

8TH ANNUAL CONFERENCE

The Institute of Chartered Accountants of India (ICAI)



The Role of Accountants, Auditors and Key Stakeholders in Sustainability Reporting

2nd December 2023

By: CPA Dr. Neema Kiure *GRI Certified Sustainability Professional*
Partner – Ernst & Young

Agenda

- ▶ Introduction
- ▶ ESG and Sustainability
- ▶ Scope of ESG Issues
- ▶ Sustainability Reporting
 - ▶ IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
 - ▶ IFRS S2 – Climate-related Disclosures
 - ▶ IPSASB – Advancing Public Sector Sustainability Reporting
 - ▶ IAASB – ED: Proposed International Standard on Sustainability Assurance 5000
 - ▶ The IFAC
- ▶ Regulations
- ▶ In Tanzania
- ▶ Conclusion

Introduction

- ▶ 2030 Agenda for Sustainable Development
- ▶ Sustainable Development Goal 12 – Responsible Consumption and Production
 - ▶ Target 12.6 – encourages companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycles
 - ▶ Indicator 12.6.1 – requires data on the number of companies publishing sustainability reports
- ▶ The ISSB



ESG and Sustainability

- ▶ The term ESG is often used interchangeably with the terms sustainability and corporate responsibility. The scope of topics covered by ESG includes, but is not limited to, the following:

Environmental	Social	Governance
<ul style="list-style-type: none">▶ Climate risks▶ Greenhouse gas emissions▶ Energy efficiency▶ Pollution and waste management▶ Use of natural resources▶ Clean energy and technologies▶ Biodiversity	<ul style="list-style-type: none">▶ Human capital▶ Labor relations and working conditions▶ Diversity agenda▶ Employee health and safety▶ Product quality and safety▶ Human rights and child labor▶ Privacy and data security▶ Social impact of environmental policies	<ul style="list-style-type: none">▶ Board diversity▶ Antibribery and anticorruption▶ Anti-money laundering▶ Business ethics▶ Corporate resiliency▶ Compensation policies▶ Lobbying and political contributions▶ Escalation protocols

Value-led sustainability means creating long term value for all stakeholders; protecting and creating value for business, people, society and the world as a whole.

