provision of living wages offers companies a wide range of internal benefits, including: lowering staff turnover, a more motivated and productive workforce, greater economic security, strengthening value chain stability, improving company reputation, and stimulating local economies leading to various positive multiplier effects.[34]
S1.3b	Ratio of lowest wage to **living wage** for **employees** and non-employee **workers** for each significant location of operation	Ratio	Informed by Capitals Coalition *initiative on Accounting for a Living Wage*	
S1.3c	Percentage of employees and non-employee workers whose wages fall below a specific **living wage** **methodology or benchmark**	% workforce		
S1.4 **Freedom of Association** S1.4a	Describe how the organisation manages **freedom of association** and **collective bargaining**, noting any policy or policies considered likely to affect workers' decisions to form or join a trade union, to bargain collectively or to engage in trade union activities.	Description	GRI 407 ESRS-S1-2	The right to freedom of association and collective bargaining are not only internationally recognised as fundamental rights of employees but are also useful tools for organisations and employees to engage, build trust, and negotiate solutions when potential conflicts arise.
S1.4b	Percentage of total **employees** covered under **collective bargaining** agreements	% workforce	GRI 2-30 ESRS-S1-22 SASB 310	
S1.4c	Disclose the extent of major work stoppages (including both strikes and lockouts) due to disputes between the undertaking and its workforce, including the number of major work stoppages, and for each: number of workers involved; length in days of stoppage, reasons and steps taken to resolve each dispute	# and description	ESRS-S1-23	
S1.4d	An explanation of the due diligence assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk including measures taken by the organisation to address these risks	Description	GRI 407-1	

[34] *See Barford, A., Gilbert, R., Beales, A., Zorila, M., & Nelson, J. 2022. The case for living wages: How paying living wages improves business performance and tackles poverty.*

S1.5 Characteristics of employees and workers in workforce	Describe key characteristics of employees in own workforce, including total number of all employees by country; permanent employees; temporary employees; non-guaranteed hours employees; full-time employees; and part-time employees – with breakdown by race and gender for each	Description	ESRS-S1-7	This provides insight into the organisation's approach to employment, including the nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures.
	Describe key characteristics of non-employee workers in the organisation's own workforce, including: total number of non-employee workers, noting the most common type of workers and their relationship with the organisation	Description	ESRS-S1-8	
S2 – COMMUNITY DEVELOPMENT	**METRIC**	**UNIT**	**FRAMEWORKS**	**RATIONALE**
S2.1 Community engagement	Nature of processes for engaging with affected communities and their representatives, and channels for affected community members to raise concerns	Description	GRI 2-29	Without a mechanism for stakeholders to report their concerns, organisations could miss opportunities to identify and address these concerns.
S2.2 Skills for the future	Describe the employee and external skills development programmes aimed at developing skills that increase the recipient's future mobility, career development, and/or income earning potential	Description	GRI 404-2 SASB 101	Building human capital to secure a motivated, productive and skilled workforce is a key priority for organisations., affect business performance, reputation and ability to attract talented workforce.
S2.3 Employment and wealth creation S2.3a	Total number and rate of new **employee** hires during the reporting period, by age group, gender, other **indicators of diversity**, and region	# and rate	GRI 401-1 GRI 202-2 SASB 310	Employment and job creation are key drivers of economic growth, dignity and prosperity. The metrics provide a basic indication of an organisation's capacity to attract diverse talent, which is key to innovate new products and services. Employee turnover may serve as an indication of employee satisfaction or dissatisfaction and potential unfairness in the workplace.
S2.3b	Total number and rate of **employee** turnover (for permanent employees) during the reporting period, by age group, gender, other **indicators of diversity**, and region	# and rate	GRI 401-1 SASB 310	
S2.4 Economic Contribution S2.4a	Direct economic value generated and distributed (EVG&D) on an accrual basis, covering the basic components for the organisation's global operations, ideally split out by: i) Revenue ii) Operating costs iii) **Employee** wages and benefits iv) Payments to providers of capital v) Payments to government (taxes, royalties, levies, etc) vi) Community investment (including charitable giving, impact investment and other social investment)	BWP, $US or other currency	GRI 201-1	The metrics on economic contribution provide a broad indication of how an organisation has created wealth for its various stakeholders by summarising the direct monetary value added to local economies. Disclosure on the financial assistance received from government, when compared with separate disclosures on taxes, is often useful in developing a more balanced review of the balance of transactions between the company and government.

S2.4b	Description of significant identified indirect economic impacts of the organisation, including for example: number of jobs supported in supply or distribution chain; number of suppliers / enterprises supported from defined vulnerable groups; nature of economic development in areas of high poverty; availability of products and services for those on low incomes or previously disadvantaged; enhanced skills and knowledge in a professional community or geographic location	Description - with # and spend where relevant	GRI 203-2 GRI 204-1 GRI 413-1 GRI 413-2 SASB 210	
S2.4c	Percentage of the procurement budget used for significant locations of operation that is spent on **<u>local suppliers</u>**, noting the organisation's definitions of 'local and for 'significant locations of operation'	% of spend	GRI 204-1	
S2.4d	Description (quantitative and qualitative) of the extent of significant infrastructure investment and services supported	BWP, $US or other currency Description	GRI 203-1	
S2.4e	Total monetary value of financial assistance received by the organisation from any government during the reporting period	BWP, $US or other currency	GRI 201-4	

