

How does your  
sustainability status

define your  
future success?

Sustainability reporting in Africa  
An essential guide



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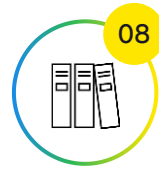
What does my entity need to comply with?



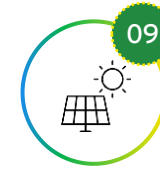
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# Introduction

## Sustainability reporting is (finally) having its moment

For some time, investors and regulators have been urging companies to consider more than just the financial consequences of doing business. Increased awareness of the importance of environmental, social and governance matters as well as their impact on the long-term value created by businesses have been top of mind for boards of directors, investors, and other stakeholders. It is evident from the various surveys completed, that customers and investors across Africa are shifting their focus to include a more sustainably inclusive level of reporting.

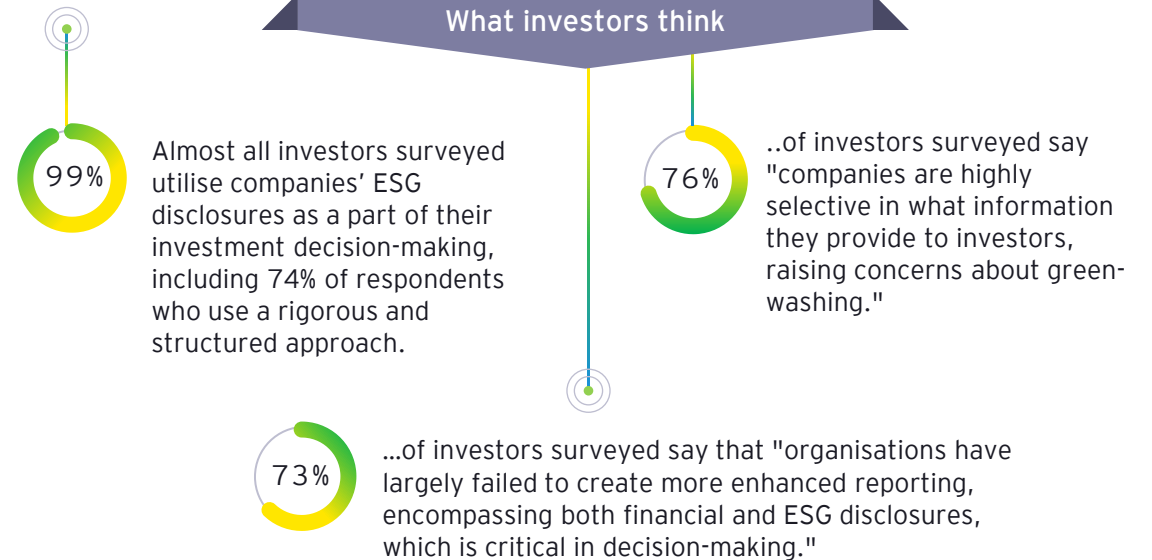
Whilst companies are investing more resources into sustainability reporting, there seems to be a disconnect between the expectations of users of the financial statements and the reporting provided. As stakeholder expectations on entities sustainability responsibilities continue to increase, so has the necessity for robust sustainability reporting. The balancing of shareholder expectations, compliance benefit and the cost of reporting is an ever-maturing process.

### What customers think



Source: EY Future Consumer Index, October 2023 (latest survey took place from 11th September to 6th October 2023 and covers 22,003 respondents from 28 countries including South Africa)

### What investors think



Source: EY Global Corporate Reporting and Institutional Investor Survey

# Why do companies report on sustainability metrics?

## Understanding the driving factor for reporting is key

For many entities, sustainability reporting is or will become a requirement, however over and above the aim to be regulatorily compliant, there is a vast array of other benefits to sustainability reporting. These benefits will vary from entity to entity as well as from industry to industry.

One of the most significant benefits to reporting is the additional focus on sustainability as a whole and the emphasis on assessing that the business's strategic goals are aligned to the overall business vision.

**Some additional benefits:**



# What does my entity need to comply with?

Understanding the local and global requirements applicable to your entity is key in determining which reporting frameworks apply and when.

This assessment can be complex and will depend on:

- ▶ The local and international requirements in each country that the entity and its subsidiaries operate in.
- ▶ The requirements of major customers and suppliers that operate in international markets.
- ▶ The needs and expectations of the stakeholders.

In some jurisdictions across Africa, regulators have outlined a roadmap to sustainability adoption. This roadmap will typically outline which companies need to comply with specific requirements with the related transition date.

On page 12, the requirements of major African jurisdictions are summarised and it is evident that most of the sustainability requirements of the African regulators are aligned to the International Sustainability Standards Board's (ISSB) requirements.

It is also important to consider the compliance requirements applicable to the group that the entity is part of or affiliated to. For example, the European Union has issued the European Sustainability Reporting Requirements (ESRS) that may result in reporting requirements for companies that do business within the European Union or have a place of business in that jurisdiction.

The Securities and Exchange Commission (SEC) in the United States have similarly issued guidance, however at the time of this publication, the implementation of this guidance remains under consideration.

Given the complexity of ensuring compliance with the various frameworks/guidance, entities may be required to report on many sustainability frameworks simultaneously and expert advice should therefore be sought.

