
**Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting
(ISAR)**

**39th SESSION
1 – 3 November 2022**

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**Agenda item 3. Good practices in and approaches to the
practical implementation of sustainability reporting
requirements**

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ISAR 39TH session – Good practices in approaches to the practical implementation of sustainability reporting requirements

S**OUTH AFRICA**

Key insights from the implementation of the Development Account Project

Outcomes

- Review of the national reporting infrastructure against the ADT and identify gaps
- Strengthening the role of government in the monitoring sustainability reports by companies
- Increase the availability of data to enable the tracking of progress against the SDGs.
- Develop a strategic plan for capacity building for sustainability reporting
- Strengthen human capacity
- Improve quality and facilitate international comparability of sustainability reporting
- Raise awareness and foster experience sharing among policymakers and other stakeholders on good practices and lessons learned.

Challenges

- Absence of the national mandate and responsible body for driving reforms in the area of sustainability reporting.
- Meetings were conducted virtually for the duration of the project and the platforms restrict constructive interaction and bilateral meetings during the sessions and follow up discussions are required after the meeting and availability of stakeholders was a challenge.
- Government leadership is key to successful implementation of the plan
- SMMEs challenges for financial reporting and non-financial information requires additional support
- Confirmation of the composition of the working groups and steering committee by the proposed organisations.

Achievements

- Development of the action plan based on gaps identified
- Government was the key focal point (DTIC and DPME)
- Established the working groups for each of the strategic objectives to address the gaps (Institutional and Regulatory, Human Capacity and High-quality reporting companies reporting on SDGs)
- Identification of the composition of the working groups to ensure ongoing tracking of implementation of action plan activities
- Appointment of Chair, Vice Chair and Secretariat of the working groups and steering committee
- Bilateral meetings with identified key stakeholders allows for continued support of the project

Key insights on the status of the development in the corporate reporting in the country

Positive trends

- An increasing number of entities report on ESG information with listed companies spearheading this trend.
- The Integrated Reporting South Africa introduced award that recognizes excellence in enterprise reporting and benchmark standards of excellence in the quality of integrated reporting.
- The advancement of policy reform for the SMME sector will enable its greater participation in the national economy addressing the skills gaps in the country.
- SAICA introduces ESG and SDG reporting in the curriculum at tertiary level and partners with business schools offering members training on SDG reporting.

Areas requiring improvement

- The absence of the standard reporting framework results in inconsistent ESG/SDG data and leads to the lack of corporate transparency.
- There is lack of awareness initiatives adopted to ensure progress in ESG/SDG reporting in South Africa.
- The ESG/SDG reporting and adoption of sustainability practices should be strategic objective lead by National Government given its significant impact on social, environmental and economic dimensions.
- Promotion of ESG component in education is required for universities as well as for continued professional development programs.
- There is a limited capacity in the public sector to monitor ESG/SDG reporting by companies.

National reporting infrastructure

Challenges and gaps

- Lack of understanding of importance of ESG/SDG by business
- Reporting is fragmented and no coordination between stakeholders (regulatory, implementers)
- The entity in charge of reporting (IFRS) not currently operational

Lessons learned

- Information gathering tool should be simple and customised to ensure better responses (qualitatively)
- Understanding the country landscape is critical to allow focused engagement with stakeholders
- Policy makers should be involved at the onset of the project to ensure that project recommendations are implementable
- Recommendations should limit changes in policies but rather development of guidelines as the process is quicker to complete
- Changes requiring Parliamentary approval should be consolidated for the process to be quick.
- Better coordination required amongst key stakeholders in the area of legislation and reporting for successful implementation of the recommendations
- Partnering with key institutions such as PAOs for capacity building activities to reach a wider audience and raise awareness on SDGs

Action plan implementation working groups

Strengthening institutional and regulatory framework for sustainability reporting

- Objective is to address constraints in the legal and regulatory reporting infrastructure both at country and institutional level.
- Appointment of local authority to regulate corporate reporting and coordinate efforts with different regulators.
- Composition agreed with stakeholders

Strengthen human capacity and institutional cooperation in the area of SDG/sustainability reporting

- Objective to strengthen human capacity to achieve high-quality corporate sustainability reports
- The focus on academic programs in Universities in partnership with the PAOs .
- The support for SMEs to target both financial and non-financial reporting.
- Challenge in changing the curriculum to align all Universities to the emerging sustainability reporting framework or standards.
- Composition proposed but not confirmed.

Strengthen the ability of companies to provide high-quality reporting data in corporate reports and establish mechanism on evaluation of companies contribution towards implementation of SDGs.

- Objective is to strengthen the quality and accuracy of data for reporting at the company level and government level.
- Address data gaps identified in the initial VNR published in 2019.
- Preparations for the 2024 VNR process will also include the experience from working group action plan activities to be implemented.
- Composition agreed with stakeholders.

Q & A