S.3 – COMMUNITY HUMAN RIGHTS	**METRIC**	**UNIT**	**FRAMEWORKS**	**RATIONALE**
S3.1 **Community human rights** S3.1a	Total number and percentage of operations that have been subject to a **<u>human rights</u>** **<u>due diligence</u>** process or impact assessments, by country	# and % operations and description	GRI 408-1 GRI 409-1 GRI 410-1 GRI 205-1 ESRS S3-2 ESRS S3-3 SASB 210 UN Guiding Principles on Business and Human Rights	The activities of organisations may cause or contribute to environmental or social abuses that violate the human rights of individuals, workers and communities. Without a mechanism for employees and other key stakeholders to report human rights violations, organisations could miss opportunities to identify and mitigate such underlying issues.
S3.1c	Number and type of grievances reported with associated impacts related to a **<u>salient human rights issue</u>** in the reporting period, and an explanation of the % of these that are remedied in agreement with those who expressed the grievance	# and description		
S3.1d	Number and percentage of relevant sites (typically those involved in extracting, harvesting, or developing natural resources or energy) that implement a human rights and security approach consistent with the **<u>Voluntary Principles on Security and Human Rights</u>**	# and % operations		
S3.1e	Number and percentage of sites at which the ownership, use of or access to land is contested, and an explanation of actions taken to address related social risks	# and % operations		

S4 - OCCUPATIONAL HEALTH & SAFETY	METRIC	UNIT	FRAMEWORKS	RATIONALE
S4.1 **Occupational health and safety** S4.1a	Number and rate of fatalities as a result of a **work-related injury or ill-health** during the reporting period across the organisation; the disclosure should include both **employees** and **workers** who are not employees, but whose work and/or workplace is controlled by the organisation.	# and rate	GRI 403-9 GRI 403-10 ESRS-S1-11 SASB 320	Maintaining strong safety and health standards can improve employee productivity and operational efficiency. Working proactively in these areas of business will help identify and mitigate risks and it is increasingly required by law.
S4.1b	Number of **recordable work-related injuries**, and number of work-related illnesses or health conditions arising from exposure to **work-related hazards** during the reporting period; the disclosure should include both **employees** and **workers** who are not employees, but whose work and/or workplace is controlled by the organisation.	# / rate	GRI 403-9 GRI 403-10 SASB 320	
S4.1c	An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services and the scope of access provided for **employees** and **workers,** and a description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed.	Description	GRI 403-6	

S5 – CUSTOMER RESPONSIBILITY	METRIC	UNIT	FRAMEWORKS	RATIONALE
S5.1 **High risk products and services** S5.1a	Description of products and services that present specific risks to individuals, communities, or the environment; an outline of the nature of these risks, and the measures taken to mitigate these.	Description	GRI 416-1 GRI 417-1 SASB 250 SASB 260 SASB 270	Disclosure should demonstrate how well an organisation manages the potential impact of its products or services on customers, its exposure to product recalls, and the strength of organisation policies, practices and procedures regarding supply chain, sourcing, and manufacturing compliance. Potential areas of concern include (but are not limited to) products and services associated with gambling, alcohol, tobacco, food and nutrition, medicines, breast milk substitutes, consumer finance, and retailing of processed foods and alcohol.
S5.1b	Number and nature of any product recalls	# and description	GRI 416-2 GRI 417-2 SASB 270	
S5.2 **Product innovation** **S5.2a**	Total research and development spend	BWP, $US or other currency	Adapted from US GAAP ASC 730	Innovation is a significant contributor to ensuring longer-term prosperity. Total costs relating to R&D can be regarded as a basic indication of an organisation's efforts to innovate new products and services and be fit for the future. This can also provide insights into the capacity of the organisation to create new offerings and generate social or environmental benefits. The metric is a proxy to measure the effectiveness and productivity of an organisation's investments in innovation and serves as a primary metric for the maturity phase of innovation.
S5.2b	Total costs related to research and development aimed at enhancing social or environmental attributes of products and services	BWP, $US or other currency	Adapted from US GAAP ASC 730	
S5.2c	Percentage of revenue from products and services designed to deliver specific social or environmental benefits or to address specific sustainability challenges; if the company applies a taxonomy or benchmark to label their activities as sustainable, they should report on the benchmark used and how they meet the criteria of the benchmark	% revenue	Adapted from GRI (FiFS7 + FiFS8) and SASB FN0102-16.a, EPIC)	
S5.3 **Consumer data and privacy** **S5.3a**	A description of the mechanisms and steps taken to ensure privacy of consumer data	Description	GRI 418-1 SASB 230	With the world becoming increasingly digitised, and with many organisations having significant access to potentially sensitive data on customers, clients and/or consumers, there is a heightened need to safeguard consumers' rights of privacy by limiting the types of information gathered and the ways in which such information is obtained, used and secured. Increasing use of electronic communication (including for financial transactions), as well as growth in large-scale databases, raise concerns about how consumer privacy can be protected, particularly with regard to personally identifiable information.
S5.3b	Total number of substantiated complaints received concerning breaches of customer privacy (categorized by complaints received from outside parties and substantiated by the organisation, and complaints from regulatory bodies), and total number of identified leaks, thefts, or losses of customer data.	# and description	GRI 418-1 SASB 230	

