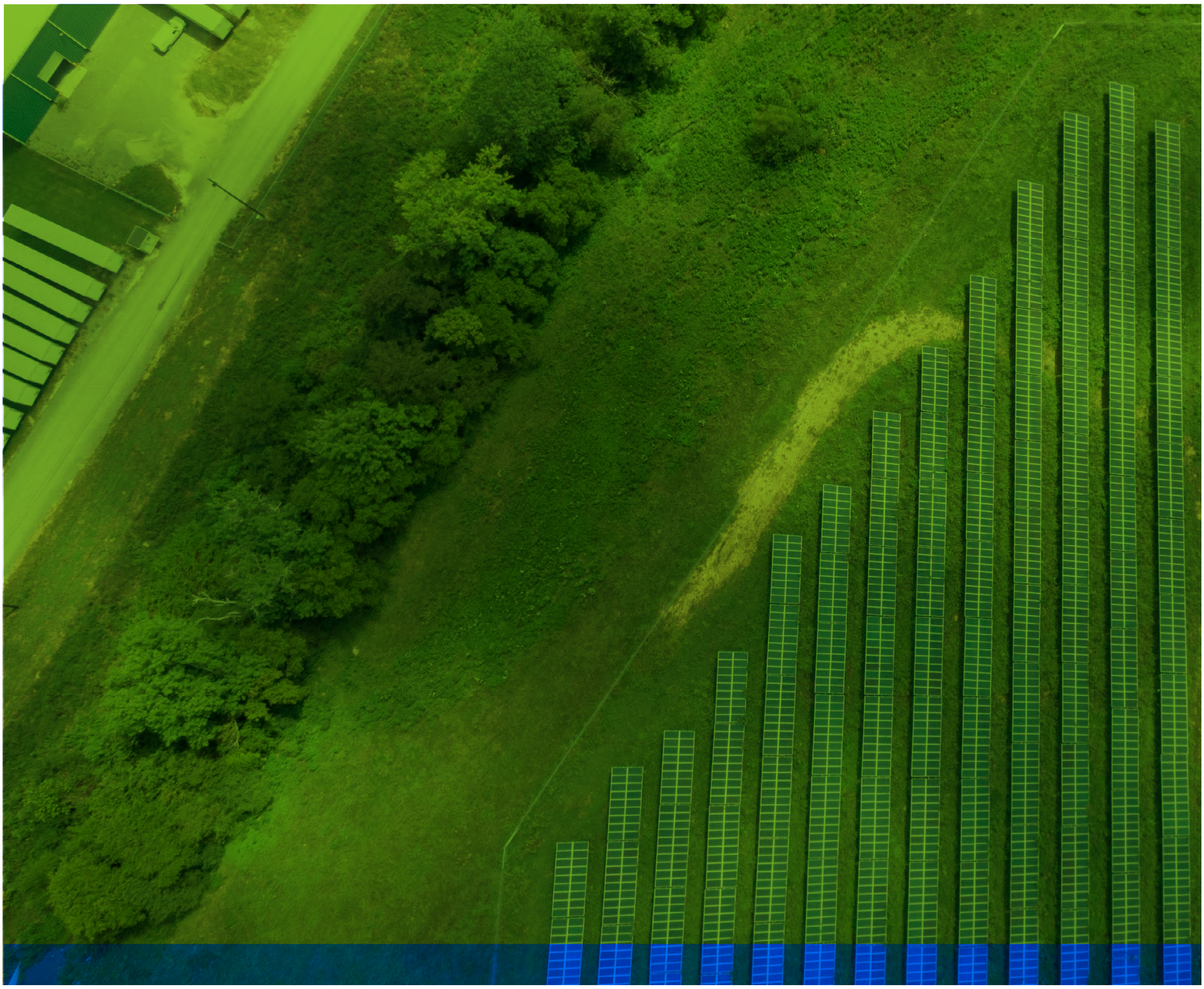
SAICA
DIFFERENCE MAKERS™



Sustainability
Reporting materiality
FAQ'S
Guide

NEXT PAGE

Outline

Acronyms used in this document are:

ESRS - *European Sustainability Reporting Standards*
CSDDD - *Corporate Sustainability Due Diligence Directive*
GHG protocol - *Greenhouse Gas Protocol*
GRI - *Global Reporting Initiative*
ISSB - *International Sustainability Standards Board*
CSRD - *Corporate Sustainability Reporting Directive*
US SEC. - *Securities and Exchange Commission*
EFRAG - *European Financial Reporting Advisory Group*
IFRS - *International Financial Reporting Standards*
ESG - *Environmental, Social and Governance*
BC - *Basis for Conclusion*
ISSA5000 - *International Standard on Sustainability Assurance 5000*
IAASB - *International Auditing and Assurance Standards Boards*

1. Foreword

High-quality, consistent, and comparable sustainability reporting, based on well-defined material information is an enabler of transparency, performance improvement and stakeholder engagement. Positioned in an integrated and meaningful way with financial reporting, it is critical for driving sound decision-making in support of organisational behavioural change and long-term sustainable value creation.

The emerging developments seen in the sustainability reporting world, including among others the ISSB (International Sustainability Standards Board) and ESRS (European Sustainability Reporting Standards), are welcomed as these serve to facilitate consistent and comparable sustainability reporting. These developments also provide further guidance regarding the materiality process and its role in compiling relevant and complete sustainability disclosures and information.

In response to these developments, SAICA is proud to introduce its first sustainability reporting materiality related frequently asked questions (FAQ) documents. With input and oversight from SAICA's Sustainability Technical Committee (STC), this FAQ provides insights into common questions related to the application of materiality within the sustainability reporting context together with supporting information and resources. This document will be updated from time to time to reflect the continuing developments in this space. Developments in sustainability reporting and assurance are undergoing rapid and significant changes globally. Members, sustainability experts, and other users are therefore encouraged to seek out the most up-to-date and relevant requirements.