In cases where entities are not yet required to report on sustainability measures, many of the frameworks allow for early adoption. The needs and expectations of major stakeholders are required to be continuously assessed to ensure the entity's sustainability reporting strategy is aligned to stakeholder expectations, on a timely basis.

**Voluntary sustainability reporting is encouraged as it:**

- ▶ Allows entities to start their sustainability reporting journey and align their reporting to the needs of their stakeholders, without the pressures of mandated timelines.
- ▶ Assists with preparing for ultimate adoption and allows for the interoperability between standards to be applied earlier in the reporting process.

# How to position your sustainability report as part of your reporting suite

In recent years, investors, regulators and other stakeholders have increasingly expected companies to report more detailed sustainability information. Given the significant level of interest in this information, companies should evaluate the strategic importance of their sustainability report. Sustainability reporting is a useful tool to communicate an entity's strategic sustainability ambitions and preparers should carefully evaluate where and how this information is positioned as part of the entity's reporting suite. There are several sensible approaches and the most optimal approach will vary from entity to entity.

## Where to disclose sustainability information

The ISSB standards refer to the reporting being included within an **entity's general-purpose financial report**.

This allows for the information to be included in various locations:

- ▶ **Annual report** - for many entities, this may be the most appropriate location for the ISSB related information, connecting such information with the financial reporting.

- ▶ **Integrated report** - in various countries, the integrated report is viewed as the primary communication tool to the shareholders, which can be seen as an appropriate location for the ISSB related information.
- ▶ **Separate sustainability report** - Depending on the jurisdiction, the ISSB information may be sensibly included in a separate sustainability report.

The connectivity of the information can be enhanced by cross-referencing the sustainability information in the various reports published by the entity.

## General-purpose financial reports

'A report that provides financial information about the reporting entity's economic resources, claims against the entity and changes in those economic resources and claims that is useful to primary users in making decisions relating to providing resources to the entity.'

*IFRS Accounting Standards - Conceptual reporting framework*

## Link to integrated reporting

Audience of the report

The ISSB aligned sustainability report and the integrated report are both aimed at the **primary providers of capital**:

- ▶ **ISSB aligned sustainability report** - requires "an entity to disclose information about its sustainability-related risks and opportunities that is useful to **primary users of general-purpose financial reports in making decisions relating to providing resources to the entity**<sup>1</sup>."
- ▶ **Integrated report** - "the primary purpose of an integrated report is to explain to **providers of financial capital how an organisation creates value over time**<sup>2</sup>."

Content of the report

The integrated report and sustainability report both require:

- ▶ An explanation of the entity's strategy and the risks that it is exposed to;
- ▶ Stakeholder engagement;
- ▶ An understanding of material impacts;
- ▶ Robust processes of gathering relevant, accurate, consistent, and understandable data and a governance process over the information provided

1. Source: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information  
 2. Source: IFRS Foundation- Integrated Reporting Framework

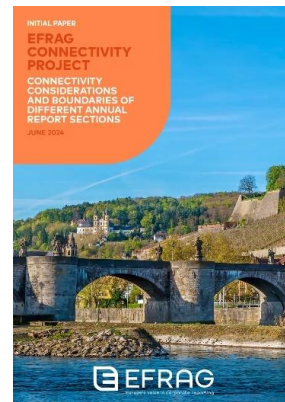
# The role of connectivity within your reporting suite

It is important to recognise that the sustainability information disclosed provides additional information to the users of the general-purpose financial statements.

