ESG and Sustainability reporting landscape

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Contents

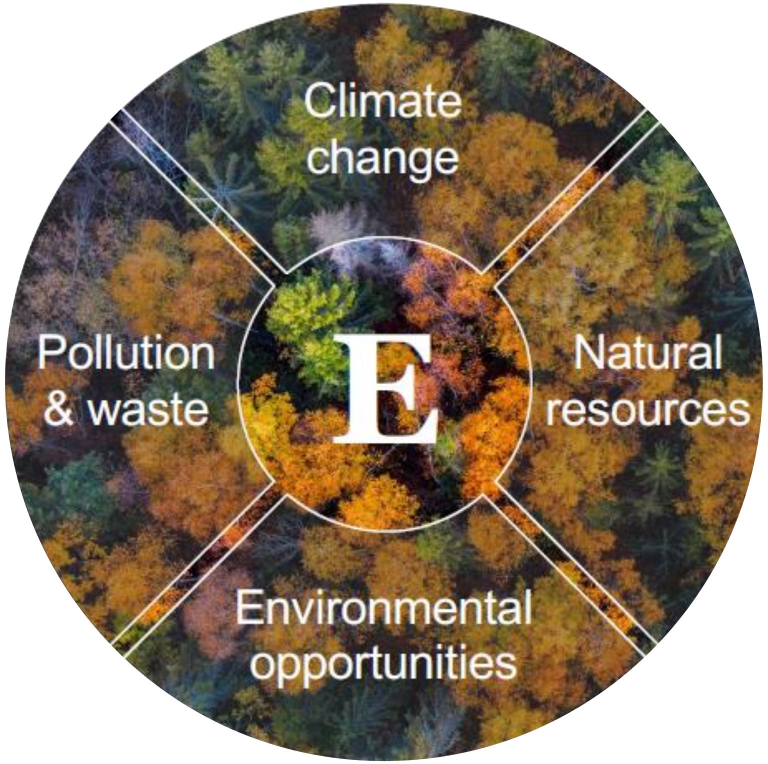
Introduction

Lake Chad

About 26,000Km2

About 1,350Km2

ESG landscape



Environmental pillar

Climate change
- Carbon emissions
- Product carbon footprint
- Financing environmental impact
- Climate change vulnerability

Natural resources
- Water stress
- Biodiversity & land use
- Raw material sourcing

Pollution & waste
- Toxic emissions & waste
- Packaging material & waste
- Electronic waste

Environment opportunity
- Opportunities in clean technology
- Opportunities in green building
- Opportunities in renewable energy

Social pillar

Human capital
- Labour management
- Health & safety
- Human capital development
- Supply chain labour standards
- Inclusion and diversity

Product liability
- Product safety & quality
- Chemical safety
- Financial product safety
- Privacy & data security
- Responsible investment
- Health & demographic risk

Stakeholder perspectives
- Controversial sourcing

Social opportunity
- Access to communication
- Access to finance
- Access to health care
- Opportunities in nutrition & health