The FAQ:

- Provides an overview of the different sustainability reporting materiality processes as outlined by the three prominent global players in the sustainability reporting landscape, namely the ISSB, ESRS, and the GRI.
- Provides digital click-through access to the respective sustainability standard setters' materiality guidance.
- Assists in defining and clarifying some of the commonly encountered sustainability reporting materiality-related terminology.

SAICA is committed to the education, furtherance, and adoption of sustainability reporting in South Africa, and its incorporation into the corporate reporting environment, both locally and globally. The role of professional accountants within the sustainability landscape, including sustainability reporting and integrated thinking, is vital and accountants are urged to take a leading role. Through its member reach of more than 57 000 members globally, as well as its global alliance partners and structures, SAICA is playing an influential role in shaping the sustainability standards for public value and its members, leading to sustainable value creation.

The concept of materiality addressed in this FAQ document relates to sustainability reporting materiality (from the report preparer's perspective), excluding the assurance perspective as defined in the ISSA5000 of the IAASB.

Should you have any further queries, please do not hesitate to contact the SAICA Standards, Sustainability Division.

2. About sustainability reporting materiality

2.1 What is materiality?

Materiality is a key concept in the world of reporting and plays an important role in both the preparation of the disclosure standards and their verification by a sustainability assurance practitioner. Materiality is used to ‘filter in’ the information that is or should be relevant to users and other stakeholders. It forms the crux of sustainability reporting as a first step towards prioritising company issues that are most relevant to stakeholders. Particular information is considered ‘material’ - or relevant - if it could influence the decision-making process of stakeholders concerning the reporting company.

This brief description, which is well established in the financial accounting context outlines that materiality is not a clear-cut concept and is subject to interpretation. What matters is not just what is meant through the information but, crucially, who the stakeholders are. A key step to a materiality approach is the materiality assessment which highlights how a company’s material issues link with the company’s strategy, governance, risks and opportunities, performance, impact, and future prospects - going beyond the reporting requirement and demonstrating integrated thinking.

In sustainability reporting, the materiality process is influenced by the requirements of one or multiple global reporting frameworks namely ISSB, US SEC Climate Rule, GRI, and ESRS along with jurisdictional requirements. Companies use different reporting materiality processes due to jurisdiction requirements. The various pathways to materiality assessment will draw a business understanding of how ESG impacts and dependencies can have a material impact on strengthening the operational framework and on the value-creation abilities of an organization.

Driven in part by these fundamental steps, materiality, done well, is moving from simply a tool for reporting, instead becoming a critical process for strategic decision-making.

Financial Materiality- ISSB and US SEC

According to the ISSB and the US SEC Climate Rule, a Sustainability issue is material if it affects or has the potential to affect the cash flow and financial value creation for a company. This can also be considered an outside-in perspective.

This perspective considers how sustainability-related risks and opportunities affect a company’s performance and prospects. The intended audience for the information is primarily current and prospective investors. Management judges what information is material depending on which factors are reasonably expected to affect the financial results and prospects of the company and its investors’ decision-making.

Impact Materiality- GRI

According to the GRI, a Sustainability issue is material based on the impact of an organisation and its activities across the value chain on the environment, society, and economy. This can also be considered an inside-out perspective.

This perspective considers how a company's activities impact society and the environment. The broad audience is multi-stakeholders including investors, employees, business partners, customers, and communities. Management judges what information is material through engagement with these stakeholders, impact assessments, or other methods.

Double Materiality - ESRS

According to ESRS as issued by EFRAG, double materiality requires the consideration of both the financial and impact materiality of sustainability issues. As such, this perspective recognises that a company can both affect and be affected by Sustainability issues.

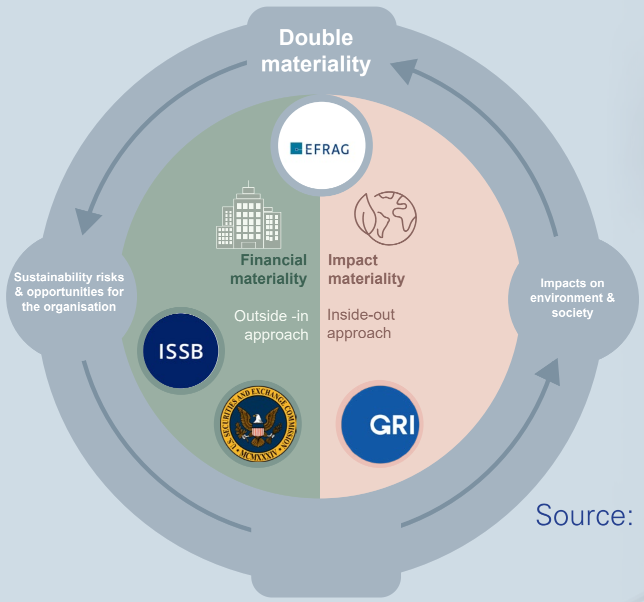
This perspective considers both how a company's activities impact society and the environment ('impact materiality'), as well as how sustainability-related risks and opportunities affect the company's performance and prospects ('financial materiality').

2.2 What is the importance of a materiality assessment?

Materiality assessments play an important role in corporate sustainability strategies by identifying and prioritising the most relevant issues that both impact and are impacted by a company's operations, products, and services. By embedding the materiality determination process into management processes, companies can enhance the efficiency and effectiveness of their decision-making processes and ultimately, how a company reports on the outcomes of decisions.

The assessment hinges on stakeholder engagement and analysing the significance of various topics, allowing companies to identify their most important (material) issues and direct their actions accordingly. A pivotal factor is highlighting materiality and sustainability risk assessments as key for business resilience and longevity, underscoring the need for periodic assessments while continually enhancing accountability, transparency, and trust with stakeholders.

To remain abreast of this fundamental yet complex and dynamic process, leveraging purpose-built technology to manage and produce a visual materiality matrix is one way to retain control over the materiality assessment process underpinned by rigorous stakeholder engagement.