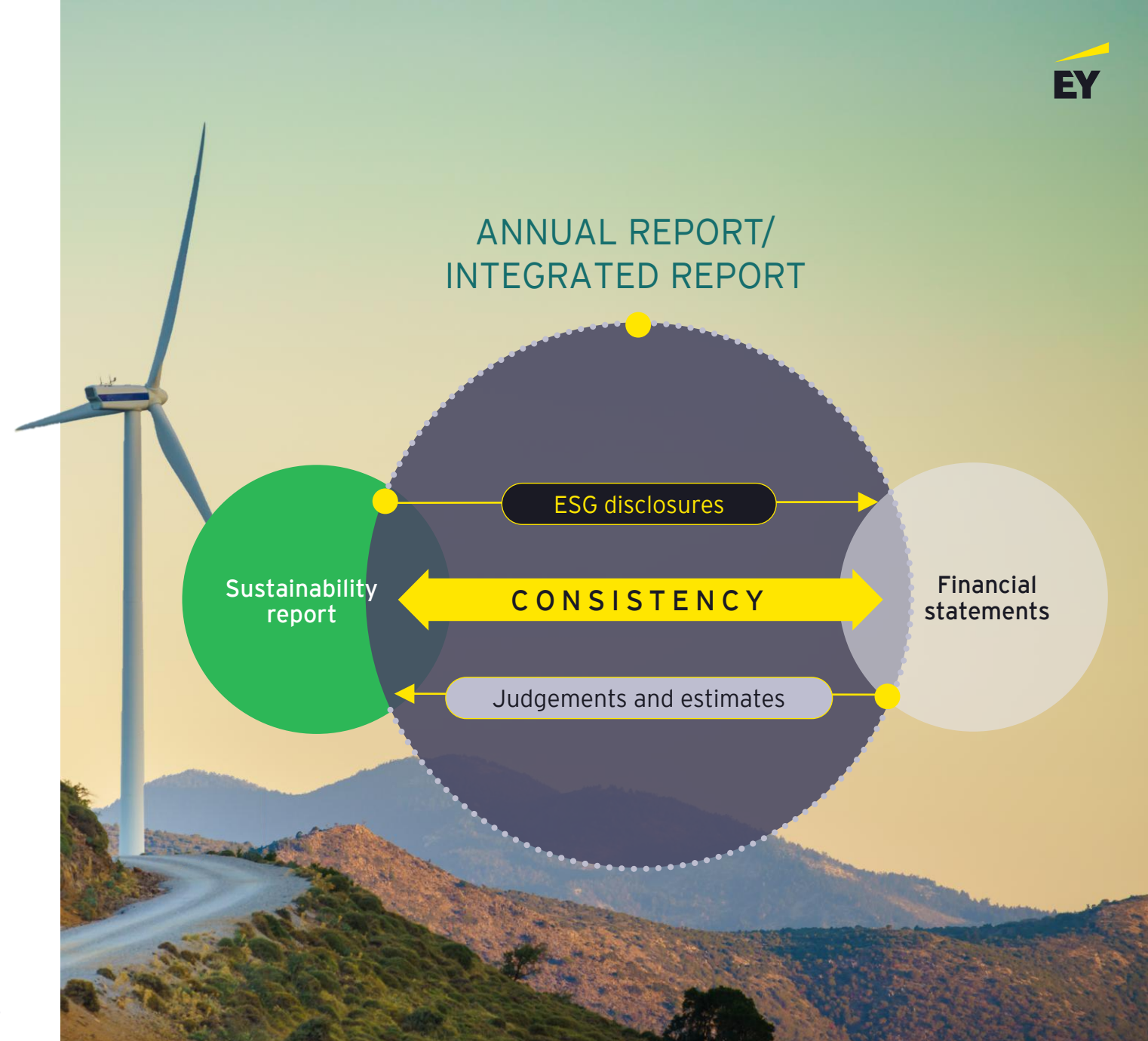
It is therefore key that the story told through the sustainability information aligns and supplements the story in the financial information. Too often the information provided is inconsistent or contradictory.

Information in sustainability-related financial disclosures and financial statements is connected when:

- ▶ Prepared for the same reporting entity and reporting period
- ▶ Provided at the same time
- ▶ Data and assumptions used in disclosures are consistent, where possible considering accounting requirements, and any significant differences are explained
- ▶ Use the same presentation currency when currency is specified as the unit of measure
- ▶ Financial and sustainability reporting teams are aligned



Source: [www.efrag.org](http://www.efrag.org)



# Roadmap to sustainability adoption

The implementation of the ISSB standards or any other reporting framework requires a significant amount of investment.

In addition to financial investment, the roadmap to sustainability reporting requires an investment in time to obtain, collate, and prepare the data required. The extent of investment depends on the entity's level of reporting maturity.

As sustainability reporting is evolving, more requirements will be added, best practices will emerge and assurance over the information will be required; this means that an entity's sustainability journey will require continuous evolution. Understanding an entity's maturity level in relation to their sustainability reporting is the initial step for consideration and as an entity establishes its reporting process it will be better equipped to articulate the value-added information that the sustainability reporting framework aims to achieve.

## Who should be included along the way?

The entire C-suite has a role to play. Clarifying roles, responsibilities and accountability early on is essential.

### Where are you now?

Reporting maturity	Leading	Sustainability reporting enables the entity to <b>articulate its unique value creation potential</b> to stakeholders. It is fully integrated into the business, including financial reporting. The process leverages technology/ digital tools to streamline the use of data for multiple purposes. Reasonable assurance is in place to demonstrate compliance with relevant sustainability reporting frameworks.
	Advanced	Sustainability reporting is <b>a key tool</b> to articulate the entity's strategy in relation to key risks and opportunities. It is anchored around a robust materiality assessment process and aligns to multiple frameworks/ best practices to meet stakeholder expectations. It leverages some digital tools and is supported by a robust control environment. Focused assurance (limited/ reasonable) supports credible reporting.
	Established	Sustainability reporting is part of <b>regular disclosure processes</b> to stakeholders. It covers a broad set of issues that have been identified as material and meets specific good practice framework requirements. There are controls around sustainability data and some use of digital tools. There is limited integration with financial data. Reporting is supported by some limited/ reasonable external assurance on certain KPIs / disclosures.
	Developing	Sustainability reporting is recognised as <b>an important aspect</b> to meet stakeholder expectations and spans a range of issues identified through a regular materiality assessment process. It is guided by good practice frameworks, although limited controls exist and some manual cross-checking to financial data occurs. Limited use of digital tools or external assurance, with some internal assurance processes over data.
	Basic	Sustainability reporting is aligned to <b>basic regulatory/compliance requirements</b> . It covers few topics and is not supported by a systematic and robust materiality assessment. There are no/ limited controls over data with significant reliance on Excel and other basic tools for data collection. No internal or external assurance.

Board of Directors

Chief Financial Officer

Chief Strategy Officer

Head of Communications

Chief Information Officer

Head of Tax

Chief Financial Officer

Chief Supply Officer

Chief Operations Officer

Chief Sustainability Officer

Chief Human Resources Officer

# 5 actions to take now

**01** Identify the **appropriate and best practice international standards** that should be reported against to meet stakeholder expectations.