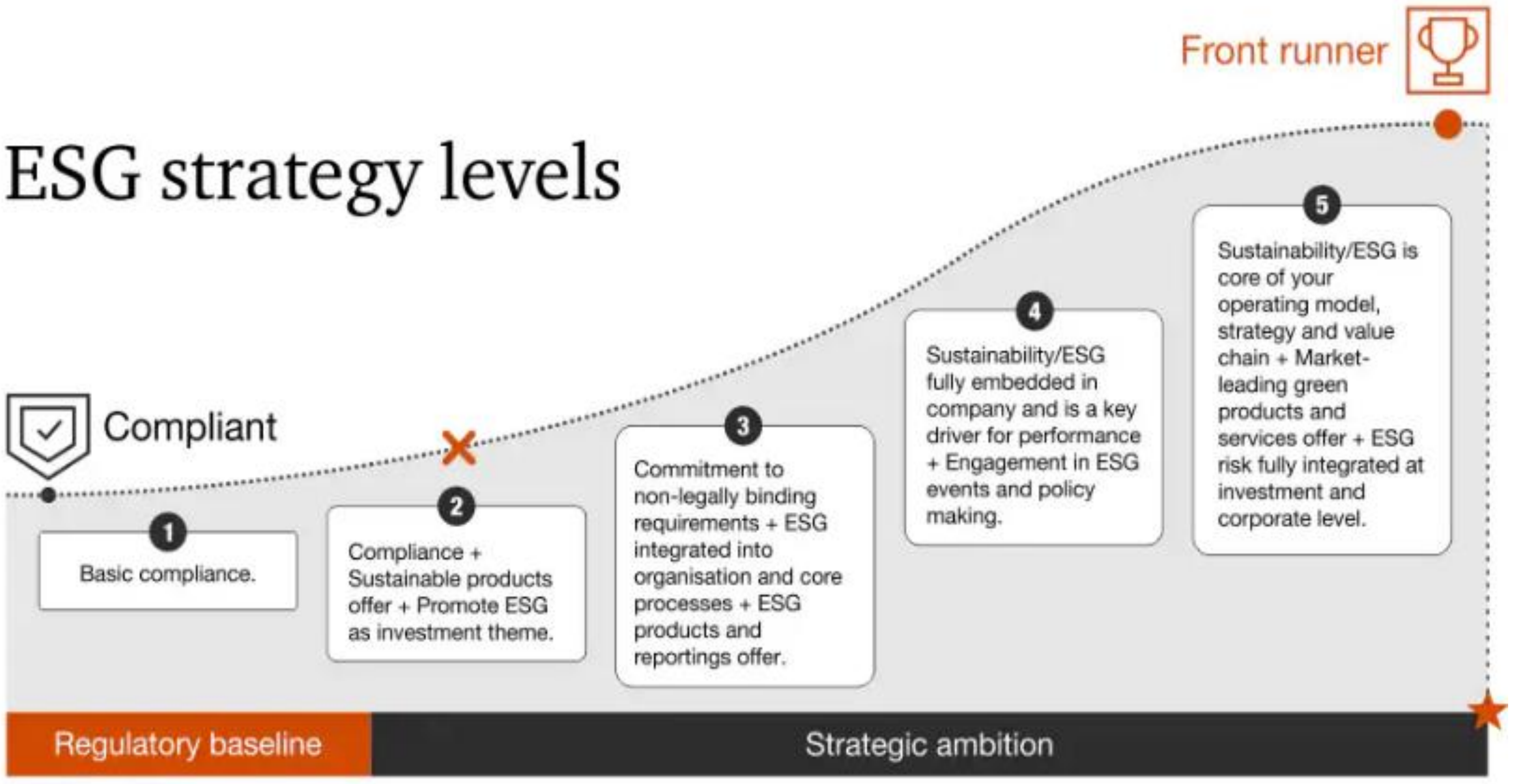
Governance pillar

Corporate governance
- Board diversity
- Executive pay
- Ownership
- Accounting

Corporate behaviour
- Business ethics
- Anti-competitive practices
- Corruption & instability
- Financial system instability
- Tax transparency

Determining ambition and alignment with business strategy is the first question facing financial services on their ESG journey…

The increasing demand for sustainability in financial services makes it imperative to fully integrate sustainability and ESG into your mid- and long-term strategic ambitions.



Where you are on the 'sustainability scale' is fast becoming a key success factor. Not only as a response to market and investor demand and a creator of competitive advantage, but as an **opportunity to generate new revenue sources.**

- New products and services
- New client segments and target markets
- New business models: potential for innovation, e.g. new partnerships or distributions channels.

The sustainability reporting landscape

The reporting landscape is evolving fast – there are significant moves towards a common set of standards

Single issue standards/ frameworks/ measurement protocols	Umbrella reporting Standards/frameworks Covering breadth of ESG topics	Other enabling initiatives
1	2	3
TCFD	IFRS International Sustainability Standards Board	European Commission EU CSRD
CDP DRIVING SUSTAINABLE ECONOMIES	GRI	WORLD ECONOMIC FORUM
CDSB Climate Disclosure Standards Board	SASB	IMPACT MANAGEMENT PROJECT
SCIENCE BASED TARGETS	INTEGRATED REPORTING <IR>	IBC INTERNATIONAL BUSINESS COUNCIL
GREENHOUSE GAS PROTOCOL		

The reporting landscape is evolving and there are significant moves towards a common set of standards.

