

Integrated Reporting including ESG

Presenter: Nestene Botha (CA)SA

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Presenter

Nestene Botha (CA)SA

- Explore ProTech Entrepreneurial Haven (Co-Founder)
- Top 35 under 35 Chartered Accountant (SAICA)
- Top 50 women in accounting
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Quote

“The financial sector in South Africa has been a leader and an innovator integrating environmental, social and governance (ESG) issues into its practices.”

- United Nations Environment Programme, 2016

SURVEY

Survey

<https://www.surveymonkey.com/r/JXKNN6Y>

COURSE OUTLINE

Learning Outcomes

By the end of this webinar you will:

- Understand what integrated reporting is, including ESG;
- Understand ESG business review methods and how to use them;
- Know the business types to which integrated reports are relevant;
- Know your role as an accountant or auditor in integrated reporting; and
- Have the latest news and developments on integrated reporting.

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MODULE 1: WHAT IS ESG REPORTING?

What is ESG Reporting?

Sustainable Finance

How Finance, Investing and Lending, interacts with Economic, Social and Governance Issues. The process of incorporating ESG factors into financial decision-making

ESG Reporting

Sustainability

ESG

Economic, Social and Governance

Creating, verifying and publishing information related to ESG issues. How ESG issues impacts the business and how the business impacts ESG issues.

Corporate Reporting

Mandatory, Long History of Development, Global Standards

WHAT IS ESG?

- The **E** in ESG, environmental criteria, includes the energy your company takes in and the waste it discharges, the resources it needs, and the consequences for living beings as a result. Not least, E encompasses carbon emissions and climate change. Every company uses energy and resources; every company affects, and is affected by, the environment.
- **S**, social criteria, addresses the relationships your company has and the reputation it fosters with people and institutions in the communities where you do business. S includes labor relations and diversity and inclusion. Every company operates within a broader, diverse society.

WHAT IS ESG?

- **G**, governance, is the internal system of practices, controls, and procedures your company adopts in order to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders. Every company, which is itself a legal creation, requires governance.

WHAT IS ESG?

- ESG stands for Environmental, Social, and Governance. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities.
- ESG metrics are not commonly part of mandatory financial reporting, though companies are increasingly making disclosures in their annual report or in a standalone sustainability report.
- Numerous institutions, such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-related Financial Disclosures (TCFD) are working to form standards and define materiality to facilitate incorporation of these factors into the investment process.

WHAT IS ESG?

- As ESG investing accelerates in demand, several key trends are emerging – from climate change to social unrest. The coronavirus pandemic, in particular, has intensified discussions about the interconnectedness of sustainability and the financial system.
- There is not a standardized approach to the calculation or presentation of different ESG metrics.
- Investors can employ a variety of analytical approaches and data sources to address ESG considerations, including weighting to client interest and potential value.
- Understanding the relative merits and limitations of different metrics can help to form a more complete picture of ESG risks and opportunities.

WHAT IS ESG?

- Within the EER space, there is currently no globally recognised framework that has been issued by an international body.
- Rather, there are several reporting frameworks that exist which is not conducive to comparability.
- A common form of EER is a sustainability report issued by an entity that combines the economic performance of the entity with the social and environmental matters of interest to stakeholders.
- To create transparency, consistency and comparability in sustainability reporting, the International Financial Reporting Standards Foundation has made a proposal to establish a global sustainability standard-setter alongside the IASB, namely the Sustainability Standards Board (SSB).
- This standard setter would build on the existing frameworks and standards to develop a global set of sustainability reporting standards.

MODULE 2: THE CURRENT STATE OF ESG REPORTING

The Current State of ESG Reporting

- ESG Reporting is primarily voluntary, but there is a patchwork of mandatory reporting requirements across some jurisdictions.
 - In the EU for example it is mandatory to report at least some ESG information
 - In SA a technical paper is being developed and some regulations take ESG disclosures into account, for example pension funds, etc.
 - JSE requires KING IV apply or explain
 - 90% of the bigger companies are reporting ESG disclosures
- There is a strong trend towards more mandatory and more specific ESG reporting requirements worldwide.
 - Currently no standardization and low comparability

The Current State of ESG Reporting (continued)

- The FTSE/JSE Responsible Investment Index (J113)
- The FTSE/JSE Responsible Investment Top 30 Index (J110)
- Dow Jones Sustainability Index (DJSI) / SAM Corporate Sustainability Assessment
- FTSE4Good Emerging Index