**02** Focus on **governance, risk management and strategy** as priorities to enable action, underpinned by a robust materiality assessment process.

**03** Define a **journey to external assurance** of sustainability information that is aligned to emerging requirements by ensuring:

- ▶ Appropriate guidelines/ processes/ systems in place to support entity wide data collection/ reporting;
- ▶ There is a defined control environment to support data quality;
- ▶ Internal audit and readiness assessment processes are initiated to enable learnings prior to external assurance.

**04** Understand **alignment (or nuances) across frameworks** to ensure these can be adequately addressed.

**05** Consider and **integrate the performance aspects also required through ESG ratings/ indices** within broad sustainability reporting process.

# Assurance - when & why?

Currently, the majority of the sustainability reports in Africa are provided on a voluntary basis, which results in voluntary assurance being suggested.

In most cases, limited or reasonable assurance is provided over selected key performance indicators (KPI's). However, consistent industry trends are yet to emerge. As the standards are adopted throughout the world and the reporting landscape matures it is expected that some level of assurance will be required. Assuring the reports published will promote the entity's reporting integrity, transparency and credibility. This does, however come with its own challenges and will require investment time by the entity and the auditors respectively.

**Being able to provide assurance over a sustainability report will require detailed and robust sets of data to be available. It is therefore important that entities:**

Define which **information** would need to be reported on to support entity wide data collection.

Develop **information systems** to collect this data for the periods to be reported on.

Develop an **internal control** system to ensure the quality of the data.

Develop a **reporting module** to summarise the relevant data.

Develop **governance processes** over the data to ensure transparency.

Develop **internal audit and readiness assessment processes** to enable learnings and improvements of data and processes prior to external assurance.

## Tips for successful sustainability reporting



### Identify compliance needs gap analysis

Identify the appropriate international standards (e.g., GRI, SASB, TCFD) for reporting to meet stakeholder expectations



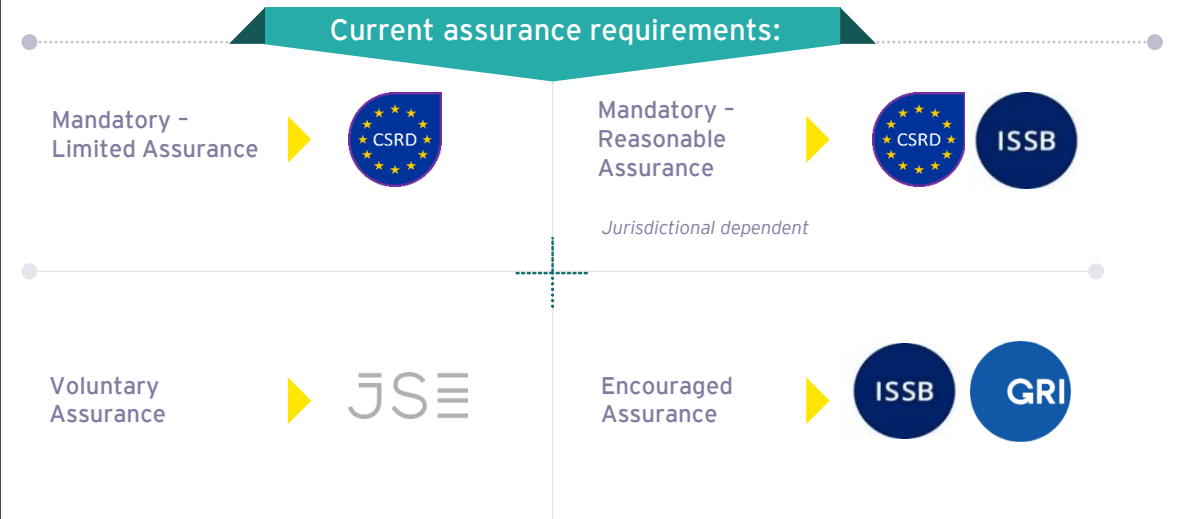
### Mapping document

Analyse the nuances across different reporting frameworks to ensure all requirements are adequately addressed



### Accurate reporting

Prioritise governance, risk management, and strategy as key areas for robust materiality assessment processes, defining data flows and related controls