S6 SUPPLY CHAIN LABOUR STANDARDS	**METRIC**	**UNIT**	**FRAMEWORKS**	**RATIONALE**
Supply Chain (Social) S6.1a	Description of the operations and suppliers considered to have a significant risk of **child** labour, **forced or compulsory labour**, or other significant actual and potential negative social impacts, given the type of operation, commodities, or geographic region, and the nature of the measures taken by the organisation intended to contributing to eliminating these risks	Description	GRI 408-1 GRI 409-1 ESRS S2-2 ESRS S2-3 ESRS S2-5 SASB 430 SASB 440	All organisations have the responsibility to respect human rights, including within their sphere of influence. Delivering on this responsibility requires that organisations exercise due diligence to identify, prevent and address any actual or potential human rights impacts resulting from their activities or the activities of those with which they have relationships. Identifying, managing and disclosing these risks, helps to mitigate potential abuses, in the interests of the organisation, affected stakeholders and society at large.
S6.1b	The number and percentage of identified **child** labour, or **forced and compulsory** labour incidents in its operations or value chain; and percentage of these where the reporting entity has played a role in securing remedy for those affected	# and %		
S6.1c	Report wherever material across the **supply chain**: mechanisms (eg supplier screening, and audits) to identify and address significant actual and potential negative social impacts, nature of these impacts, and measures to address these	Description	GRI 414-1 GRI 414-2 ESRS S2-5 SASB 430 SASB 440	
S6.1d	% of products certified by external agencies, % of traceable origin	%	SASB 430	

5.3 Environmental metrics

E1 CLIMATE CHANGE	METRIC	UNIT	FRAMEWORKS	RATIONALE
E1.1 **GHG Emissions** E1.1a	Absolute gross **greenhouse gas** emissions expressed as metric tonnes of CO_2-equivalent and measured in accordance with the Greenhouse Gas Protocol for: **Scope 1**, **Scope 2**, and **Scope 3** emissions. Scope 1 and Scope 2 emissions should be disclosed separately for (i) the consolidated accounting group (the parent and its subsidiaries) and (ii) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in (i).	Metric tonnes of carbon dioxide equivalent (MtCO2e)	IFRS S2 GRI 305:1-3 ESRS E1-7; E1-8; E1-9; ESRS E1-10 SASB 110 TCFD GHG Protocol	GHG emissions cause climate change, which is expected to have increasingly significant economic, environmental, and social impacts. As a result, GHGs are a key focus area for policy, regulatory, market and technology responses to limit rising temperatures. Organisations with emission-intensive business models are likely to face greater risks from the transition to a lower emission economy in terms of increased regulatory requirements and additional capital expenditure. For many organisations, the most significant GHG emissions are found in their supply chains, not in their own operations. Reporting on Scope 3 emissions can assist in identifying potential supply chain risks in terms of exposure to the transition to a lower emission economy. It can also help improve energy efficiency and cost reduction programmes.
E1.1b	**Scope 3** emissions should include upstream and downstream emissions. The categories of Scope 3 emissions and basis for measurement for information provided by entities in the value chain should be disclosed. Recognising the challenges related to the disclosure of Scope 3 emissions, including data availability, reasons should be provided when Scope 3 emissions or categories of Scope 3 emissions are omitted.	Metric tonnes of carbon dioxide equivalent (MtCO2e)	IFRS S2 GRI 305:1-3 ESRS E1-9	
E1.1c	**Emissions intensity:** GHG emissions intensity for Scope 1, 2 and 3, expressed as metric tonnes of CO_2-equivalent per unit of physical or economic output.	$MtCO_{2-e}$ per unit of output	GRI 305:1-3 ESRS E1-10	
E1.2 **Energy mix**	Total energy use and share of energy usage by generation type noting use of energy from renewable non-fossil sources, (namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas).	MWhs or GJ / Percentage by type	GRI 302 ESRS E1-5 SASB 130	

E1.3 Science-based targets	Define and report progress against time-bound short-, medium-, and long-term science-based GHG targets that are in line with the goals of the Paris Agreement and Glasgow Climate Pact. This includes reducing global carbon dioxide emissions by 45% by 2030 relative to the 2010 level, and to net zero around mid-century, based on the best available scientific knowledge and equity, considering common but differentiated responsibilities and respective capabilities, and in the context of sustainable development and efforts to eradicate poverty. Science-based emissions reduction targets should be informed by recognised scientific methodologies and verified through approved processes; they should (as an absolute minimum) be consistent with relevant host country/ies Nationally Determined Contribution.	Description	GRI 305 SASB 110	The Paris Agreement aims to limit the global average temperature increase to well below 2°C and preferably to 1.5°C above pre-industrial levels. Climate-related risks are projected to increase substantially as temperatures increase. Science-based targets are emission reduction targets aligned with the latest climate science that provide companies with a pathway consistent with the Paris Agreement. Under the Paris Agreement, the principle of common but differentiated responsibilities and respective capabilities acknowledges different national circumstances while calling on all parties to act.
E1.4 Just transition E1.4a	Existence and nature of a 'transition plan' that commits to stakeholder engagement with affected workers and communities	Description	TCFD consultation WBA GRI 11 (Oil and Gas supplement)	The Paris Agreement incorporated the notion of a "just transition", which originated in the labour movement, to signal the importance of minimising the negative impacts and maximising the positive opportunities for communities and workers as part of the shift toward a low emission economy. Given the importance of the just transition, it will be critical to pay increasing attention to the related risks and opportunities and ensure that social considerations are also addressed in decarbonisation and energy transition plans.
E1.4b	Number of workers in the past year recruited, retrained, retrenched, and/or compensated due to implementation of the decarbonisation plan	#		
E1.4c	Number of engagements undertaken with affected parties by group and geography	#		
E1.4d	Nature of climate-related lobbying activities, and those of relevant associations and membership groups, and their alignment with the objectives of the Paris Agreement and Glasgow Climate Pact	Description		
E1.4e	Nature of provision for delivery of the transition plan within executive remuneration	Description		
E1.4f	Nature of provision for impacts on workers and communities within climate scenario plans	Description		
E1.4g	Amount of capital and expenditure deployed on direct and indirect climate adaptation and climate mitigation efforts	BWP/US$ etc		