Sustainability ratings & rankings

There is a shift in investor and stakeholder sentiment towards sustainability

Local regulators:

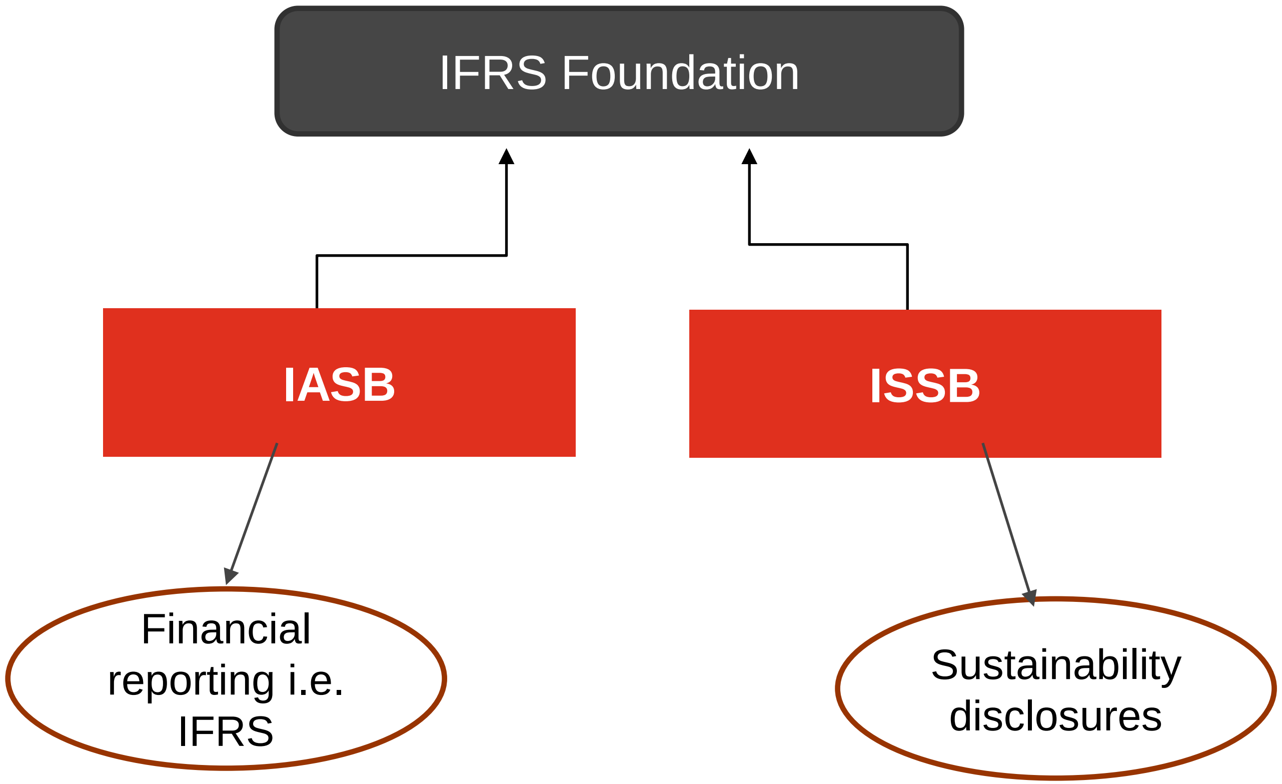
In East Africa and TZ specifically, we are seeing greater focus on sustainability reporting by local regulators. For example:

- In 2019 the National Board of Accountants and Auditors (NBAA) issued TFRS 1 (directors reporting requirements that includes sustainability related disclosures requirements).
- In 2022 the DSE included comprehensive sustainability disclosures requirements to be adopted by all listed companies in Tanzania from the year 2022.
- The Bank of Tanzania issued a climate risks guidelines for banks.

International Sustainability Standards Board (ISSB) – IFRS S1 and S2

Overview of International Sustainability Standards Board (ISSB) Standards

How does ISSB fits in?



The International Sustainability Standards Board (ISSB)

- *Global baseline*
  - Consolidation - VRF and CDSB
  - Collaboration - GRI
- Initial Standards (S1 - General Sustainability-related disclosures and S2 - Climate change) released **26 June 2023**
- Effective **1 January 2024 (Subject to adoption by local regulations).**

What do IFRS S1 and IFRS S2 contain?