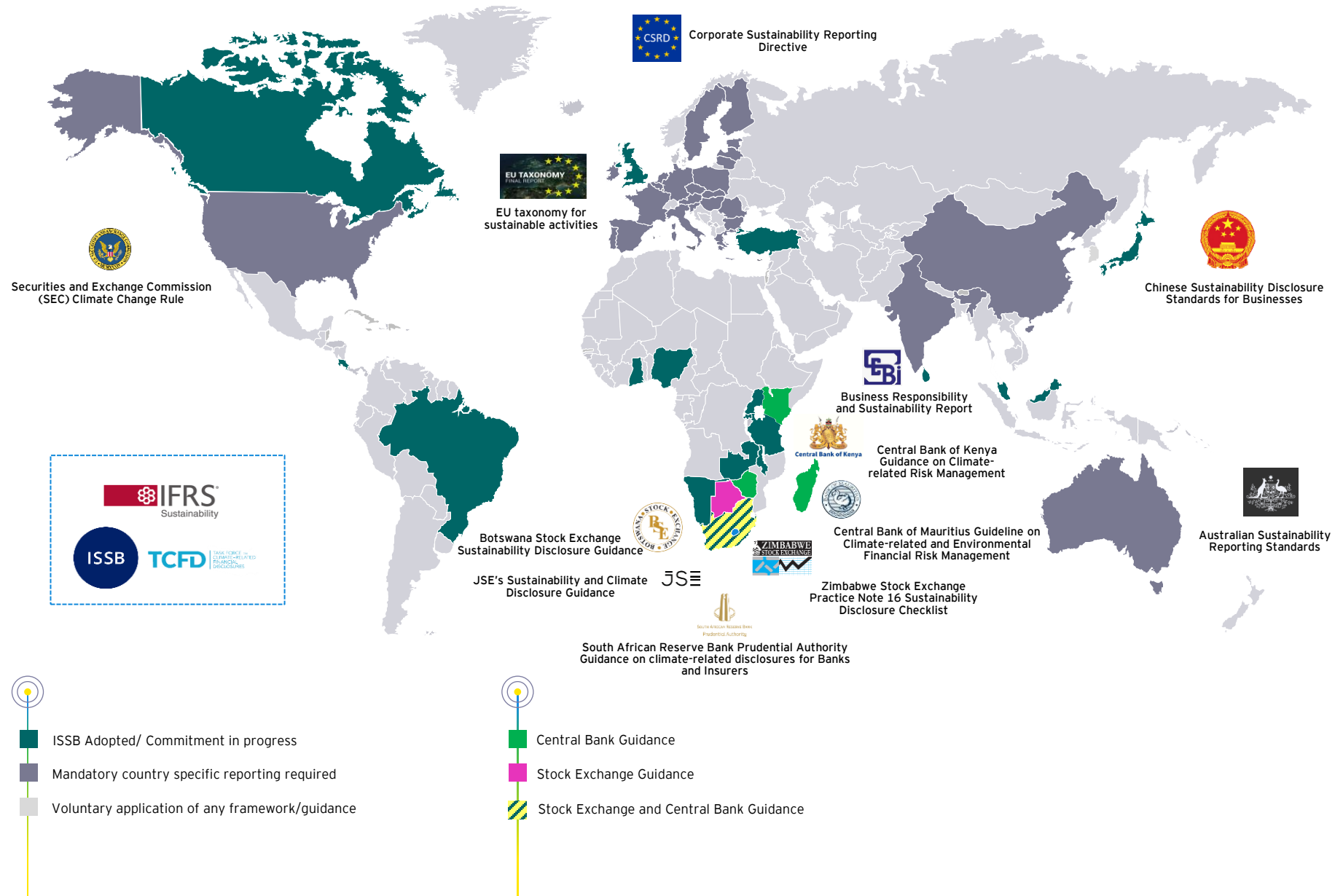
# Global sustainability reporting landscape

Sustainability reporting requirements are rapidly increasing around the world, with various jurisdictions driving different initiatives, both mandatory and voluntary.

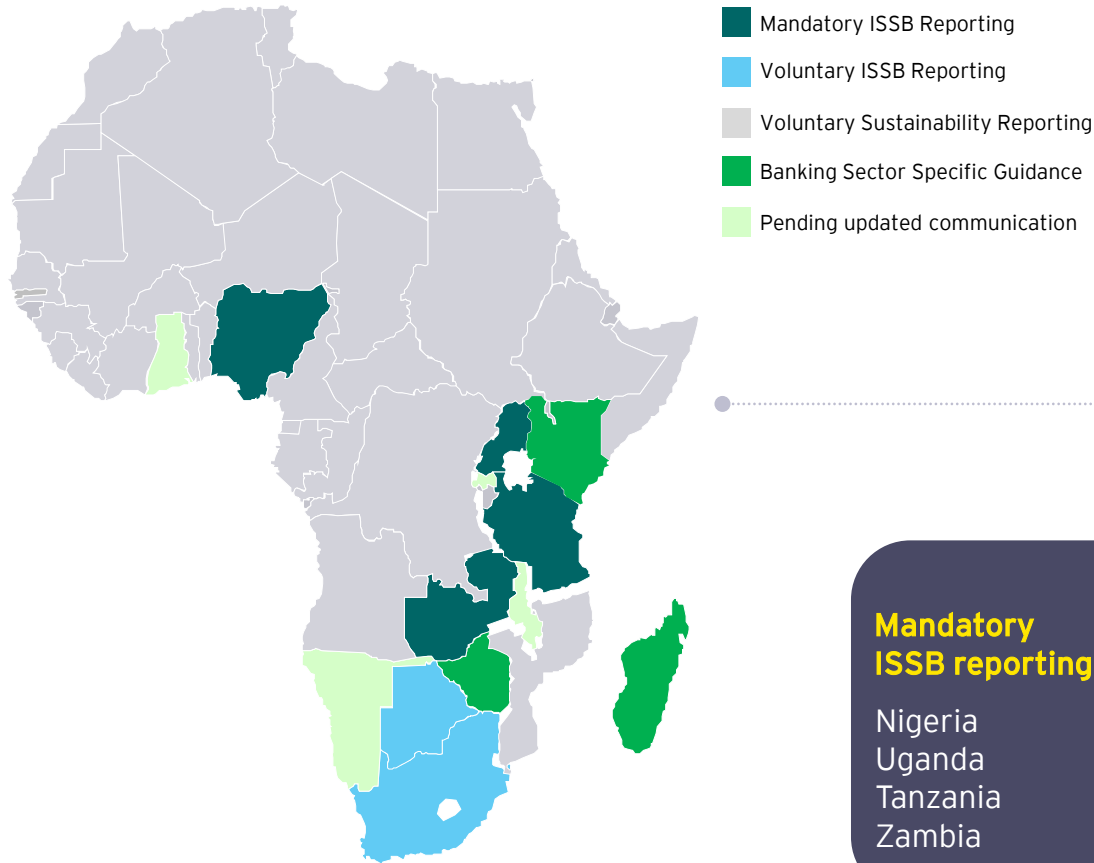
Thematically regulations are similar, but nuanced differences may make reporting challenging and call for centralized oversight and internal coordination.