E2 WATER SECURITY	METRIC	UNIT	FRAMEWORKS	RATIONALE
E2.1 **Water usage** E2.1a	Total **water consumption** from all areas, and from areas with **water stress**	Megalitres	GRI 303-5 ESRS-E3-4 SASB 140	Water is a finite resource and its consumption has implications for the environment and society at both local and national levels. Organisations can face operational, regulatory and reputational risks relating to water use, while failing to manage water use efficiently can result in additional costs. Water usage in water-stressed areas can result in negative societal impacts due to greater competition over scarce resources. There is also a greater risk of possible operational disruptions and shutdowns.
E2.1b	Total **water withdrawal** from all areas with **water stress**, with a breakdown by following sources if applicable: surface water, groundwater, seawater, produced water, third-party water.	Megalitres	GRI 303-3 ESRS-E3-4 SASB 140	
E2.1c	Freshwater consumption intensity: total freshwater use per material unit (eg sales revenue, unit of production, m^2 of building, or other)	Megalitres / per unit	ESRS-E3-4 SASB 140	
E3 BIODIVERSITY AND LAND USE	**METRIC**	**UNIT**	**FRAMEWORKS**	**RATIONALE**
E3.1 **Biodiversity** E3.1a	Number and area of sites owned, leased, or managed in or adjacent to areas of high biodiversity value (**Key Biodiversity Areas - KBAs)**, for operations (if applicable) and full supply chain (if material)	# & hectares (or km^2 if applicable)	GRI 304-1 ESRS-E2-6	Biodiversity loss has critical implications for humanity, from the collapse of food and health systems to the disruption of entire supply chains. A primary driver of biodiversity loss is the growth in demand for land or marine areas and the associated conversion of ecosystems. Current demand for land is indicated in the area of land used in a company's operations and supply chains while the annual change reflects whether there is increasing or decreasing pressure for new conversions of ecosystems.
E3.1b	Area of land used for the production of basic plant, animal or mineral commodities (e.g. the area of land used for forestry, agriculture or mining activities)	Total surface Hectares	GRI 304-2 ESRS-E4-5	
E3.1c	Level of capital and expenditure deployed towards implementation of measures undertaken to manage positive impacts and avoid, minimise, restore/rehabilitate and/or offset negative impacts on biodiversity and ecosystems	BWP, $US or other currency	ESRS-E4-7	
E3.1d	Describe wherever material across the value chain mechanisms aimed at enhancing management of biodiversity and ecosystem impacts (such as policies, targets, certifications, and audits)	Description	GRI 304 ESRS-E4-7	
E3.1e	Describe and report results of any processes aimed at identifying, assessing and/or managing the biodiversity footprint of the organisation, including for example: size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals; and status of each area based on its condition at the close of the reporting period, noting the standards and methodologies used	Description Hectares (or km^2)	GRI 304-3	

<table>
<tr><th>E4 POLLUTION AND WASTE</th><th>METRIC</th><th>UNIT</th><th>FRAMEWORKS</th><th>RATIONALE</th></tr>
<tr><td>E4.1
Solid waste
E4.1a</td><td>Total weight of <u>waste</u> generated (non-recycled), with a breakdown by composition of waste, noting % directed to disposal (including landfill and incineration), and % diverted from disposal (eg reuse, recycling, recovery)</td><td>Tonnes and %</td><td>GRI 306-3
ESRS-E5-6
SASB 150</td><td rowspan="3">Waste is a growing concern in many economies due to factors such as urbanisation, poor regulation and standards, inadequate facilities, and new sources of waste such as plastic and e-waste. Waste management is critical for both environmental protection and public health. Effective waste management, which can include circular economy principles, can reduce operational and capital costs through improved efficiencies and, in some case, provide new input sources. A failure to manage waste can result in reputational damage and increase potential financial and legal liability costs.</td></tr>
<tr><td>E4.1b</td><td>Total weight of <u>hazardous waste</u> generated, noting % directed to disposal (including landfill and incineration), and % diverted from disposal (eg reuse, recycling, recovery)</td><td>Tonnes and %</td><td>GRI 306-4
GRI 306-5
ESRS-E5-6
SASB 150</td></tr>
<tr><td>E4.1c</td><td>Waste intensity: total waste per material unit (eg sales revenue, unit of production, or other)</td><td>Tonnes / BWP or US$ etc / unit</td><td>GRI 306-3</td></tr>
<tr><td>E4.2
Single use plastic</td><td>Report wherever material along the value chain: estimated metric tonnes of single-use plastic consumed and share (%) of single-use plastic weight of total plastic weight</td><td>Tonnes / %</td><td>ESRS-E5-4
ESRS-E5-5
SASB 410</td><td>Eliminating plastic pollution requires a shift from single-use to reusable packaging. Recycling is important, but reusable packaging will reduce the need for single-use products. Plastic waste has significant environmental impacts that range from the loss of marine life to the build-up of potentially toxic material in the food chain.</td></tr>
<tr><td>E4.3
Atmospheric pollution
E4.3a</td><td>Report wherever material along the value chain: nitrogen oxides (NOx), sulphur oxides (SOx), volatile organic compounds (VOC), persistent organic pollutants (POP), particulate matter, and other significant air emissions identified in relevant regulations</td><td>Kilograms or multiples per emission type</td><td>GRI 305-7
ESRS-E2-4
SASB 120</td><td rowspan="2">Air pollutants, which include particulate matter, volatile organic compounds and the oxides of sulphur and nitrogen, are harmful to human health and a leading cause of respiratory illnesses and premature death around the world. Pollutant emissions in densely populated areas are often particularly harmful due to the large number of people affected and the higher level of ambient pollution.</td></tr>
<tr><td>E4.3b</td><td>Wherever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas</td><td>Percentage</td><td>ESRS-E2-5</td></tr>
<tr><td>E4.4
Water discharge</td><td>Total water discharge to all areas in megalitres, and list of priority substances of concern for which discharges are treated, including how these substances were defined, approach to setting discharge limits, and no of incidents of non-compliance with discharge limits</td><td>Megalitres, description and # of incidents</td><td>GRI 303-4
ESRS-E2-5
ESRS-E2-6</td><td>Sources of water pollution include industrial waste, sewerage, and agricultural runoff. The effective functioning of ecosystems and the services that they provide requires the nitrogen, phosphorus and potassium cycles to be kept in balance. Where levels of nitrogen, phosphorus and potassium exceed sustainable thresholds, freshwater and oceanic dead zones may occur.</td></tr>
</table>