MODULE 3: THE FUTURE OF ESG REPORTING

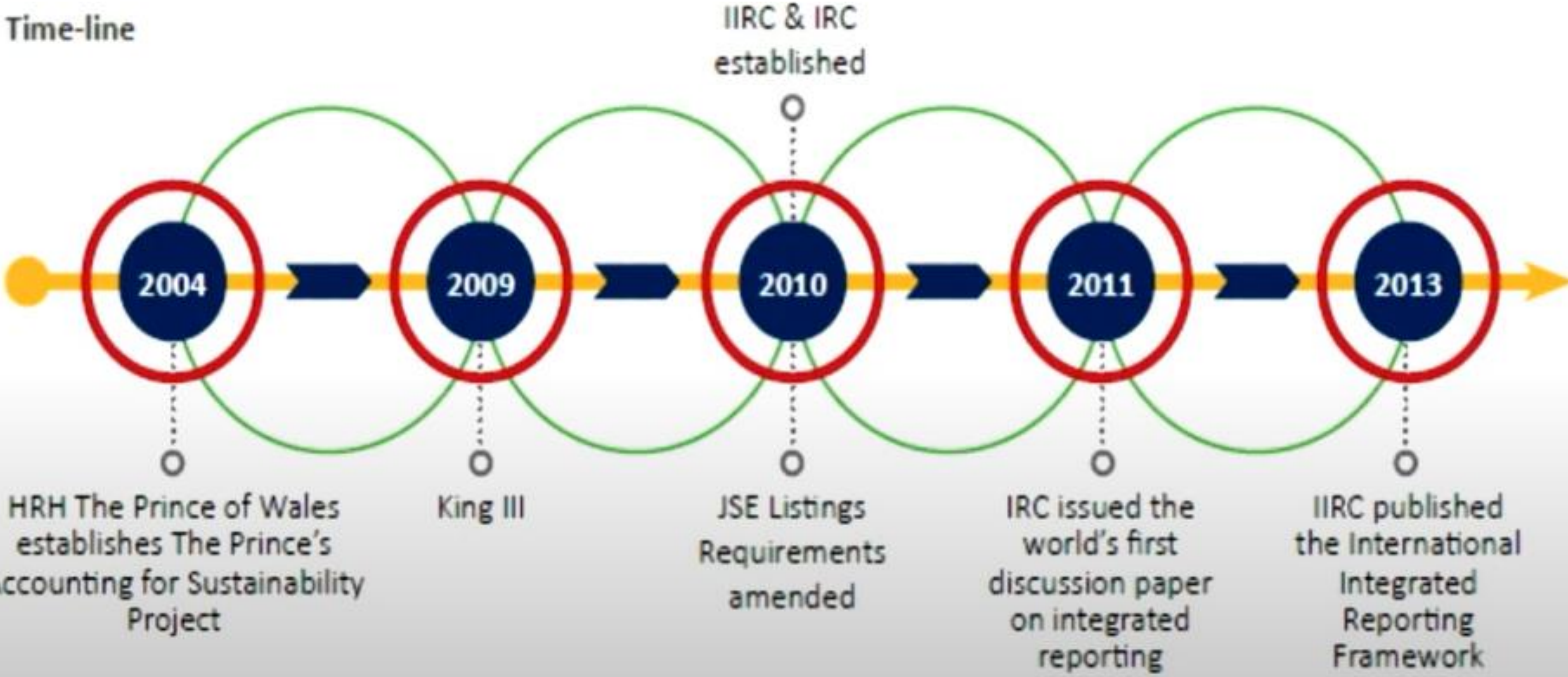
The Future of ESG Reporting

- The IAASB is trying to do for ESG Reporting what they did for Financial Reporting by setting up the International Sustainability Standards Board
 - To be formally announced at COP26 3 November 2021
- IFAC released a video to make stakeholders aware of this development
- In SA the Technical Paper “Financing a sustainable economy” is being finalised by National Treasury

MODULE 4: WHAT IS INTEGRATED REPORTING?

Integrated Reporting: The Journey

Time-line



What is Integrated Reporting?

A process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time. It includes related communications regarding aspects of value creation.

A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment lead to the creation of value in the short, medium and long term.