Source: Datamaran

3. ISSB-Financial materiality

3.1 What is materiality according to the ISSB?

Financial materiality is focused on the effects of sustainability matters on the company's cash flows, financial performance, financial position, access to finance in the short-, medium- or long-term, or cost of capital, as such effects are material to the undertaking's investors.

IFRS S1 defines materiality as "omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general-purpose financial reports make based on those reports, which provide information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance". The materiality of information is assessed in the context of an entity's sustainability-related financial disclosures. It is based on the nature or magnitude of the item to which the information relates, or both.

The entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. However, to effectively identify sustainability-related risks and opportunities, and to meet the standards objective, an entity needs to understand the resources it relies on and the relationships along its value chain. The dependencies and impacts on resources and relationships of an entity give rise to sustainability-related risks and opportunities.

According to the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, an entity shall apply paragraphs B13–B37 to identify and define materiality to meet legal or regulatory requirements and to disclose the material information. Refer to the ISSB-2023-A – Issued IFRS Standards for further details.

3.2 Is materiality for financial statements the same as financial materiality for the sustainability statement?

The materiality assessment in the IASB's Conceptual Framework is not constrained to what is financially material in the financial statements but focuses on the identification of information that is useful to primary users. These primary users are consistent with those of the sustainability-related financial disclosures prepared in accordance with the ISSB standards. Such consistency emphasises that the purpose of the materiality assessment is to ensure that the primary users have the information that is relevant to their decision-making and that users do not make their decisions based on just one form of a general-purpose financial report published by the entity [IFRS S1].

The alignment in the concept and definition of materiality, applicable to both sustainability-related financial information and information in the financial statements, facilitates the connectivity between them and it supports the application of the ISSB standards, given the broad use of the IFRS accounting standards.

However, the materiality judgments for sustainability-related financial disclosures will inevitably differ from those for financial statements since they serve their specific objectives and provide different types of information about an entity. Information about sustainability-related risks and opportunities is intended to capture a broader set of information that is not constrained by the definitions of assets, liabilities, equity, income, and expenses under the IFRS accounting standards, nor the criteria for recognising them.

Compared with the information included in financial statements, sustainability-related financial information may have different measurement basis and considerations for financial implications over longer periods, including interactions throughout an entity's value chain. It follows the material information about sustainability-related risks and opportunities that could reasonably be expected to affect the entities.

3.3 Is financial materiality for sustainability reporting limited to effects presented in financial statements?

No, the basis for preparation and time horizons of financial and sustainability reporting differs. The concept of current and anticipated financial effects distinguishes between: financial effects that have already occurred and are recognised in the primary financial statements or disclosed in the notes to financial statements (i.e., current financial effects); and financial effects that do not meet the recognition criteria for inclusion in the financial statements in the reporting period (i.e., anticipated financial effects). According to IFRS Sustainability standards and EY Materiality Guide (Applying IFRS Introduction to IFRS S1 and IFRS S2)

- Reporting certain financial effects associated with material sustainability matters in sustainability reporting goes beyond what is required to be recognised and measured in the primary financial statements and disclosed in the notes for those matters. In particular, financial effects that arise from risks and opportunities that have or could reasonably be expected to have a material influence on the undertaking's financial position, financial performance and cash flows, over the short-, medium- and long-term are to be reported irrespective of their accounting treatment. Sustainability risks or opportunities may derive from past or future events and may have financial effects in relation to assets and liabilities already recognised in financial reporting. In this case potential adjustments to the carrying amount that are of interest for users of sustainability statement may not meet the accounting criteria for recognition in financial statements at the reporting date albeit these anticipated financial effects are recognised in sustainability statement.

- Future assets, liabilities, income and expenses that are of interest to users of sustainability statement may have to be recognised in financial reporting at a later stage, when the accounting recognition criteria will be met; and

- Factors of value creation that do not meet the financial accounting definition of assets and liabilities and/or the related recognition criteria but contribute to the generation of cash flows and more generally to the development of the undertaking (for example, internally generated intangibles such as human capital that could be described in sustainability reporting).

3.4 How should the undertaking set thresholds for financial materiality?

The IFRS Sustainability Disclosure Standards do not specify any thresholds for materiality or predetermine what might be material in a particular situation. A company is therefore required to make judgments about materiality and material information in the context of sustainability-related disclosures and the objectives of IFRS S1 and IFRS S2. Materiality judgments are specific to the company (IFRS S1.B19). However, the company is required to consider:

- The requirements of the Standards specifically applicable to the sustainability-related risk or opportunity. In the absence of an IFRS Sustainability Disclosure standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply the requirements on sources of guidance specified in paragraphs 57-58 of IFRS S1. (IFRS S1.B20).
- Quantitative and qualitative factors, including, for example, the nature and magnitude of the effects of sustainability-related risks or opportunities on the company (IFRS S1.B21).
- Sustainability-related risks and opportunities are judged to be material because they are highly scrutinised by users of general-purpose financial reports, even when those risks and opportunities might not affect the company's cash flows until many years in the future (IFRS S1.B24).
- Additionally, a company is required to consider risks and opportunities that are unlikely to occur but have a potentially high impact. The company must consider relationships between the impacts of the company's activities on the environment and society and the impacts of the environment and society on its cash flows, cost of capital, and access to finance (Basis for Conclusions on IFRS S1. BC72(a)).
- Changes in assumptions and conditions over time (Basis for Conclusions on IFRS S1. BC72(b)).
- Potential changes in the information needs of users of general-purpose reports (Basis for Conclusions on IFRS S1. BC70(c)).

3.5 Is there application guidance on financial/investor materiality?

Yes, the ISSB has a specific resource hub on the information that talks to application guidance on financial materiality.