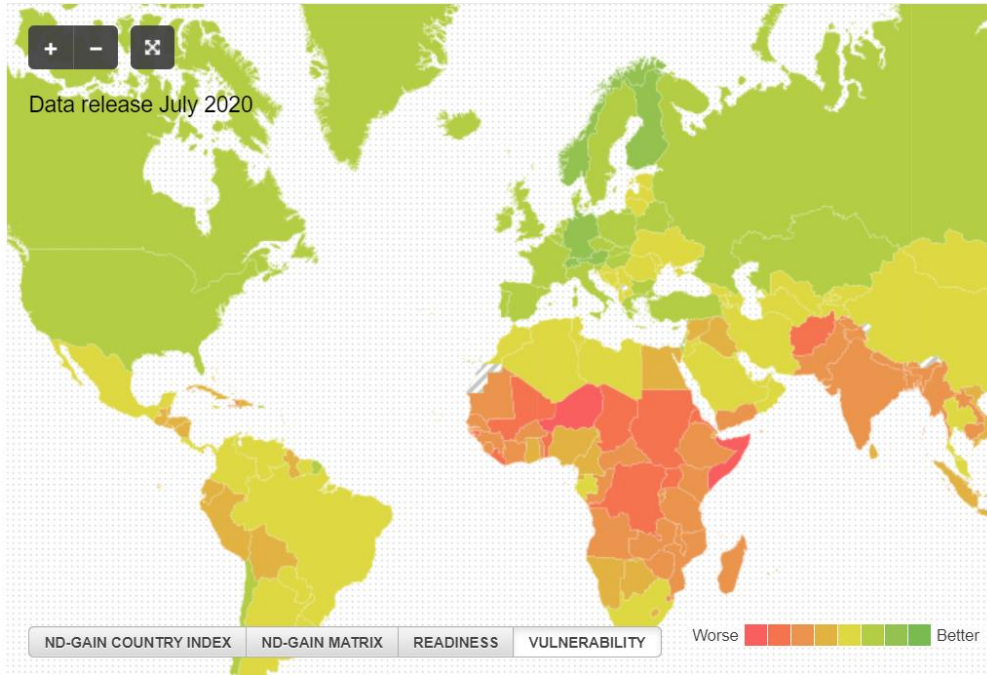
ESG and Sustainability

Stakeholders

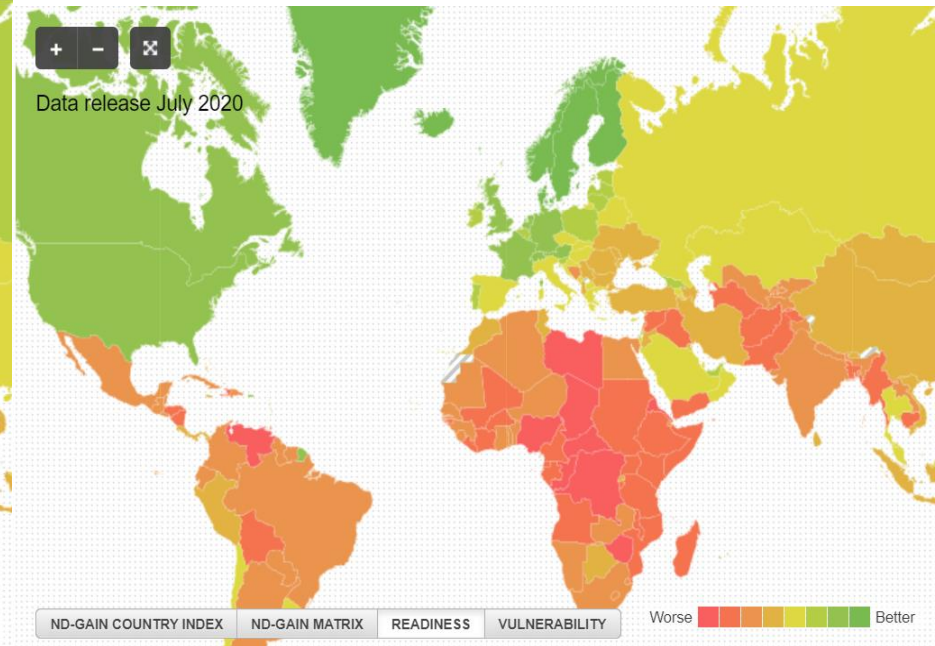
- ▶ Stakeholders are individuals or groups that have interests that are or could be affected by an organisation's activities.
- ▶ Example:
 - ▶ Business Partners
 - ▶ Civil Society Organisations
 - ▶ Consumers and Customers
 - ▶ Employees and Other Workers
 - ▶ Governments and NGOs
 - ▶ Shareholders and Other Investors
 - ▶ Suppliers
 - ▶ Trade Unions
 - ▶ Vulnerable Groups
 - ▶ Local Communities

Scope of ESG Issues (1/7)

Exposure Of Developing Countries To Physical Climate Risks



Vulnerability



Readiness

Source: ND GAIN, 2018 data.
World Bank Group

Scope of ESG Issues (2/7)

2021 Status



- Country Index
- Rankings
- Matrix
- Methodology
- Urban Adaptation
- Adaptation in Action

[Home](#) > [Our Work](#) > [Country Index](#) > R

[DOWNLOAD ND-GAIN DATA](#)

[VIEW TECHNICAL DOCUMENT](#)

144	Cambodia	Low	40.1
145	Cameroon	Low	40.0
145	Mauritania	Lower middle	40.0
145	Tanzania	Low	40.0
148	Gambia	Low	39.8

2021: Tanzania
 Vulnerability – 140/185
 Readiness – 151/192

ND-GAIN Index Country Rankings

[VIEW FULL RANKINGS](#)