E5 SUPPLY CHAIN AND MATERIALS	METRIC	UNIT	FRAMEWORKS	RATIONALE
E5.1 **Supplier screening**	Report wherever material across the **supply chain**: mechanisms (eg supplier screening, and audits) to identify and address significant actual and potential negative environmental impacts, nature of these impacts, and measures to address these	Description	GRI 308-1 GRI 308-2 SASB 440 SASB 430	Environmental issues in the supply chain can lead to operational risks, such as shutdowns, financial risks from fines and compliance orders, and reputational risks. These can impact an organisation's ability to access finance and capital. Mechanisms such as supplier codes of conduct can reduce environmental risks in the supply chain by improving business practices. These can result in positive returns through lower costs, improved efficiency and access to new markets.
E5.2 **Materials sourcing** E5.2a	Process to identify and manage emerging materials and chemicals of concern in products (materials of concern could include conflict minerals or recognised high impact raw materials such as palm oil)	Description	GRI 417-1 SASB 430	Materials of concern in the supply chain can raise both reputational and operational risks due to environmental factors such as biodiversity loss, deforestation, water pollution and waste management. A process to identify and manage materials of concern, such as a due diligence and supply chain mapping process, should be used to prevent and/or address potential environmental impacts.
E5.2a	Percentage of materials identified in point 1 above that are covered by a sustainability certification standard or formalized sustainability management programme	% materials	SASB 430	Signing up to a sustainability certification standard or formalised sustainability management programme can provide stakeholders with a degree of confidence that materials of concern within the supply chain are being properly addressed.

5.4 Sector-specific metrics

The following tables present a set of suggested metrics by sector for each of the main sectors currently listed on the BSE. These tables have been informed by a review of the SASB sector standards[35], the priority ESG rating issues of leading rating agencies (when publicly available)[36], and the consultant team's extensive experience on company sustainability disclosure.

Agriculture sector

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S1 Labour standards • S2.1 Community engagement • S2.2 Skills for the future • S3.4 Economic contribution • S4 Occupational health and safety • S4 Supply chain labour standards • *Food safety* • *GMO use and management*	• E1.1 GHG emissions • E1.2 Energy mix • E2 Water security • E3 Biodiversity and land use • E4.1 Solid waste • E4.4 Water discharge • E5.1 Supplier screening (environmental) • E5.4 Materials sourcing

Asset management sector

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S2.2 Skills for the future • S5.3 Consumer data and privacy • *Consumer financial protection* • *Financial products and services information to customers* • *Investment management and advisory – provision for social issues*	• E1.1 GHG emissions • *Investment management and advisory – provision for environmental issues*

Banking sector

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S2.2 Skills for the future • S5.3 Consumer data and privacy • *Consumer financial protection* • *Financial products and services – information to customers* • *Investment management and advisory – provision for social issues* • *Financial inclusion*	• E1.1 GHG emissions • *Financed GHG emissions* • *Investment management and advisory – provision for environmental issues*

[35] *The 77 sector based SASB Standards are available at: https://sasb.org/standards/download/*

[36] *See for example MSCI ESG Industry Materiality Map: https://www.msci.com/our-solutions/esg-investing/esg-industry-materiality-map*

Hotels, lodging and tourism

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S1 Labour standards • S2.1 Community engagement • S2.2 Skills for the future • S2.4 Economic contribution • S5.3 Consumer data and privacy	• E1.1 GHG emissions • E2 Water security • E3 Biodiversity and land use • E4.1 Solid waste • E4.4 Water discharge

Food retailers and distributors

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S1 Labour standards • S2.1 Community engagement • S2.2 Skills for the future • S3.4 Economic contribution • S4 Occupational health and safety • S4 Supply chain labour standards • S5 Customer responsibility	• E1.1 GHG emissions • E1.2 Energy mix • E2 Water security • E3 Biodiversity and land use • E4.1 Solid waste • E4.4 Water discharge • E5.1 Supplier screening (environmental) • E5.4 Materials sourcing

Insurance sector

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S2.2 Skills for the future • S5.3 Consumer data and privacy • *Consumer financial protection* • *Financial products and services: information to customers* • *Investment management and advisory: provision for social issues* • *Financial inclusion* • *Customer behaviour change: nature of products to incentivise behaviour*	• E1.1 GHG emissions • *Investment management: provision for environmental issues*