IFRS 1
ISSB-2023-A – Issued IFRS Standards

EY Materiality guide
Applying IFRS Introduction to IFRS S1 and IFRS S2
Basis for Conclusions on Exposure Draft IFRS S1
General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2 BC
ISSB-2023-C – Issued IFRS Standards

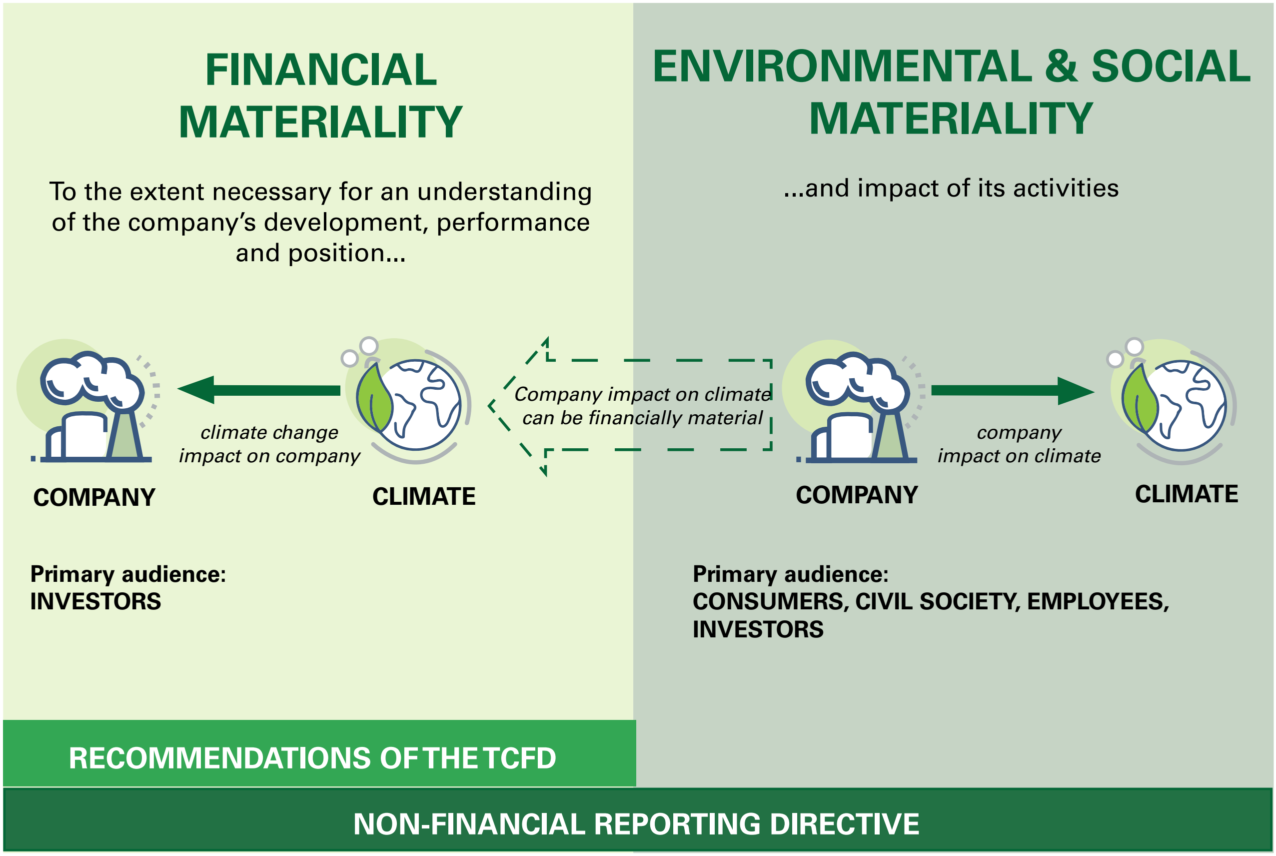
Further guidance on the IFRS S1 and S2 Disclosure of Material Information:
Sustainability-related risks and opportunities and the disclosure of material information

SAICA
DIFFERENCE MAKERS™

4. ESRS - Double Materiality

4.1 What is double materiality?

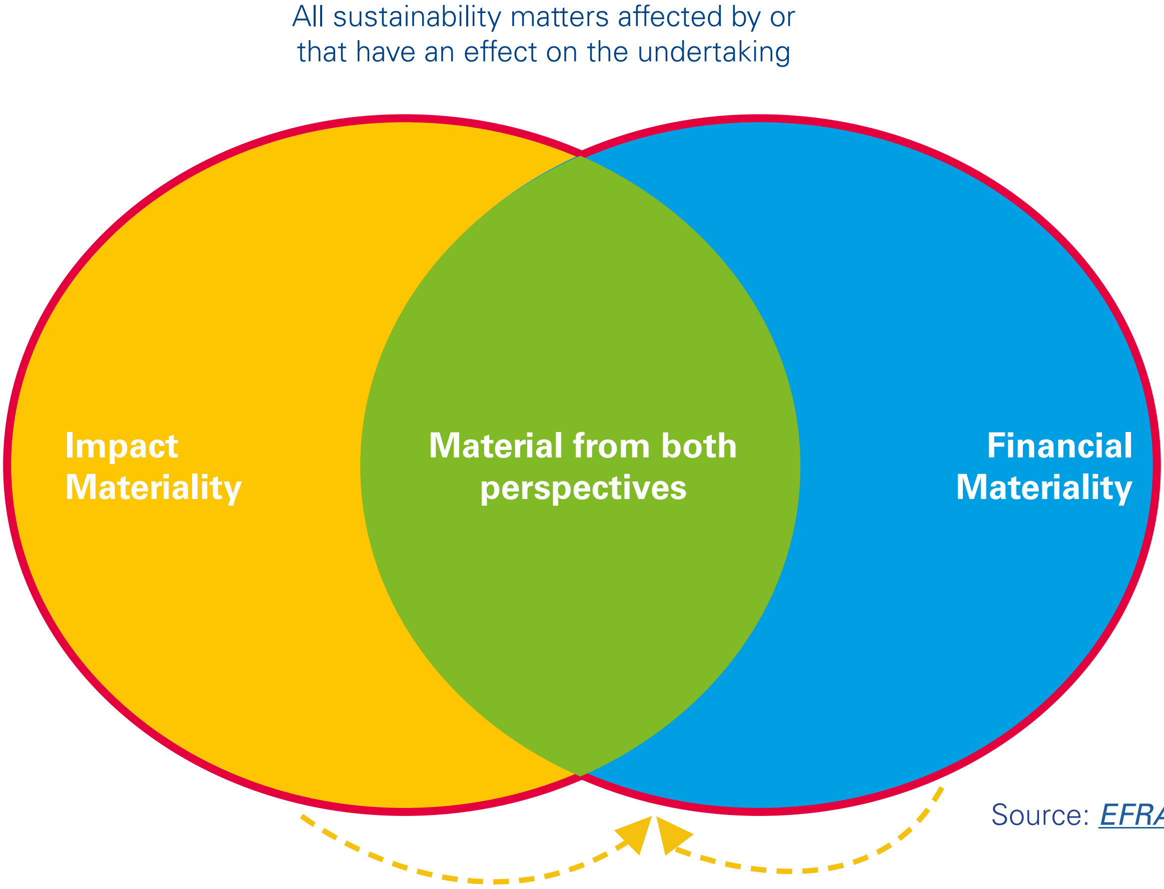
Double materiality has a dual focus providing an advanced view of an entity's environmental, social and governance (ESG) profile by integrating the internal vulnerabilities of the entity and its external effects on sustainability-related risks and opportunities. These are impact materiality (covering material information about the undertaking's impacts on sustainability matters) and financial materiality (covering material details on risks and opportunities for the undertaking resulting from sustainability matters). The terms "material" and "materiality" are used throughout the ESRS to refer to double materiality.