The complexity associated with reporting requirements lies in understanding what is linked to listing requirements, country specific legal requirements, as well as broader investor and stakeholder expectations.

Depending on where an entity is listed and the locations that it operates in, an entity may have to report under one or more of the frameworks.



# Sustainability reporting landscape in Africa



The sustainability reporting landscape in Africa is a multifaceted environment subject to constant change. With specific focus on the ISSB standards, what is key to remember is the standards leave decisions around the adoption of the standards to the local regulators. Therefore, the local regulators will determine whether the standards are mandatory, the location of disclosure, effective date, and level of assurance, if any. This results in nuances between the various countries' reporting requirements.

Various countries have been making significant progress in adopting sustainability standards. Where a roadmap has been or will be published, regulators seemed to have favoured the ISSB standards, in line with IFRS financial reporting standards that are widely used by the various stock exchanges across the continent. In addition, whilst some countries do not have a formal road map published by its regulator, it is encouraging to see significant voluntary uptake of sustainability reporting by listed entities.

## At the time of this report the following applies:



# Reporting frameworks and their focus

## The International Sustainability Standards Board

The IFRS Foundation created the International Sustainability Standards Board's (ISSB), through collaboration with various global initiatives, such as the GRI (formerly Global Reporting Initiative). The ISSB will have a focus on developing standards that provide a baseline for cost-effective and efficient sustainability disclosure. These standards aim to bring global consistency to the way companies disclose sustainability-related risks and

opportunities throughout their value chain, helping to improve trust and confidence in company disclosures and to inform investment decisions.

The ISSB issued its first two IFRS Sustainability Disclosure Standards, namely IFRS S1 and IFRS S2, during June 2023. IFRS S1 sets out the general requirements for a complete set of sustainability-related financial disclosures.

IFRS S1 is designed to be applied in conjunction with IFRS S2, is a topic-based standard that specifies disclosures relating to climate.

In jurisdictions where the ISSB standards have been adopted, IFRS S1 is applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, however, if doing

so, an entity needs to disclose that fact and apply IFRS S2 at the same time.

The actual effective date for entities will depend on when ISSB standards become mandatory in the jurisdictions in which they operate, unless those entities voluntarily apply ISSB standards.

### IFRS S1 General Requirements Standard

An entity would be required to disclose material information about all significant sustainability-related risks and opportunities.



### IFRS S2 Climate Standard

An entity would apply the relevant IFRS sustainability disclosure standards to identify risks/opportunities and disclosures.

Requires disclosure of information about:

- (1) Physical risks e.g. flood risk
- (2) Transition risks e.g., regulatory change
- (3) Climate-related opportunities e.g., new technology



**If no specific IFRS Sustainability Disclosure Standard requirements apply, an entity must consider:**

SASB Standards  
(Appendix 1 of  
Standard 2)

CDSB framework and  
application guidance

Other standards

Industry-based  
disclosure topics

ISSB's non-mandatory  
guidance

Disclosure that meets  
investors' information  
needs

Peer company practices  
(similar industry /  
geography)

# Reporting frameworks and their focus



The Corporate Sustainability Reporting Directive (CSRD) is a reporting framework that follows a financial reporting structure.

The European Sustainability Reporting Standards (ESRS) are reporting standards that are used to meet the CSRD requirements.

Standards and laws apply to EU companies and qualifying EU subsidiaries of non-EU companies.



The Securities and Exchange Commission (SEC) is adopting amendments to its rules that will require registrants to provide certain climate related information in their registration statements and annual reports.

While the specific procedural approach of the Trump administration is to be confirmed, the adoption timeline remains uncertain.



The Johannesburg Stock Exchange (JSE) has implicitly communicated requirements for sustainability disclosure through its links to the King Codes on corporate governance.

The JSE Sustainability Disclosure Guidance of June 2022 document provides support and benefits of sustainability disclosure.



Global Reporting Initiative (GRI) provide standards that are a modular system comprising of three series which are to be used together:

- ▶ Universal standards,
- ▶ Sector standards
- ▶ Topic standards.

Organisations can use the GRI Standards to prepare a sustainability report in accordance with the GRI standards or use selected standards to disclose information for specific users or purposes.