<i>Top 5 Countries</i>		<i>Score</i>	<i>Bottom 5 Countries</i>		<i>Score</i>
1	Norway	75.0	181	Guinea-Bissau	32.4
2	Finland	73.8	182	Dem. Rep. of the Congo	32.4
3	Switzerland	72.5	183	Eritrea	30.7
4	Denmark	71.9	184	Central African Rep.	27.6
5	Singapore	71.5	185	Chad	26.9

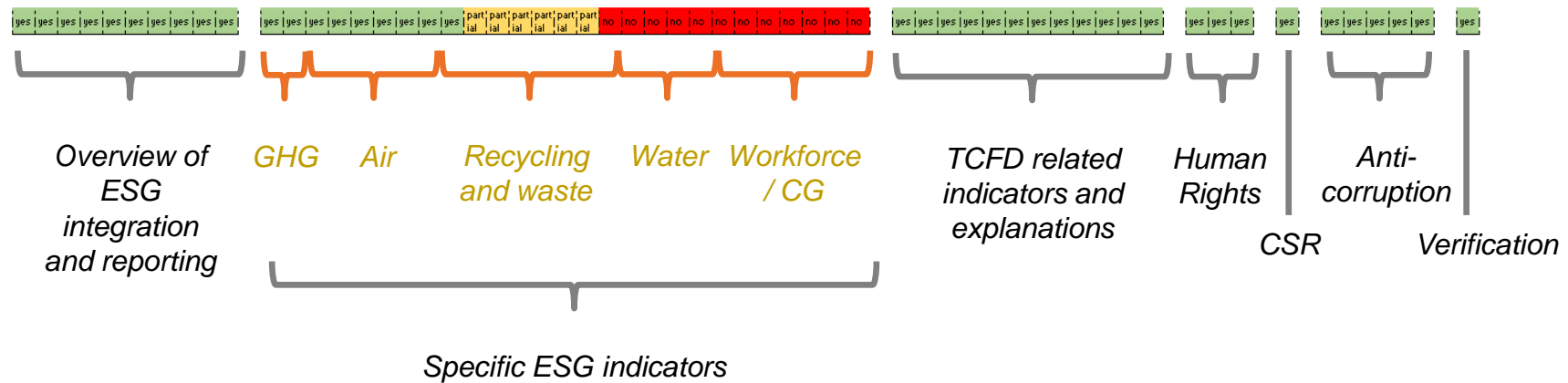
Scope of ESG Issues (3/7)

Results of Disclosure Exercise - 2018

Documents reviewed include:

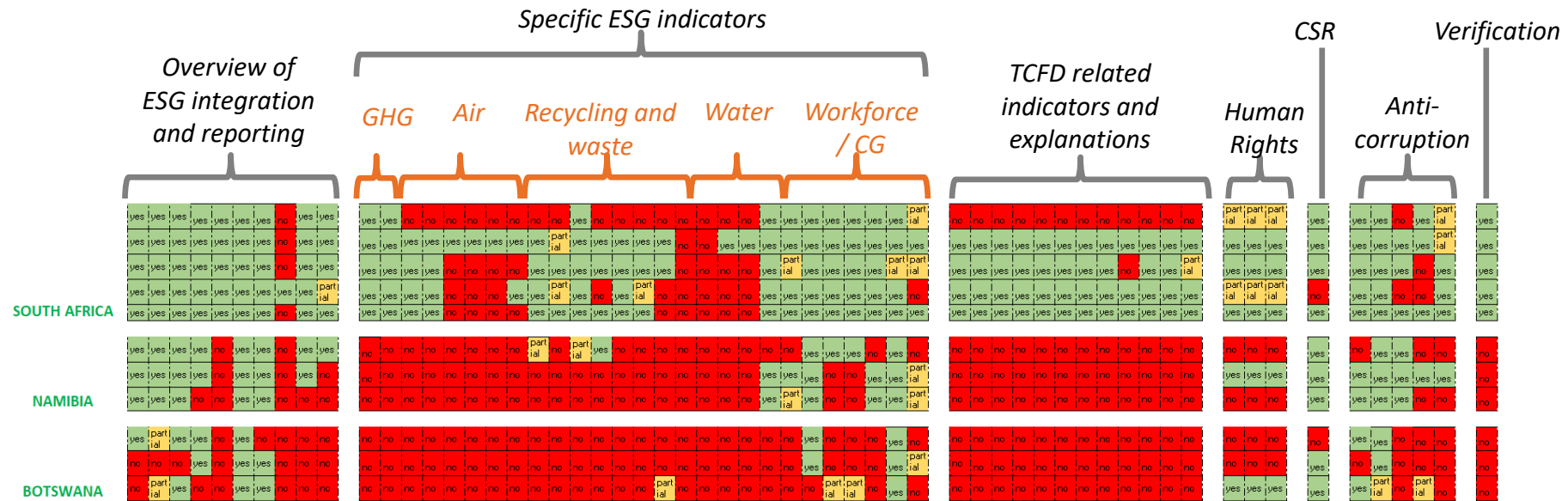
Annual Reports, Integrated Reports, ESG/Sustainability Reports, Green Bond Reports, Verification Reports, GRI Mapping Documents, Board Charters, Codes of Ethics, Codes for Suppliers, Human Rights/MSA Policy Statements, CDP Climate Change and Water questionnaire responses. Also, Website. Generally, Holding Company documents not included unless specifically referenced by company.

- yes Disclosure made: no comment on quality of compliance only disclosure. Alternative metrics accepted where appropriate
- partial Disclosure conspicuously incomplete
- no Disclosure not found in documents or website



Scope of ESG Issues (4/7)

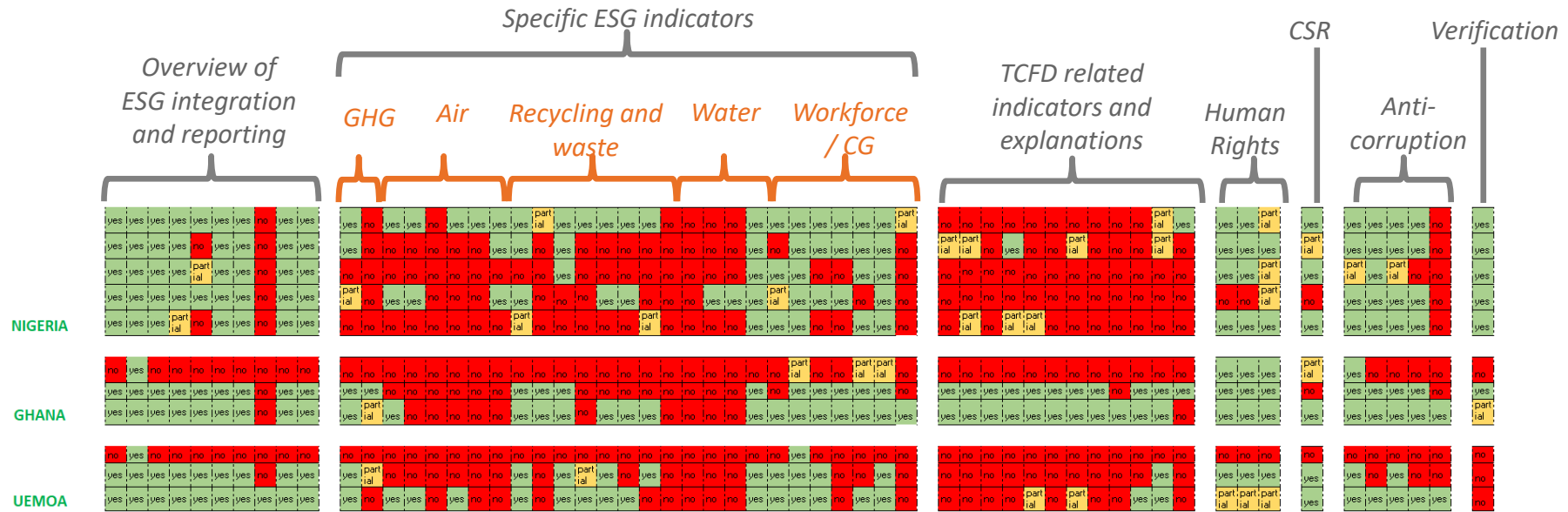
Results of Disclosure Exercise – Southern Africa