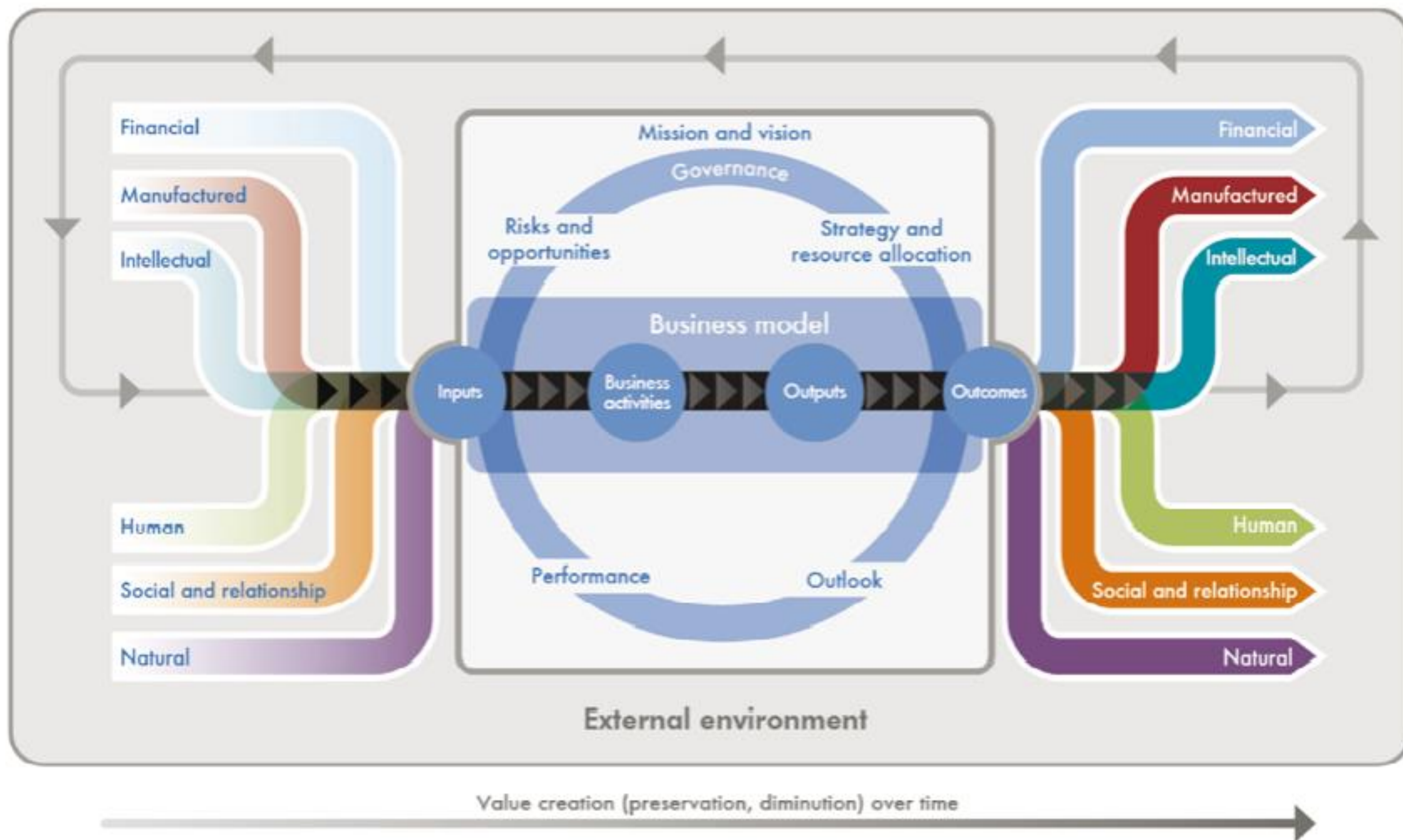
Integrated Reporting

Integrated Thinking

Integrated Report

The active consideration by an organization of the relationship between its various operating and functional units and the capitals that the organization uses or effects.

Figure 1: The value creation process ¹⁵



MODULE 5: THE INTEGRATED REPORTING FRAMEWORK

THE <IR> FRAMEWORK

7 Guiding Principles

8 Content
Elements

3 Fundamental
Concepts

6 General Reporting
Guidelines

APPLICATION OF THE IR FRAMEWORK

The Fundamental Concepts establish the basis for integrated reporting, as well as the <IR> Framework's requirements and guidance.