Source: New Guidelines on Reporting Climate-Related Information, European Commission
CLICK HERE TO DOWNLOAD

A sustainability matter can be material from an impact perspective or form a financial perspective or both (see ESRS 1 chapter 3).

Figure 1(a). Double materiality - The scope is reflected by the red outline



Source: *EFRAG.org*

Caveat: for illustration only - the dimensions in the graph do not necessarily represent the expected overlap (green) between financial and impact materiality nor the relative perimeters of impact materiality (orange) versus financial materiality (blue). For most material impacts, a risk or opportunity related to that impact may emerge over time.

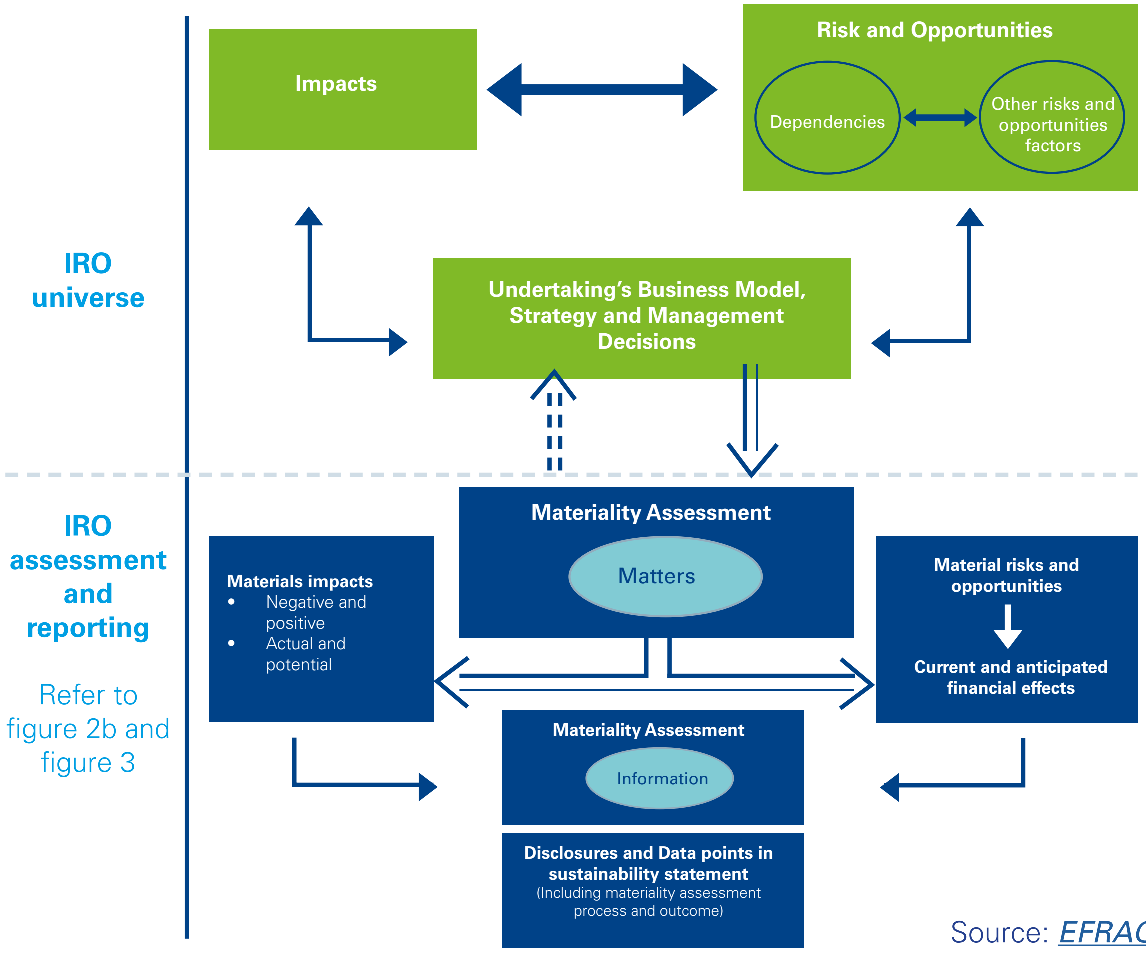
The ESRS includes a definition of these two materiality dimensions:

"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. Impacts include those connected with the undertaking's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships." (ESRS 1 paragraph 43); and

"Financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have a material influence or could reasonably be expected to have a material influence, on the undertaking's development, financial position, financial performance, cash flows, access to finance, or cost of capital over the short-, medium- or long-term." (ESRS 1 paragraph 49). "The financial materiality assessment corresponds to the identification of information that is considered material for primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. In particular, information is considered material for primary users of general-purpose financial reports if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that they make on the basis of the undertaking's sustainability statement" (ESRS 1 paragraph 48)

Impact materiality and financial materiality are often intertwined. The undertaking's impacts on people or the environment, as well as changes to strategy, including investments, and management decisions made to address such impacts, often give rise to risks and opportunities

Figure 1(b). Relationship between the materiality assessment and the undertaking's business model, strategy and other decisions.