## How do the different frameworks compare?

	Scope of disclosures	Status	Primary audience	Effective date	Assurance	Disclosure location
ISSB	⊕ ∞	Voluntary	Investors	1 Jan 2024	Jurisdiction dependent	General purpose financial reports
CSRD/ESRS	∞	Mandatory	Multi-stakeholder	*	Mandatory - Limited	Management report
SEC	⊕	Unclear	Investors	Unclear	Unclear	Regulatory filing & financial statements
JSE	⊕ ∞	Voluntary	Multi-stakeholder	N/A - but encouraged	Voluntary	Annual report
GRI	∞	Voluntary	Multi-stakeholder	1 Jan 2023	Encouraged	Annual report

### Legend:

∞ - Sustainability

⊕ - Climate

\* - Provisions apply to fiscal years starting on or after 1 January 2023

# Key ISSB reporting concepts



## Why is sustainability-related information disclosed?

Information about sustainability-related risks and opportunities is useful to primary users in making decisions relating to providing resources to the entity.

Sustainability-related risks and opportunities arise from an entity's dependencies and impacts on resources and relationships and affect its ability to generate cash flows over the short, medium, and long term.

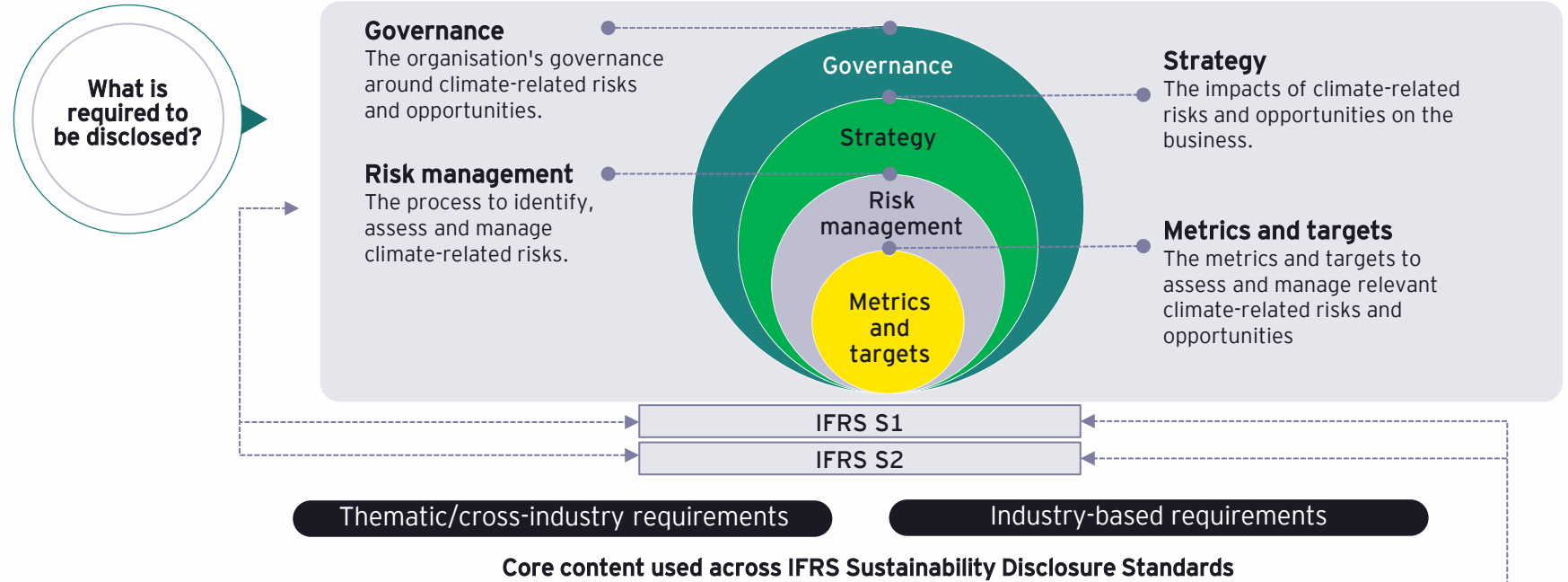


## Who is disclosing the sustainability-related information?

The same reporting entity that prepares the related financial statements.

The entity that provides sustainability-related financial information is required to be the same as the reporting entity that provides general purpose financial statements, to enable entities to link financial statements with sustainability-related financial information.

However, information about sustainability-related risks and opportunities is not restricted to what is recognised in the financial statements but encompasses information about that entity's value chain.



### General features

#### Relevance

Align with the reporting entity for general-purpose financial statements.

#### Connected information

Information provided should enable users to assess the connections between various sustainability-related risks and opportunities, and to assess how information about these are linked to the general-purpose financial statements.

#### Fair presentation

A complete set of sustainability-related financial disclosures shall present fairly the sustainability-related risks and opportunities to which an entity is exposed.

#### Comparability

Disclose comparative information in respect of the previous period for all metrics disclosed in the current period (with some transition relief available).

#### Materiality

This is generally consistent with the materiality concept in IFRS accounting standards.

#### Frequency of reporting

Report at the same time as for the financial statements.

#### Location of information

Disclose information as part of its general-purpose financial reporting.

#### Disclosure of requirements

In the absence of a specific IFRS sustainability disclosure standard that applies to a sustainability-related risk or opportunity, an entity must consider the applicability of the disclosure topics in the industry-based Sustainability Accounting Standards Board (SASB) standards as a basis for reporting.