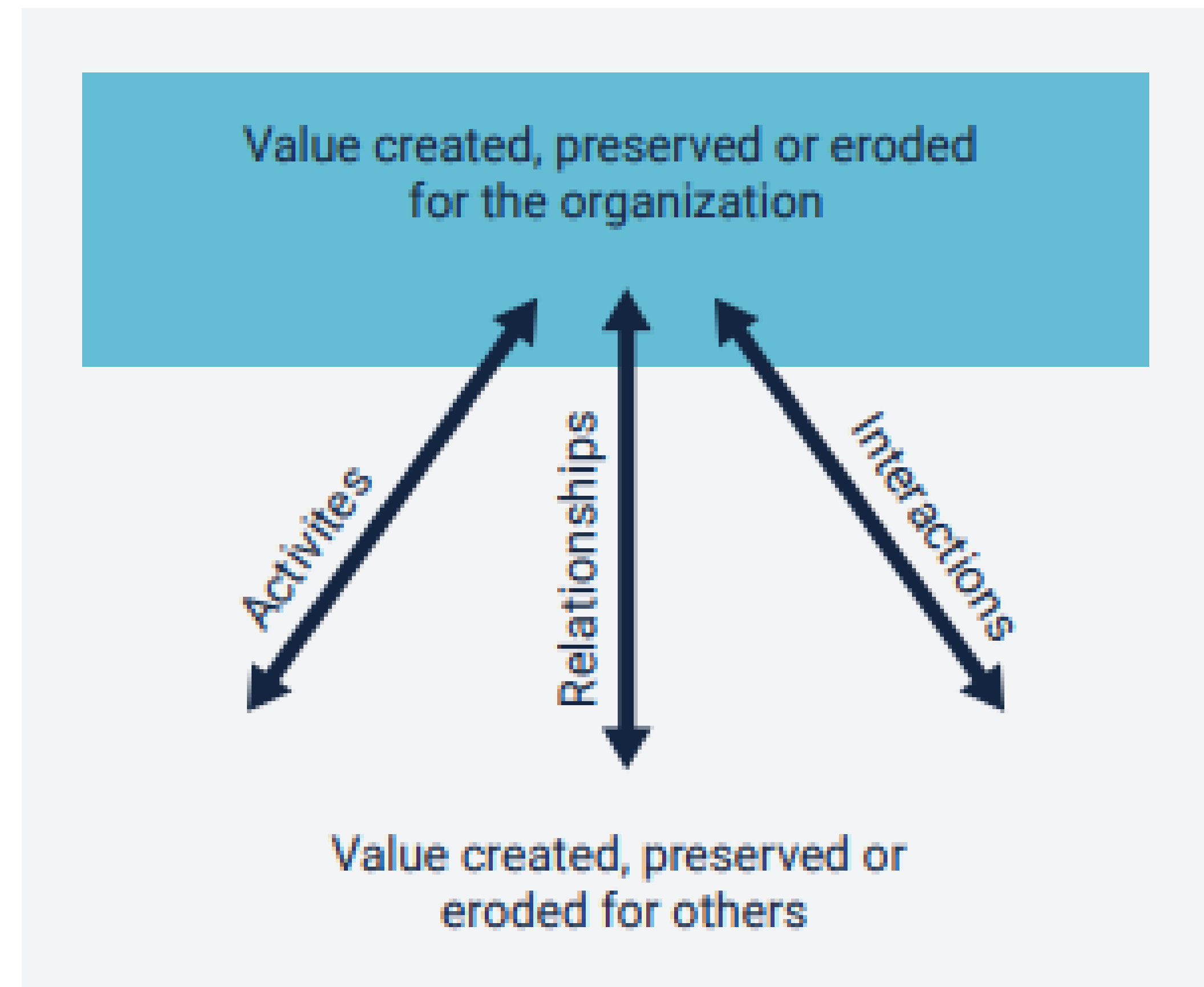
They reinforce three facts:

1. The value created, preserved or eroded for an organization (and its providers of financial capital) is inextricably linked to other stakeholders, society and the natural environment.
2. To create value, organizations rely on critical resources and relationships, or capitals.
3. The process through which value is created, preserved or eroded is influenced by an organization's elements.

APPLICATION OF THE IR FRAMEWORK: FACT

1

1. The value created, preserved or eroded for an organization (and its providers of financial capital) is inextricably linked to other stakeholders, society and the natural environment.



APPLICATION OF THE IR FRAMEWORK: FACT

2

To create value, organizations rely on critical resources and relationships, or capitals.

The <IR> Framework includes six categories of capitals, namely:

- Financial
- Manufactured
- Intellectual
- Human
- Social and relationship
- Natural

Not all forms of capital are equally relevant or applicable to all organizations.

Through their business activities and outputs, organizations affect the capitals, positively or negatively.

APPLICATION OF THE IR FRAMEWORK: FACT

3

The process through which value is created, preserved or eroded is influenced by an organization's:

- External environment
- Purpose, mission and/or vision
- Business model
- Governance
- Risks and opportunities
- Strategy and resource allocation plans
- Performance
- Outlook

All of these are captured addressed in the <IR> Framework's required Content Elements and should be reported on.

HOW TO PREPARE THE INTEGRATED REPORT

The <IR> Framework includes seven Guiding Principles that inform how disclosures should be prepared and presented:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

<IR> SEVEN GUIDING PRINCIPLES

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- Conciseness
- Reliability and completeness
- Consistency and comparability

<IR> SEVEN GUIDING PRINCIPLES

GUIDING PRINCIPLE 1: STRATEGIC FOCUS AND FUTURE ORIENTATION

An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals.

GUIDING PRINCIPLE 2: CONNECTIVITY OF INFORMATION

An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.