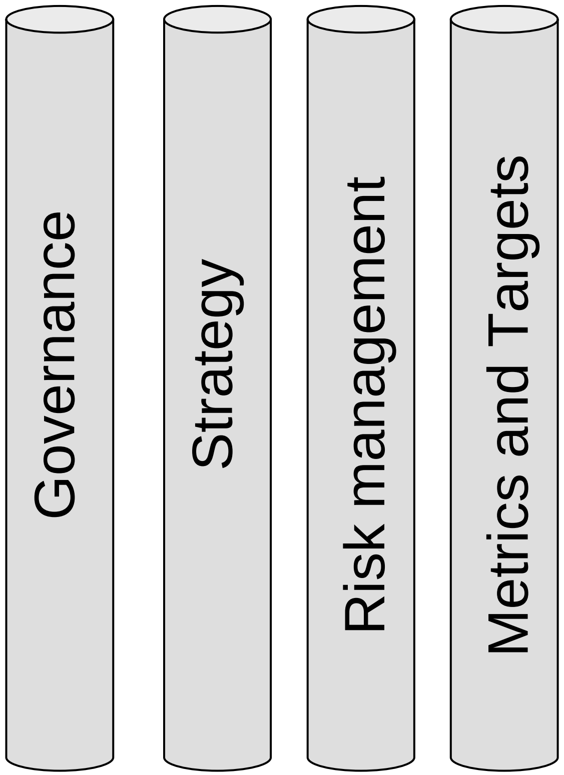
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information)

- IFRS S1 is **the core framework** for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

IFRS S2 Climate-related Disclosures

- First thematic standard
- Like TCFD, this Standard applies to:
  (a) climate-related risks that the entity is exposed to, including but not restricted to:
  (i) physical risks from climate change (physical risks); and
  (ii) risks associated with the transition to a lower-carbon economy (transition risks); and
  (b) climate-related opportunities available to and considered by the entity.

Standards are based on TCFD 4 pillar structure:



Objective of IFRS S1

- IFRS S1 requires an entity to disclose information about its **sustainability-related risks and opportunities** that is useful to the primary users (referred to as the 'primary users') in making decisions relating to providing resources to the entity.
- The primary users are existing and potential investors, lenders and other creditors of the entity.
- To effectively identify sustainability-related risks and opportunities, and to meet the objective of IFRS S1, an entity needs to have an understanding of **the resources that it relies on, and relationships along its value chain**

IFRS S1

What will need to be disclosed?

Material information:

To meet the reporting requirements under the IFRS Sustainability Disclosure Standards, companies need a **clear reporting strategy, supported by sufficiently rigorous processes and controls to generate high quality information in a timely manner.**

- ✓ Providing a complete and balanced explanation of sustainability related risks and opportunities
- ✓ Disclosures shall cover: **Governance, Strategy, Risk management and metrics and targets – TCFD's pillars**
- ✓ Focus on the needs of primary users (i.e. investors, creditors)
- ✓ Requires industry-specific disclosures
- ✓ For matters other than climate (IFRS S2) refer to other source of guidance

Understanding the link between financial reporting and sustainability reporting

Financial Statements

Information about the reporting entity's assets, liabilities, equity, income and expenses.

Information forms and input for identifying financial risks/opportunities and making financial materiality judgements.

Sustainability reporting

Information (qualitative and quantitative) about material sustainability risks and opportunities.

S1 Core content: The four pillars

Governance

Strategy

Risk Management

Metrics and targets

Governance

To help primary users understand the entity's governance processes, controls and procedures that the entity uses to monitor and manage material SROs.

Strategy

To explain the strategy that the entity applies to manage, and its resilience to, the identified material SROs.

Risk Management

To help primary users understand the processes the entity uses to identify, assess, prioritise and monitor the identified SROs disclosed.

Metrics and targets

To enable the primary users to understand an entity's performance in relation to its SROs, including industry-based metrics and progress towards any targets the entity has set, or is required to meet by regulation or legislation.

S1 - Key principles

Materiality

01

Fair presentation

02

Reporting entity/boundary

03

Connected information

04

IFRS S2 - Climate-related disclosures

Objective of IFRS S2

Climate-related disclosures

To disclose information about the entity's climate-related risks and opportunities that is useful to the **primary users** of general purpose financial reporting in making decisions about providing resources to the entity.

- An entity applies IFRS S2 in accordance with IFRS S1.
- Therefore, an entity may apply IFRS S2 when preparing financial statements in accordance with IFRS Accounting standards or other GAAP.
- IFRS S2 requires disclosure of climate-related risks and opportunities including:
  - Physical risks – the physical risks from climate change.
  - Transition risk – the risks associated with the transition to a lower-carbon economy.
  - Climate-related opportunities.

The four pillars

The requirements are similar to IFRS S1, with a focus on climate-related risks and opportunities.