Multiline and speciality retailers and distributors

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S1 Labour standards • S2.1 Community engagement • S2.2 Skills for the future • S2.4 Economic contribution • S4 Occupational health and safety • S4 Supply chain labour standards • S5 Customer responsibility	• E1.1 GHG emissions • E1.2 Energy mix • E1.4 Just transition • E2 Water security • E4.1 Solid waste • E4.2 Single use plastic • E5.1 Supplier screening (environmental) • E5.4 Materials sourcing

Mining sector

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S1 Labour standards • S2.1 Community engagement • S2.2 Skills for the future • S2.4 Economic contribution • S3 Community human rights • S4 Occupational health and safety • S4 Supply chain labour standards • S5 Customer responsibility	• E1.1 GHG emissions • E1.2 Energy mix • E1.4 Just transition • E2 Water security • E3 Biodiversity and land use • E4.1 Solid waste • E4.3 Atmospheric pollution • E4.4 Water discharge • E5.1 Supplier screening (environmental) • E5.4 Materials sourcing • *Tailings storage facilities management*

Property and real estate

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S1 Labour standards • S2.2 Skills for the future • S2.4 Economic contribution • S4 Occupational health and safety • *Tenants: integration of social issues*	• E1.1 GHG emissions • E1.2 Energy mix • E2 Water security • E4.1 Solid waste • *Green buildings* • *Property investment /management: integration of environmental issues* • *Tenants: integration of environmental issues*

Telecommunications sector

GOVERNANCE METRICS	SOCIAL METRICS	ENVIRONMENTAL METRICS
• All Recommended Disclosures • All governance metrics	• S2.1 Community engagement • S2.2 Skills for the future • S2.4 Economic contribution • S4 Occupational health and safety • S4 Supply chain labour standards • S5 Customer responsibility • *Anti-trust and monopoly practices* • *Electromagnetic radiation*	• E1.1 GHG emissions • E1.2 Energy mix • E3 Biodiversity and land use • E4.1 Solid waste • E4.3 Atmospheric pollution • E5.1 Supplier screening (environmental) • *Electronic waste management* • *Product end-of-life management*

ANNEXES

Annex 1: Sustainability-related disclosure standards and frameworks

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

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

EU Corporate Sustainability Reporting Directive (CSRD) https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
Adopted in July 2022, and entering into force in January 2023, the CSRD amends the EU's existing reporting requirements of the NFRD, extending the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises), and introducing more detailed reporting requirements, using the European Sustainability Reporting Standards (ESRS).

EU Corporate Sustainability Due Diligence Directive (CSDDD)
The CSDD was passed by the European Parliament in June 2023. The CSDDD focuses on human rights and environmental impacts within a company's supply chain and aims to "foster sustainable and responsible corporate behaviour in companies' activities and governance structures." It is intended to work in tandem with the CSRD as a primary reporting method for companies to disclose sustainability-related activities throughout their supply chains.

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

European Sustainability Reporting Standards (ESRS)
Drafted by the European Financial Reporting Advisory Group (EFRAG), the ESRS is intended to standardize ESG reporting in all EU member states and allow for more accurate, consistent, and comparable data on ESG-related topics. The disclosure framework breaks down ESG issues into four sections: crosscutting standards, environment, social, and governance. Sector-specific standards will follow sometime in 2024.

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

EU Taxonomy https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
Published in June 2020, the EU Taxonomy established a classification system to create a common language for sustainable finance and corporate sustainability. The Taxonomy provides the qualification criteria of sustainable economic activities. It currently focuses on environmental considerations, with social and governance factors to be included in future.

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

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

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

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

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

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

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

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

SDG Disclosure Recommendations https://integratedreporting.org/resource/sustainable-development-goals-disclosure-sdgd-recommendations/
The Sustainable Development Goals Disclosure (SDGD) Recommendations seek to establish best practice for

corporate reporting on the SDGs and enable more effective and standardized reporting and transparency on climate change, social and other environmental impacts. The report was published by the global accountancy bodies, IFAC, ACCA, ICAS, CA ANZ, as well as the IIRC and World Benchmarking Alliance.

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

Task Force on Nature-related Financial Disclosures (TNFD) https://tnfd.global
The TNFD has developed a set of disclosure recommendations and guidance for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities.

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

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

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

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

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

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

Annex 2: Sample outline framework for an ESG report

Introduction / Overview

- About this report: Include details on reporting boundary, scope and frameworks
- Message from Board Chair (or Chair of relevant Board Committee)
- Message from CEO
- Performance summary

About our company

- Organisational profile
- Organisational strategy
- Business model
- Stakeholder engagement

Sustainability governance and management

- Sustainability governance: Ethics and integrity
- Management of sustainability impacts, risks and opportunities
- Sustainability-related risk management
- Materiality process