<IR> SEVEN GUIDING PRINCIPLES

GUIDING PRINCIPLE 3: STAKEHOLDER RELATIONSHIPS

An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.

GUIDING PRINCIPLE 4: MATERIALITY

An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.

<IR> SEVEN GUIDING PRINCIPLES

GUIDING PRINCIPLE 5: CONCISENESS

An integrated report should be concise.

GUIDING PRINCIPLE 6: RELIABILITY AND COMPLETENESS

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.

GUIDING PRINCIPLE 7: CONSISTENCY AND COMPARABILITY

The information in an integrated report should be presented:

- (a) on a basis that is consistent over time; and
- (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.

CONTENT ELEMENTS

An integrated report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive.

These are:

1. Organizational overview and external environment.
2. Governance
3. Business model
4. Risks and opportunities.
5. Strategy and resource allocation
6. Performance
7. Outlook
8. Basis of presentation

CONTENT ELEMENTS

ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

WHAT DOES THE ORGANIZATION DO AND WHAT ARE THE CIRCUMSTANCES UNDER WHICH IT OPERATES?

GOVERNANCE

HOW DOES THE ORGANIZATION'S GOVERNANCE STRUCTURE SUPPORT ITS ABILITY TO CREATE VALUE IN THE SHORT, MEDIUM AND LONG TERM?

BUSINESS MODEL

WHAT IS THE ORGANIZATION'S BUSINESS MODEL?

BASIS OF PRESENTATION

HOW DOES THE ORGANIZATION DETERMINE WHAT MATTERS TO INCLUDE IN THE INTEGRATED REPORT AND HOW ARE SUCH MATTERS QUANTIFIED OR EVALUATED?

STRATEGY AND RESOURCE ALLOCATION

WHERE DOES THE ORGANIZATION WANT TO GO AND HOW DOES IT INTEND TO GET THERE?

RISKS AND OPPORTUNITIES

WHAT ARE THE SPECIFIC RISKS AND OPPORTUNITIES THAT AFFECT THE ORGANIZATION'S ABILITY TO CREATE VALUE OVER THE SHORT, MEDIUM AND LONG TERM, AND HOW IS THE ORGANIZATION DEALING WITH THEM?

OUTLOOK

WHAT CHALLENGES AND UNCERTAINTIES IS THE ORGANIZATION LIKELY TO ENCOUNTER IN PURSUING ITS STRATEGY, AND WHAT ARE THE POTENTIAL IMPLICATIONS FOR ITS BUSINESS MODEL AND FUTURE PERFORMANCE?

PERFORMANCE

TO WHAT EXTENT HAS THE ORGANIZATION ACHIEVED ITS STRATEGIC OBJECTIVES FOR THE PERIOD AND WHAT ARE ITS OUTCOMES IN TERMS OF EFFECTS ON THE CAPITALS?

MODULE 6: EXAMPLES OF INTEGRATED REPORTS

EXAMPLE: REDEFINE REPORTING SUITE

2020

IR Integrated report



Our **IR** is our primary report to our stakeholders. It is structured to show the relationship between the interdependent elements that comprise our value creation story.

ESG Environmental, social and governance report



Our **ESG** is a detailed account of the group's sustainability performance for the year, and also includes our **remuneration report**, as well as our social, ethics and transformation committee report.

AFS Group annual financial statements



Our **AFS** provide a comprehensive report of the group's financial performance for the year.

AGM Notice of annual general meeting



The **AGM** provides supporting information for shareholders to participate in the AGM.

EXAMPLE: REDEFINE INTEGRATED REPORT

2020

Navigate our report

Our reporting suite

About Redefine

Introduction

About our report

Our material matters

How we create value

Who we are

The essence of who we are

Overview of our business

Our business model

Our board of directors

Summarised governance report

1 **Our business in context** 28

1 Reflections from our chairperson 30

2 Integrated stakeholder engagement 32

2 Risks and opportunities 38

2 Our operating context 44

4 **Responding strategically** 46

6 Chief executive officer's review 48

8 Tribute to Marc Wainer: a legendary deal maker, mentor and friend 52

10 Strategic overview 54

11 Performance against our strategy 56

12 Remuneration practices creating value 62

16 Our trade-offs – unpacking the tough choices we made 64

18 Financial director's review 68

EXAMPLE: REDEFINE INTEGRATED REPORT

2020

Navigate our report

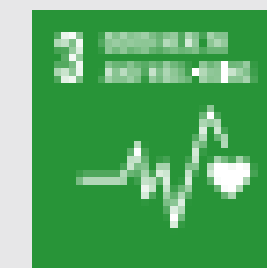
Throughout our reporting suite, the following icons are used to show the connectivity between sections:

CAPITALS

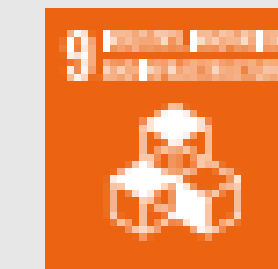
	Page
FC Financial capital	76
MC Manufactured capital	80
HC Human capital	94
SRC Social and relationship capital	102
IC Intellectual capital	112
NC Natural capital	116

REDEFINE'S PRIMARY UN SDGs

55



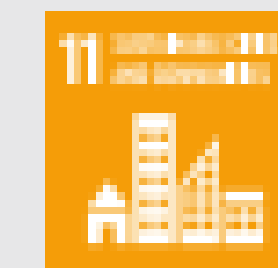
Good health and well-being



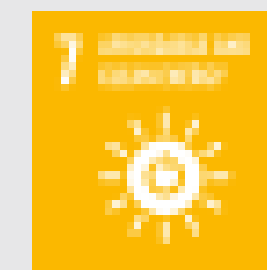
Industry, innovation and infrastructure



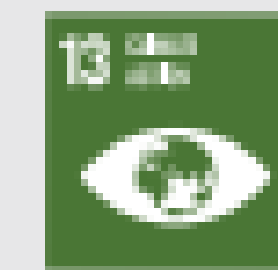
Gender equality



Sustainable cities and communities



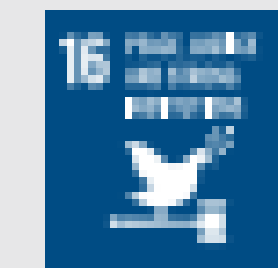
Affordable and clean energy



Climate action



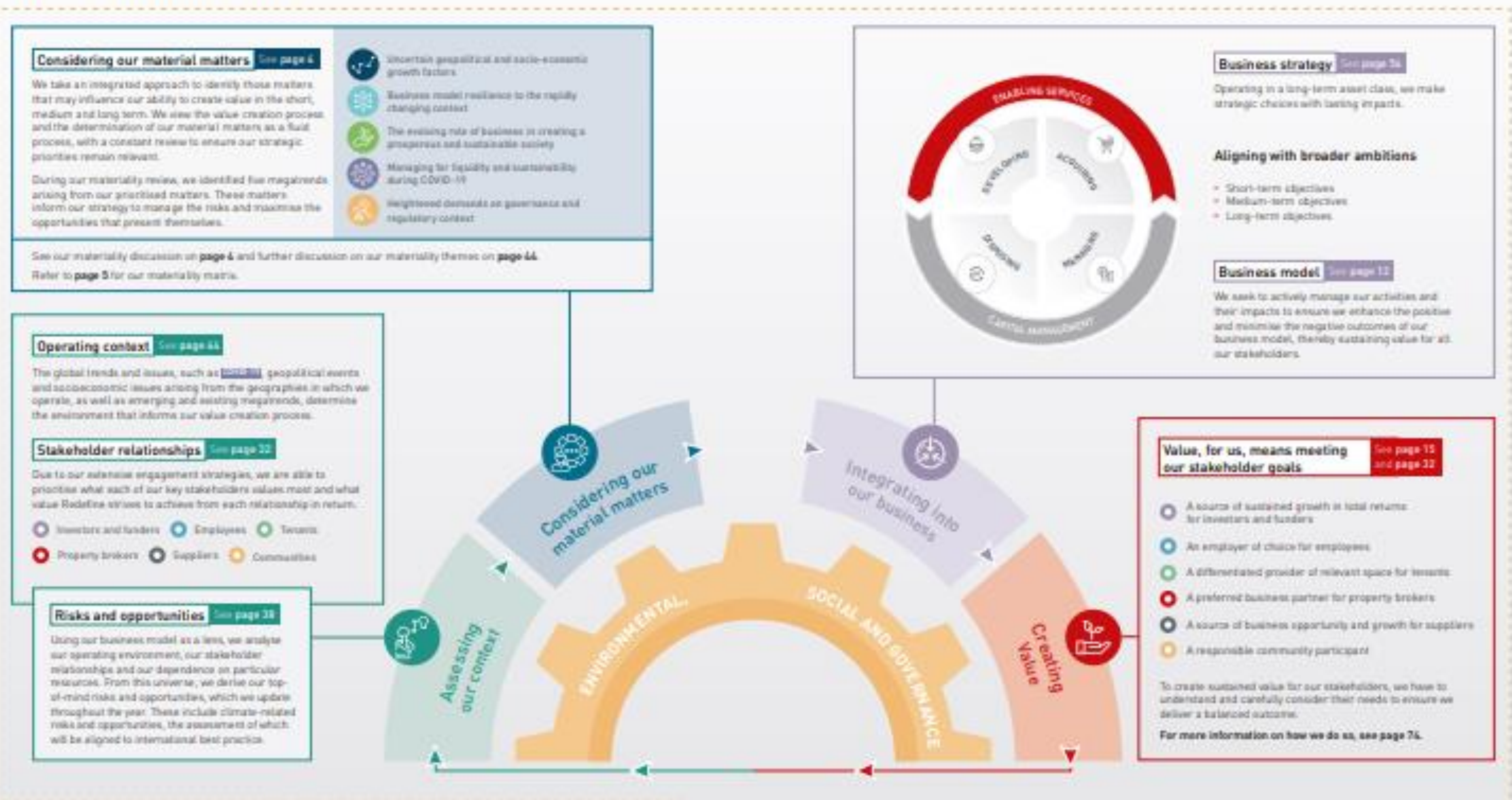
Decent work and economic growth



Peace, justice and strong institutions

EXAMPLE: REDEFINE INTEGRATED REPORT 2020

How we create value



To achieve our purpose of creating and managing spaces in a way that changes lives, we need to ensure we have a robust business model and that our strategy is responsive and progressive. This requires more than a business as usual approach - it requires an integrated approach to value creation.

We aim to report on our value creation journey in a balanced and transparent manner, reflecting on how we have created and preserved value, as well as how value has been eroded. While we strive to deliver sustained value, we understand that our strategic choices, as well as the evolving context we operate in, may only preserve or, at times, erode value. Where this is the case, we aim to report on how we are responding as we deliver on our purpose.

Environmental, social and governance (ESG)

ESG is the golden thread that binds all elements of our value creation process together. It informs our strategic decisions and daily operations - ensuring that we make choices that are aligned with our values and strategic objectives to enable long-term value creation, while ensuring transparency and accountability for our actions.