# How can EY help you?

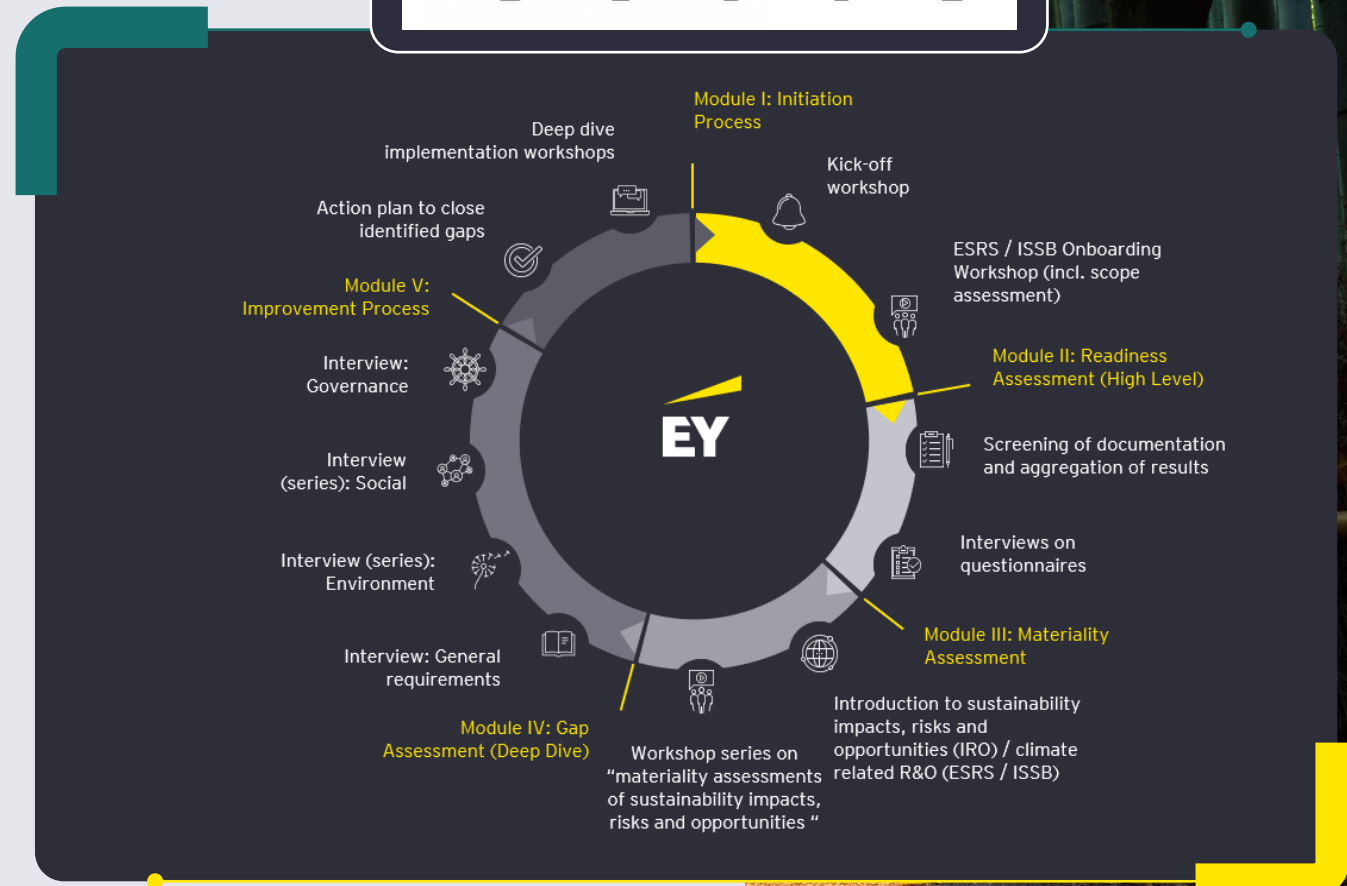
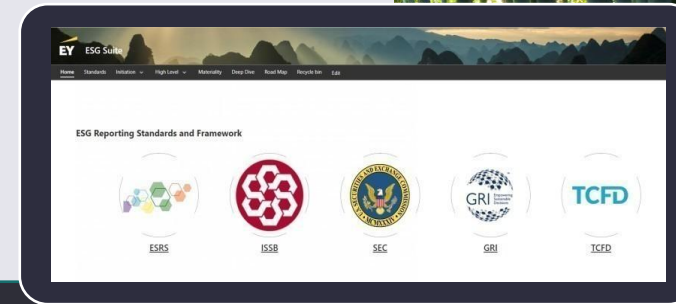
The EY ESG suite is a comprehensive solution to deliver on all elements needed for ESG readiness, especially for the ESRS and ISSB Frameworks.

The service offering includes 5 modules:

- 01** **Module I:** Initiation process, includes a kick-off workshop and a scope assessment
- 02** **Module II:** Readiness assessment, includes screening of documentation and interviews on questionnaires
- 03** **Module III:** Materiality assessment, includes an introduction to sustainability impacts, risks and opportunities
- 04** **Module IV:** Gap assessment, including interviews for the general, environmental, social and governance requirements
- 05** **Module V:** Improvement process, including an action plan to close identified gaps and deep dive implementation workshops



In addition, due to the modular approach of the EY ESG suite, other EY services or functionalities can be embedded, such as EY Climate Analytics Platform, EY ESG Reporting Analyzer and other customised functionalities.



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