Governance

Strategy

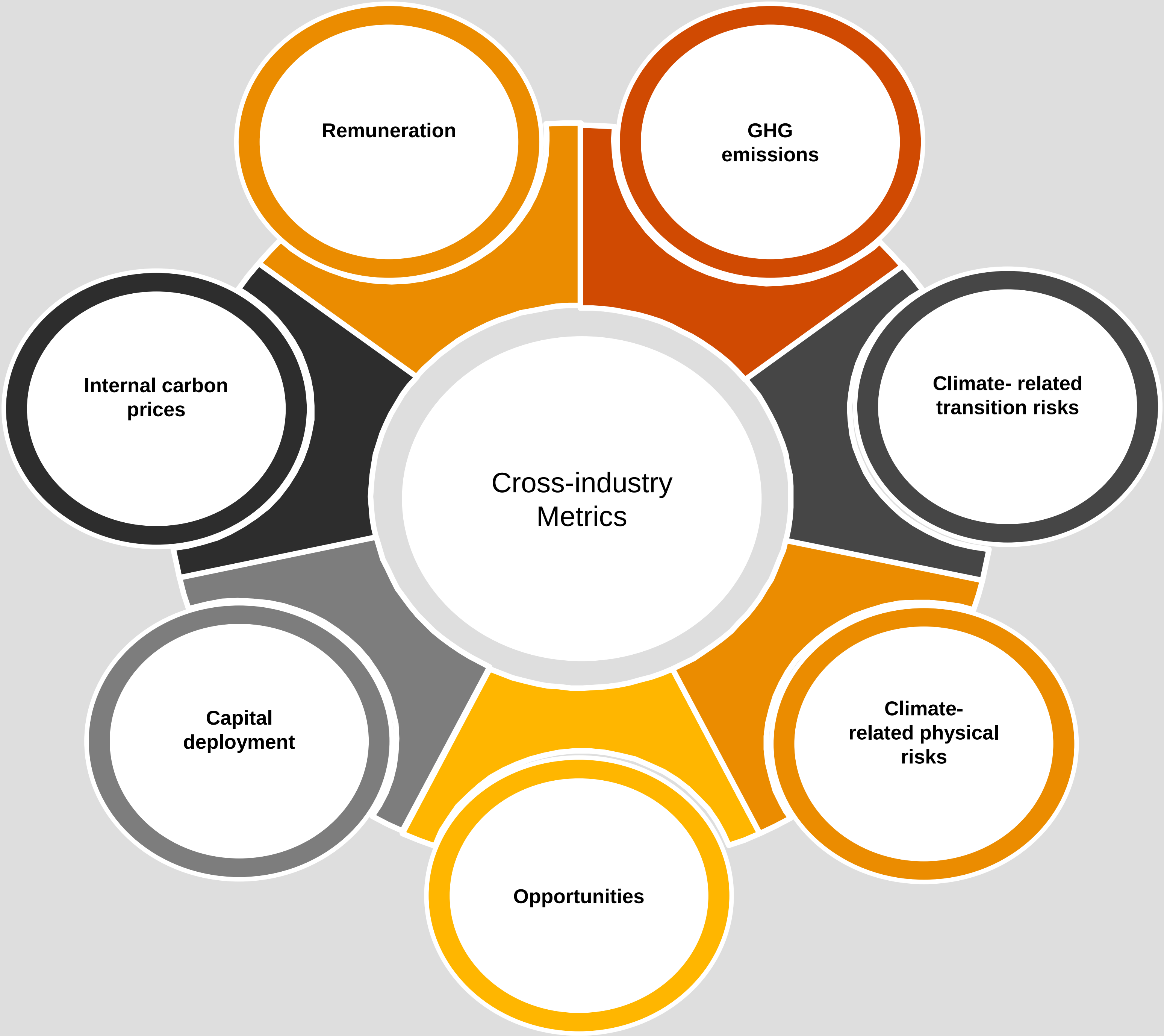
Risk Management

Metrics and targets

To address the requirements of Strategy in S2:

- Entities are required to provide:
  - qualitative and quantitative information on the current and anticipated financial effects of climate-related risks and opportunities.
  - how the entity plans to achieve the targets.
  - any critical assumptions in developing a transition plan to reach the targets.
- Entities are required to use climate-related scenario analysis to assess the entity's climate resilience.
- Entities should consider reasonable and supportable information, without undue cost or effort.

The seven cross-industry metrics



‘Not everything that can be counted counts and not everything that counts can be counted’

Albert Einstein

Thank you