EXAMPLE: REDEFINE INTEGRATED REPORT

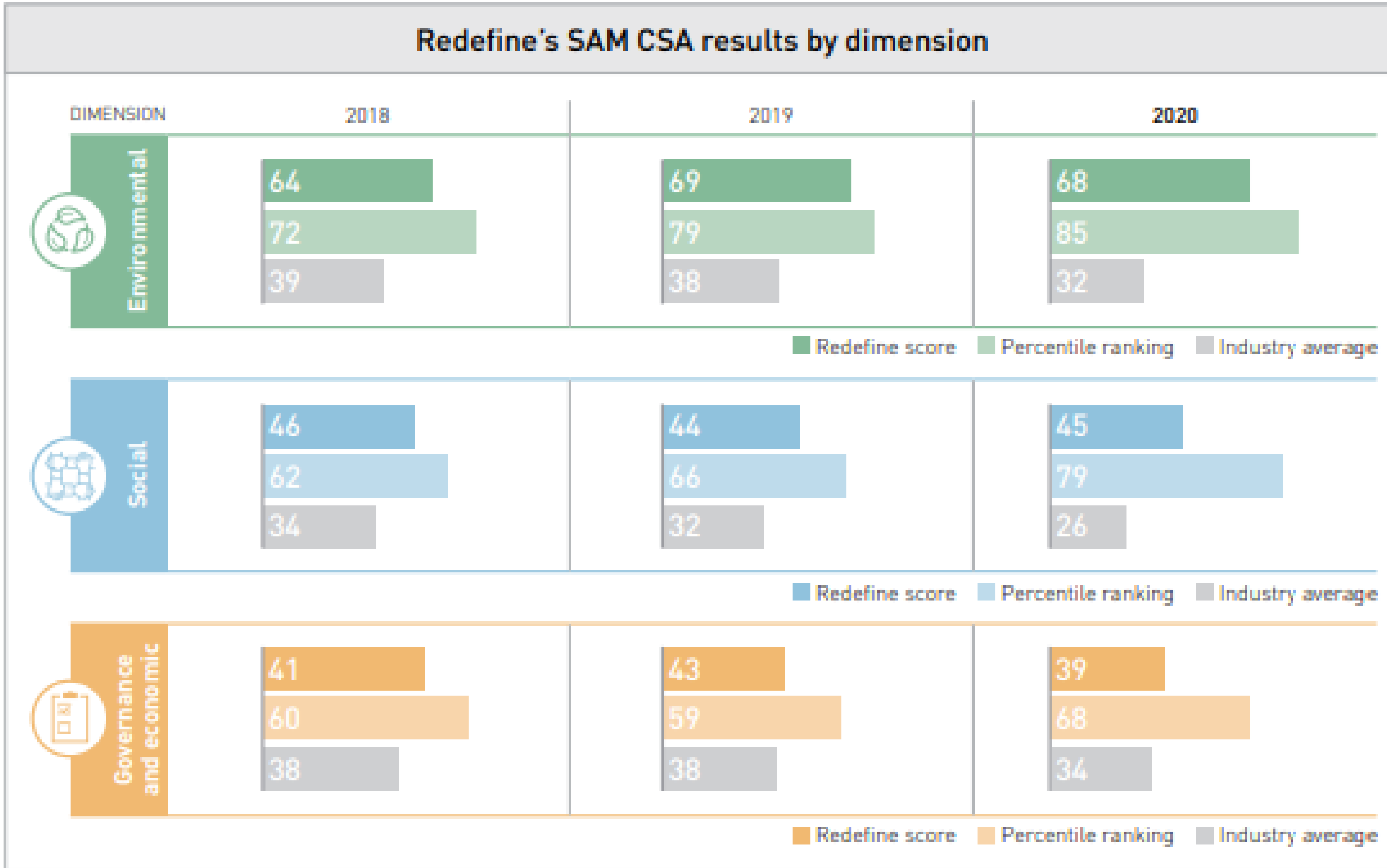
2020

Overview	2	Biodiversity	42
About Redefine	4	Our social landscape	44
Introduction to ESG	5	From investment to involvement and innovation	46
How does ESG business integration benefit us?	5	Engaging to build value	48
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Benchmarking our progress against our peers	11	Our governance landscape	86
Our environmental landscape	14	Remuneration report	116
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Energy	28	Administration	161
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Waste	35		
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Our green building journey	37		
Building materials	41		

EXAMPLE: REDEFINE INTEGRATED REPORT

2020

Redefine's SAM CSA results by dimension



MODULE 7: THE ACCOUNTANTS' ROLE

What is our Role?

Advocacy

Engagement

Thought
Leadership

Education

THE ACCOUNTANTS' ROLE: WHAT IS IT ALL ACTUALLY ABOUT?



**Accountants Will Save the World:
Sustainability & GHG Reporting**

THE ACCOUNTANTS' ROLE

- <IR> is a way to achieve a more coherent corporate reporting system, fulfilling a need for a single report that provides a fuller picture of organizations' ability to create value over time.
- It can also be applied in a proportionate and scalable manner to all organizations regardless of size and sector.
- A balance sheet usually only shows a small proportion of the intrinsic and real value of an SME.
- <IR> is an effective way to help an SME better understand and manage how it creates value, as well as report on that value creation.

THE ACCOUNTANTS' ROLE

- More integrated information and thinking should lead the organization to make better decisions about the key areas that affect its ability to create value that can then be communicated through an integrated report, which demonstrates a compelling business case to providers of finance, and others interested in the business.
- Educate clients on the true value of IR and what it can do for their businesses.