Source: *EFRAG.org*

Influence of impacts, dependencies and other R&O factors on undertaking's business model, strategy and decisions, including OPEX, CAPEX, etc.

Influence of undertaking's decisions, including OPEX, CAPEX, etc. on impacts, dependencies and other R&O factors.

Materiality assessment inputs and process.

Influence of materiality assessment on undertaking's decisions.

Materiality assessment outcome in terms of sustainability reporting.

This materiality determination process involves setting materiality thresholds through a continuous due diligence exercise, guiding the depth and scope of disclosures. In addition, ESRS requires the disclosure of material 'impacts' concerning risks and opportunities. [ESRS 1 para 2]. In all ESRS, the term 'impacts' refers to sustainability-related impacts, actual or potential future impacts, positive and negative, that are connected with the entity's business and identified through an impact materiality assessment. [ESRS 1 para 14(a)]. For example, an entity might cut down trees on a large plot of land to build a production plant. These trees are a habitat for various birds and animals in this location.

The ESRS includes a definition of these two materiality dimensions:

Cutting down trees results in an impact (loss of natural habitat) that is connected to the entity's business and negatively impacts the environment.

Under the ESRS, the term 'risks and opportunities' refers to the entity's sustainability-related financial risks and opportunities that have been identified through a financial materiality assessment. Collectively, these are referred to as 'impacts, risks, and opportunities' (IG 1 Materiality Assessment_final.pdf (efrag.org).

In the first year, double materiality forms part of the mandatory disclosure requirement for many entities as part of the EU's new Corporate Sustainability Reporting Directive. Large companies based in the EU or with an annual turnover in the EU of more than 150m are required to conduct double materiality assessments.

4.2 Is there an ESRS application guidance on double materiality?

EFRAG issues non-authoritative materiality implementation guidance that accompanies the ESRS standards but does not form part of the ESRS standards. The ESRS standards also provide guidance on double materiality application.

EFRAG implementation guide:
IG 1 Materiality Assessment final

EFRAG Materiality guidance videos:
EFRAG materiality guidance

ESRS Standards:
The first set of ESRS

5. GRI-Impact Materiality

5.1 What is impact materiality?

The GRI Standards are the only global standards with an exclusive focus on impact reporting for a multi-stakeholder audience - making it an essential factor in the shaping of a reporting structure based on double materiality.

Impact materiality means the impacts on people and/or the environment connected with the undertaking's own operations and value chain, including through its products and services, as well as through its business relationships. It is assessed by reference to the severity of such impacts on the people and/or environment for actual or potential impacts. This dimension broadens the scope of materiality to consider a company's sustainability impacts, regardless of their immediate financial implications.

In most cases material impacts are also associated with material risks and opportunities and, as a result, they are also 'material for the undertaking'. However, impact materiality is assessed based on severity for people and the environment, and not on the basis of the effects it has on the undertaking and its financial prospects.

Depending on the kind of impact, it may not always be necessary to assess in depth each of the criteria of severity, based on the undertaking's specific facts and circumstances, to determine whether the impact is material or not. For example, when there is an established scientific consensus about the severity of a particular kind of global or localised environmental impact, the undertaking can conclude that it is indeed material without having conducted an in-depth analysis of its scale, scope and irremediably. Therefore, the undertaking shall exercise judgement, informed by the available evidence, to determine what the appropriate level of the assessment of the severity criteria. (According to EFRAG Materiality assessment guide: IG 1 Materiality Assessment_final.pdf (efrag.org))

Impact materiality covers impacts connected with the undertaking's own operations and value chain, including through its products and services, as well as through its business relationships.

Source: GRI 2022

5.2 How to identify actual and potential impacts?

The organisation identifies its actual and potential impacts on the economy, environment, and people, including impacts on their human rights, across the organisation's activities and business relationships. Actual impacts are those that have already occurred, and potential impacts are those that could occur but have not yet occurred. These impacts include negative and positive impacts, short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible impacts.

To identify its impacts, the organisation can use information from diverse sources. It can use information from its own or third-party assessments of impacts on the economy, environment, and people, including impacts on their human rights.

5.3 How to assess the significance of the impacts?

The organisation assesses the significance of its identified impacts to prioritise them. Prioritisation enables the organisation to take action to address the impacts and also to determine its material topics for reporting. Prioritising impacts for action is relevant where it is not feasible to address all impacts at once.

Assessing the significance of the impacts involves quantitative and qualitative analysis. How significant an impact is will be specific to the organisation and will be influenced by the sector in which it operates, and its business relationships, among other factors. In some instances, this may need a subjective decision.

Assessing the significance of negative impacts

The significance of an actual negative impact is determined by the severity of the impact. The significance of a potential negative impact is determined by the severity and likelihood of the impact. The combination of the severity and the likelihood of a negative impact can be referred to as 'risk'.

An assessment of the significance of the impacts can be included within broader enterprise risk management systems, provided that these systems assess the impacts the organisation has on the economy, the environment, and people, in addition to assessing risks for the organization itself

The severity of an actual or potential negative impact is assessed from the perspective of the affected people or the environment, and it is determined by the following characteristics that inform the basis for determining the thresholds:

Scale: how grave the impact is (i.e., extent of infringement of access to basic life necessities or freedoms such as education, livelihood, etc.);

Scope: how widespread the impact is (i.e., the number of individuals affected or the extent of the environmental damage); and

Irremediable character: the extent to which the impact can be remediated (e.g., through compensation or restitution, whether the people affected can be restored to their exercise of the right in question, etc.). The underlying question is whether there are any limits to the ability of restoring the environment or those affected to a situation at least the same as, or equivalent to, their situation, before the negative impact.