Sustainability performance

- Social
- Environmental

Annex 3: Glossary

Annual remuneration	Basic salary plus additional amounts paid, including bonuses, stock and option awards, benefit payments, overtime, time owed, and any additional allowances, such as transportation, living and childcare allowances.
Business model	An organisation's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value for the organisation and hence generate cash flows over the short, medium and long term
Child *(for purposes of child labour)*	Person under the age of 15 years, or under the age of completion of compulsory schooling, whichever is higher. Exceptions regarding child labour can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years applies. These countries of exception are specified by the International Labour Organisation (ILO) in response to a special application by the country concerned and in consultation with representative organisations of employers and workers.
Collective bargaining	All negotiations that take place between one or more employers or employers' organisations, on the one hand, and one or more workers' organisations (e.g., trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage. (*Source: Transparency International, Business Principles for Countering Bribery, 2011)*
CSRD	Corporate Sustainability Reporting Directive: An update to the Non-Financial Reporting Directive, which will require all large companies and listed companies to meet sustainability reporting requirements
Discrimination	Act and result of treating persons unequally by imposing unequal burdens or denying benefits instead of treating each person fairly on the basis of individual merit. Discrimination can also include harassment, defined as a course of comments or actions that are unwelcome, or should reasonably be known to be unwelcome, to the person towards whom they are addressed.
Diversity indicator	Indicator of diversity for which the organisation gathers data; examples include: age, race, citizenship, creed, disability, and gender
Due diligence	Process to identify, prevent, mitigate, and account for how the organisation addresses its actual and potential negative impacts
EFRAG	European Financial Reporting Advisory Group: A private association that the European Commission has assigned to develop the EU ESRS. These standards will form part of the proposed a CSRD.
Employee	Individual who is in an employment relationship with the organisation according to national law or practice
Employee category	Breakdown of employees by level (such as senior management, middle management) and function (such as technical, administrative, production). Note: This information is derived from the organisation's own human resources system, and in accordance with any relevant local labour law requirements.

Entry level wage	Full-time wage in the lowest employment category. Intern or apprentice wages are not considered entry level wages.
ESRS	EU Sustainability Reporting Standards.
Exposure	Quantity of time spent at, or the nature of contact with, certain environments that possess various degrees and kinds of hazard, or proximity to a condition that might cause injury or ill health (e.g., chemicals, radiation, high pressure, noise, fire, explosives)
Financial assistance	Direct or indirect financial benefits that do not represent a transaction of goods and services, but which are an incentive or compensation for actions taken, the cost of an asset, or expenses incurred. Note: The provider of financial assistance does not expect a direct financial return from the assistance offered.
Financial materiality	Sustainability-related information is financially material, if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports (typically existing and potential investors, lenders and other creditors) make on the basis of those reports.
Forced or compulsory labour	All work and service that is exacted from any person under the menace of any penalty and for which this person has not offered herself or himself voluntarily. The most extreme examples of forced or compulsory labour are slave labour and bonded labour, but debts can also be used as a means of maintaining workers in a state of forced labour.
Freedom of association	Right of employers and workers to form, to join and to run their own organisations without prior authorization or interference by the state or any other entity
Greenhouse gases (GHG)	The seven greenhouse gases listed in the Kyoto Protocol–carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF_3); perfluorocarbons (PFCs); and sulphur hexafluoride (SF_6).
Hazardous waste	Waste that possesses any of the characteristics contained in Annex III of the Basel Convention, or that is considered hazardous by national legislation.
Human rights	Rights inherent to all human beings, which include, at a minimum, the rights set out in the UN International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work (Source: GRI Standards, citing UN Guiding Principles on Business and Human Right
Human rights due diligence	An ongoing risk management process that a reasonable and prudent undertaking needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.
IFRS	International Financial Reporting Standards Foundation: "established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards—IFRS Standards—and to promote and facilitate adoption of the standards".
Impact	The positive or negative effect an organisation has or could have on the economy, environment and people, including effects on their human rights, as a result of the organisation's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
Impact materiality	A sustainability matter is material from an impact perspective if the organisation is connected to actual or potential significant impacts related to the matter on people or the environment over the short-, medium- or long-term; this includes impacts directly caused or contributed to by the organisation in its own operations, products or services and impacts that are otherwise directly linked to the organisation's value chain, not limited to direct contractual relationships.

Infrastructure	Facilities built primarily to provide a public service or good rather than a commercial purpose, and from which the organisation does not seek to gain direct economic benefit. Examples include: hospitals, roads, schools, water supply facilities.
Intensity target	A target defined by a change in the ratio of emissions to a business metric over time, for example, reduce CO2 per tonne of cement by 12% by 2008.
ISSB	International Sustainability Standards Board: Established by the IFRS Foundation, with the aim of developing and maintaining a global set of sustainability-related reporting standards.
King IV	The King IV Report on Corporate Governance for South Africa, 2016 set out the "philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa".
Living wage	Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her/his family, including food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.[37] Methods to define living wages for countries, regions, or cities include: **living wage methodologies and benchmarks**; social dialogue and collective bargaining processes; and employee consultations and surveys.
Living wage methodologies and benchmarks	Key living wage methodologies and benchmarks include: the Anker Methodology (a methodology for calculating living wage levels through engaging local people and local organisations); Anker Reference Values (a set of estimates of living wage or income for rural and urban areas in countries not yet covered by a full Anker Methodology benchmark study); Fair Wage Network's Living Wage Database (Paid-for wage benchmarks for 200 countries and more than 1500 regions and cities); the Global Living Wage Coalition Database (information on living wages in 37 regions or countries); IDH Benchmark Finder (database of IDH-recognised living wage benchmarks for over 140 countries); and IDH Benchmark Series (a list of living wage methodologies recognised by IDH as having met nine quality criteria)[38]
Local suppliers	Organisation or person that provides a product or service to the reporting organisation, and that (as a minimum) is based in the same geographic market as the reporting organisation (ie no transnational payments are made). Note: the organisation's definition of 'local' can specifically include the community surrounding operations, a region within a country, or a country.
Minimum wage.	Minimum remuneration that an employer is legally required to pay wage earners, and which cannot be reduced by collective agreement or individual contract
NFRD	Non-Financial Reporting Directive: EU law requiring certain large companies to disclose information on the way they operate and manage social and environmental challenges.
Political contributions	Financial or in-kind support given directly or indirectly to political parties, their elected representatives, or persons seeking political office. Financial contributions can include donations, loans, sponsorships, retainers, or the purchase of tickets for fundraising events. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, or the provision of board membership, employment or consultancy work for elected politicians or candidates for office.
Recordable work-related injury or ill health	**Work-related injury or ill health** that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness

[37] *Global Living Wage Coalition. 2021a. The Anker Methodology for Estimating a Living Wage*

[38] Barford, A., Gilbert, R., Beales, A., Zorila, M., & Nelson, J. 2022. *The case for living wages: How paying living wages improves business performance and tackles poverty*

Salient human rights issues	Those human rights that stand out because they are at risk of the *most severe negative impact* through the company's activities or business relationships. This concept uses the lens of risk to people, not the business, as the starting point, while recognizing that where risks to people's human rights are greatest, there is strong convergence with risk to the business
Science-based target	Science-based targets are aligned with the latest climate science in terms of what is required to meet the Paris Agreement's goal of limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.
Scope 1 emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles or emissions from chemical production in owned or controlled process equipment.
Scope 2 emissions	Indirect greenhouse gas emissions that occur from the generation of purchased electricity, heat or steam consumed by an entity. Purchased electricity is defined as electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 emissions physically occur at the facility where electricity is generated.
Scope 3 emissions	Indirect emissions outside of Scope 2 emissions that occur in the value chain of the reporting organisation, including both upstream and downstream emissions, as a consequence of the activities of the organisation. Scope 3 emissions include purchased goods and services; capital goods; fuel- and energy-related activities not included in Scope 1 emissions or Scope 2 emissions; upstream transportation and distribution; waste generated in operations; business travel; employee commuting; upstream leased assets; downstream transportation and distribution; processing of sold products; use of sold products; end-of-life treatment of sold products; downstream leased assets; franchises; and investments.
SFDR	The Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants and financial advisors to disclose sustainability-related information within their operations and portfolios. It also prescribes classification of financial products, such as funds and bonds.
Supply chain	Range of activities carried out by entities upstream from the organisation that provide products or services that are used in the development of the organisation's own products or services. This includes upstream entities with which the undertaking has a direct (often referred to as a first-tier supplier) or indirect business relationship.
Sustainable development / sustainability	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (Sustainable development is about integrating the goals of a high quality of life, health and prosperity with social justice and maintaining the earth's capacity to support life in all its diversity. These social, economic and environmental goals are interdependent and mutually reinforcing.) (Note: The terms 'sustainability' and 'sustainable development' are used interchangeably in this Disclosure Guidance).
TCFD	Task Force on Climate-related Financial Disclosures: established by the Financial Stability Board in 2015 to develop recommendations for more effective climate-related disclosures to support informed capital allocation.
TNFD	Task Force on Nature-related Financial Disclosures
Under-represented social groups	Group of individuals who are less represented within a subset (e.g., a body or committee, employees of an organisation) relative to their numbers in the general population, and who thus have less opportunity to express their economic, social, or political needs and views. Under-represented social groups may include minority groups. The groups included under this definition depend on the organisation's operating context and are not uniform for every organisation or region.

Value chain	The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.
Voluntary Principles on Security and Human Rights	A set of principles that guides companies on how to conduct their security operations while respecting human rights
Waste	Anything that the holder discards, intends to discard, or is required to discard
Water consumption	Sum of all water that has been withdrawn and incorporated into products, used in the production of crops or generated as waste, has evaporated, transpired, or been consumed by humans or livestock, or is polluted to the point of being unusable by other users, and is therefore not released back to surface water, groundwater, seawater, or a third party over the course of the reporting period.
Water discharge	Sum of effluents, used water, and unused water released to surface water, groundwater, seawater, or a third party, for which the organisation has no further use, over the course of the reporting period. Water can be released into the receiving waterbody either at a defined discharge point (point-source discharge) or dispersed over land in an undefined manner (non-point-source discharge). Water discharge can be authorized (in accordance with discharge consent) or unauthorized (if discharge consent is exceeded).
Water stress	Ability, or lack thereof, to meet the human and ecological demand for water; Water stress is based on subjective elements and is assessed differently depending on societal values, such as the suitability of water for drinking or the requirements to be afforded to ecosystems. Publicly available and credible tools for assessing areas with water stress include the World Resources Institute 'Aqueduct Water Risk Atlas,' and the WWF 'Water Risk Filter'.
Water withdrawal	Sum of all water drawn from surface water, groundwater, seawater, or a third party for any use over the course of the reporting period
Work-related hazard	Source or situation with the potential to cause injury or ill health. Hazards can be physical, ergonomic, chemical, biological, psychosocial, or related to work organisation
Work-related injury or ill-health	Negative impacts on health arising from exposure to hazards at work. 'Ill health' indicates damage to health and includes diseases, illnesses, and disorders (conditions with specific symptoms and diagnoses).
Worker	An individual performing work for a company, regardless of the existence or nature of any contractual relationship with that company. Examples include employees, agency workers, apprentices, contractors, home workers, interns, self- employed persons, sub-contractors, volunteers, and persons working for organisations other than the reporting organisation, such as for suppliers. For the purposes of the health and safety metrics, worker relates to those who are not employees, but whose work and/or workplace is controlled by the reporting organisation.

Annex 4: Acknowledgments

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