- Integrated Thinking Coaching
- Integrated reporting compilation services

THE ACCOUNTANTS' ROLE

- **According to AICPA: “ESG is coming to mainstream accounting”**
- There are practical reason to have accountants and finance professionals implement ESG targets.
- We understand process infrastructure and data collection.
- We are familiar with reporting and assurance.
- A systems-thinking approach is necessary to run and govern the imperative process of collecting and reporting ESG data.
- Accountants and finance professionals can make significant contributions to organizations by:
 - Maintaining internal data-processing systems
 - Advising leaders on business decisions
 - Reporting to stakeholders
 - Performing assurance engagements on ESG information

MODULE 8: RESOURCES

RESOURCES

- [FAQs for Integrated Reporting in the Public Sector](#)
- [Integrated Reporting: The South African Experience](#)
- [Integrated Reporting: A Starter Guide by the Value Reporting Foundation](#)
- [Creating Value for SME's through integrated thinking](#)
- [Download the IR Framework](#)
- [Five ways that ESG creates value](#)
- [Environmental, Social, and Governance \(ESG\) Criteria](#)
- [What does an ESG score really say about a company?](#)
- [Does external assurance contribute to higher quality integrated reports?](#)
- [Accounting for a sustainable world: why quality disclosure is required](#)

RESOURCES

- [How accountants drive ESG](#)
- [South Africa: Environmental, Social and Governance Law](#)
- [Financing a sustainable economy technical paper by National Treasury South Africa](#)
- [Shameela Soobramoney, Chief Sustainability Officer, JSE: Why ESG Matters Youtube Video](#)
- [Investing as if the future matters: Graham Sinclair at TEDxTableMountain](#)
- [What is ESG?](#)
- [Understanding ESG Reporting IFAC Video October 2021](#)
- [Example: Redefine Integrated Report, ESG Report & Other Reports](#)

RESOURCES

- [Accountants will save the world: sustainability & GHG reporting](#)

QUESTIONS

**Thank you
for your participation**