The likelihood of a potential negative impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years)

Assessing the significance of positive impacts

The significance of an actual positive impact is determined by the scale and scope of the impact. The significance of a potential positive impact is determined by the scale and scope as well as the likelihood of the impact.

Scale and scope:
In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or could be, and the scope refers to how widespread the impact is or could be (e.g., the number of individuals or the extent of environmental resources that are or could be positively affected).

Likelihood:
The likelihood of a potential positive impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years).

The above information is consistent with the ESRS requirements: ESRS.AR10 IG 1.115

5.4 Is there GRI application guidance on impact materiality?

Yes – GRI provide guidance to reporting organisation in accordance with the GRI standards, GRI 3 Material topic guidance looks at the two elements "how to identify and assess impacts on an ongoing basis" and "how to determine material topics". In summary, GRI standards adopt a stakeholder approach to accountability

Extracted from the GRI 301
GRI - GRI Standards English Language

6. Conclusion

In summary, entities must establish key steps to realising strategic value as derived from their sustainability materiality assessment process. **Key considerations include:**

- Outline what the assessment aims to achieve and specify markets to cover within a Group environment considering the business model and value chain.
- Set-up an organisational cross-functional committee of executives and management to support determining material sustainability matters.
- Conduct stakeholder identification as it is imperative in garnering each stakeholder's perspective on the most critical matters, policies, and company practices.
- Engage with company stakeholders using a combination of methods to realise the organisation's purpose.
- Include a benchmarking process involving sustainability frameworks and industry-based standards and approaches in compiling a list of material matters.
- Analyse the material matters, rank the issues, and visualise with a matrix.
- Action the defined priorities with clear strategies, policies, and targets underpinned by strong governance. Report progress for enhanced transparency to stakeholders.
- Revisit the materiality assessment regularly.

Materiality assessments are key to enabling companies to strategise, prioritise and focus their sustainability issues and reporting for various stakeholder groups. These provide a step-change in actioning sustainability initiatives and improving a business's sustainability performance. Insights arising from the assessments can inform the overall strategy, resource allocation, partnerships, and a refined approach to risk management bolstering efforts to avoid potentially harming a company's reputation or financial prospects.

Additionally, in collaboration with the audit firms, the World Economic Forum proposed another lens of corporate reporting based on the dynamic materiality concept. It triggers the consideration that overtime what appears financially immaterial today can quickly prove to be business-critical in the future. This perspective is not covered in the FAQ as is not linked to either the GRI, ISSB or ESRS – on which we are basing sustainability reporting materiality.

Annexure 1 - *Definitions*

Term	Definition
ISSB	The International Sustainability Standards Board (ISSB) is a standard-setting body established in 2021-2022 under the IFRS Foundation, whose mandate is the creation and development of sustainability-related financial reporting standards to meet investors' needs for sustainability reporting. The ISSB will work in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB's standards—IFRS Sustainability Disclosure Standards. **IFRS - International Sustainability Standards Board**
GRI	Global Reporting Initiatives (GRI) Sustainability Reporting Standards are the most widely used standards #for reporting on Sustainability impacts globally and have been developed over many years through multi-stakeholder contributions. GRI Standards aim to meet the information needs of all stakeholders, and the modular structure supports both comprehensive reports and selected disclosures. **https://www.globalreporting.org/**
ESRS	On 31 July 2023, the European Commission adopted the Delegated Act on the first set of European Sustainability Reporting Standards (ESRS). Adoption of ESRS by Delegated Act is mandated by the co-legislators in the Corporate Sustainability Reporting Directive (CSRD - Directive (EU) 2022/2464) adopted in December 2022. The Delegated Act and annexes were published in the Official Journal on 22 December 2023. **The first set of ESRS - the journey from PTF to delegated act (adopted on 31 July 2023) - EFRAG**
EFRAG	The European Financial Reporting Advisory Group (EFRAG) is a private association established in 2001 with the encouragement of the EC to serve the public interest. EFRAG's mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring these views are properly considered in the IASB standard-setting process and in related international debates. Under CSRD, EFRAG is developing the European Sustainability Reporting Standards (ESRSs). **Home - EFRAG** CSRD EU rules require large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment. On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. It modernises and strengthens the rules concerning the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability. Some non-EU companies will also have to report if they generate over EUR 150 million on the EU market. Corporate sustainability reporting - European Commission
US SEC Climate Rule	The federal securities laws empower the Securities and Exchange Commission (SEC) with broad authority over all aspects of the securities industry. The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. Washington D.C., March 6, 2024 — The Securities and Exchange Commission today adopted rules to enhance and standardize climate-related disclosures by public companies and in public offerings. The final rules reflect the Commission's efforts to respond to investors' demand for more consistent, comparable, and reliable information about the financial effects of climate-related risks on a registrant's operations and how it manages those risks while balancing concerns about mitigating the associated costs of the rules. **SEC.gov | About the SEC**

SAICA
DIFFERENCE MAKERS™

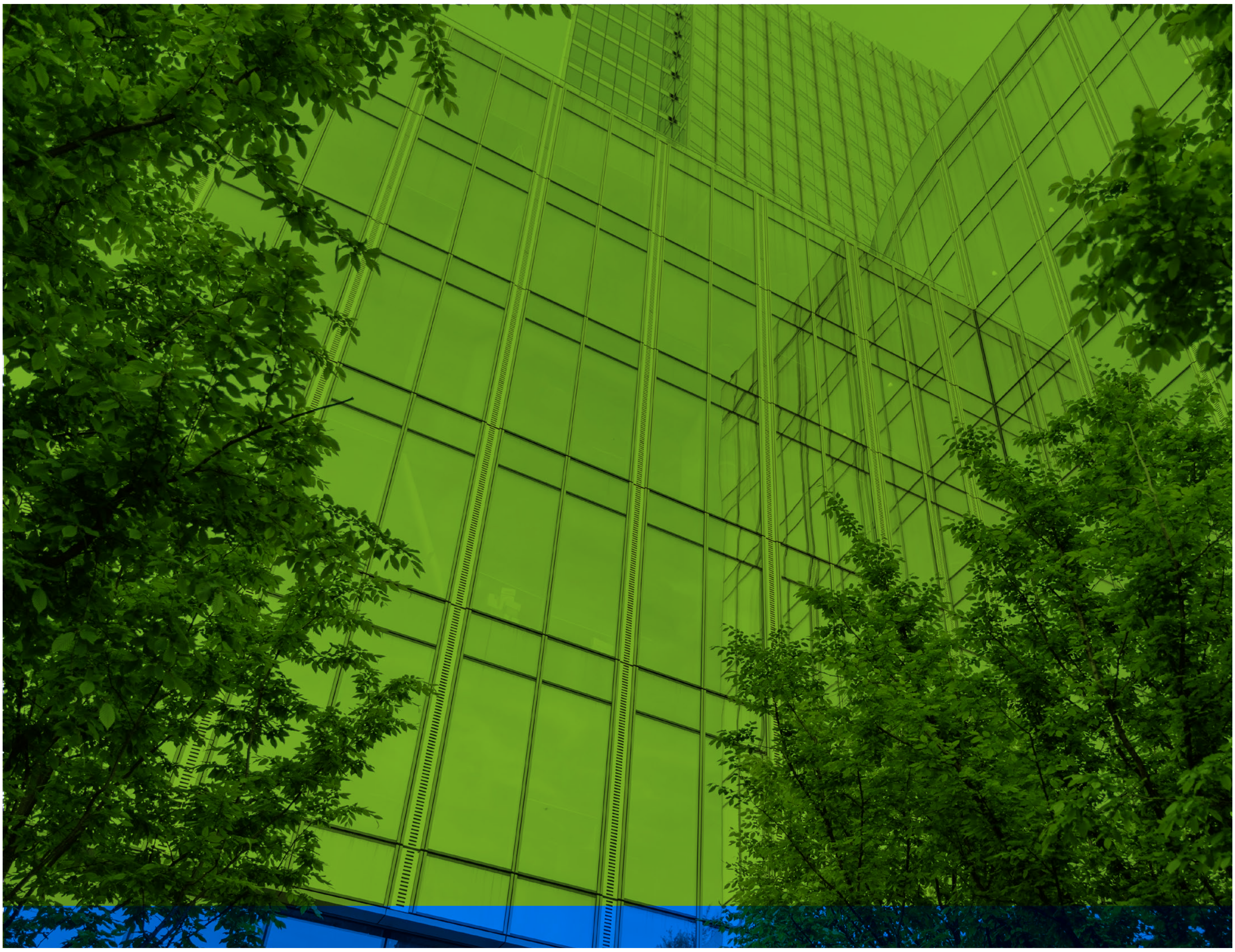
Annexure 1 - *Definitions*

Term	Definition
Integrated Reporting <IR> Framework	The International Integrated Reporting Framework and Integrated Thinking Principles have been developed and are used around the world, in 75 countries, to advance communication about value creation, preservation and erosion. The Integrated Reporting Framework and Integrated Thinking Principles are maintained under the auspices of the IFRS Foundation, a global not-for-profit, public interest organisation established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards. About us | Integrated Reporting IRC (SA) The IRC is a voluntary association, not for gain, in South Africa founded in May 2010. The role of the IRC as a national body is to provide direction on matters relating to integrated reporting and integrated thinking in South Africa through technical information and guidance, conferences and other activities. Our organisation members are among the leading professional and industry bodies in South Africa. The founding members are the Association for Savings and Investment South Africa (ASISA), the Institute of Directors in South Africa (IoDSA), the JSE Ltd, and the South African Institute of Chartered Accountants (SAICA) About the IRC of SA | Integrated Reporting SA IRC SA edition material linked to Materiality: FAQ-Explaining-Materiality-final-Updated-3-May-2024

DIFFERENCE MAKERS™

Annexure 2 - *References*

- The **GRI** Perspective - The materiality madness: why definitions matter - CLICK HERE
- **EFRAG** Materiality application guidance - CLICK HERE
- What you need to know about materiality in integrated reporting: **Alchemy** Creative Studios - CLICK HERE
- Sustainability - CLICK HERE
- **Microsoft PowerPoint** - 201708 KPMG NZ ESG Materiality Assessment (002) - CLICK HERE
- **ESRS Foundations** - CLICK HERE
- **KPMG:** Environmental, social and governance (ESG) materiality assessment - CLICK HERE
- **ESG in insurance:** A practical guide to sustainability reporting - CLICK HERE
- **ISSB Model Guidance for exchanges** - CLICK HERE
- **3 Double materiality as the basis for sustainability disclosure** - CLICK HERE
- **IFRS -** International Sustainability Standards Board - CLICK HERE
- **The First set of ESRS -** The journey from PTF to delegated act - CLICK HERE
- **Exploring materiality -** SASB - CLICK HERE
- **ISSB 2023 A:** Issued IFRS Standards - CLICK HERE
- **Applying IFRS Introduction to IFRS S1 and IFRS S2** - CLICK HERE
- **About the IRC of SA |** Integrated Reporting SA - CLICK HERE
- **FAQ Explaining Materiality final Updated - 3 May 2024** - CLICK HERE
- **Corporate Sustainability Reporting |** European Commission - CLICK HERE



SAICA Contacts

Nomsa Nkomo
Project Director: Sustainability and Integrated Reporting/Thinking
Nomsan@saica.co.za

Tsabo Makoloane
Project Manager: Sustainability and Integrated Reporting/Thinking
Tsabom@saica.co.za

Prof Yvette Lange
Chairperson - SAICA Sustainability Technical Committee
Saica@saica.co.za