- ▶ South Africa shows extensive reporting, encouraged by peer practice rather than requirements for specific data disclosures
- ▶ Where peer practice is limited, so too are disclosures

Scope of ESG Issues (5/7)

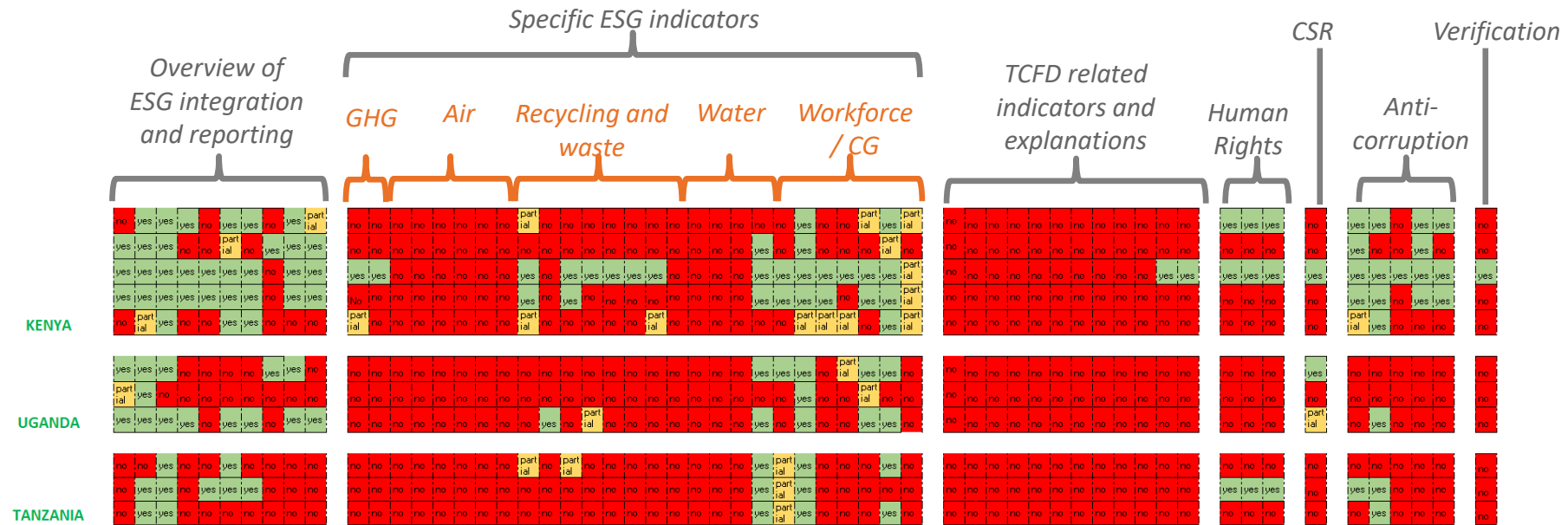
Results of Disclosure Exercise – West Africa



- ▶ Significant disclosure of human rights, workforce and anti corruption efforts
- ▶ Relatively significant disclosure by best practice issuers of environmental data, including TCFD/CDP
- ▶ No significant difference in country with recommended indicators

Scope of ESG Issues (6/7)

Results of Disclosure Exercise – East Africa

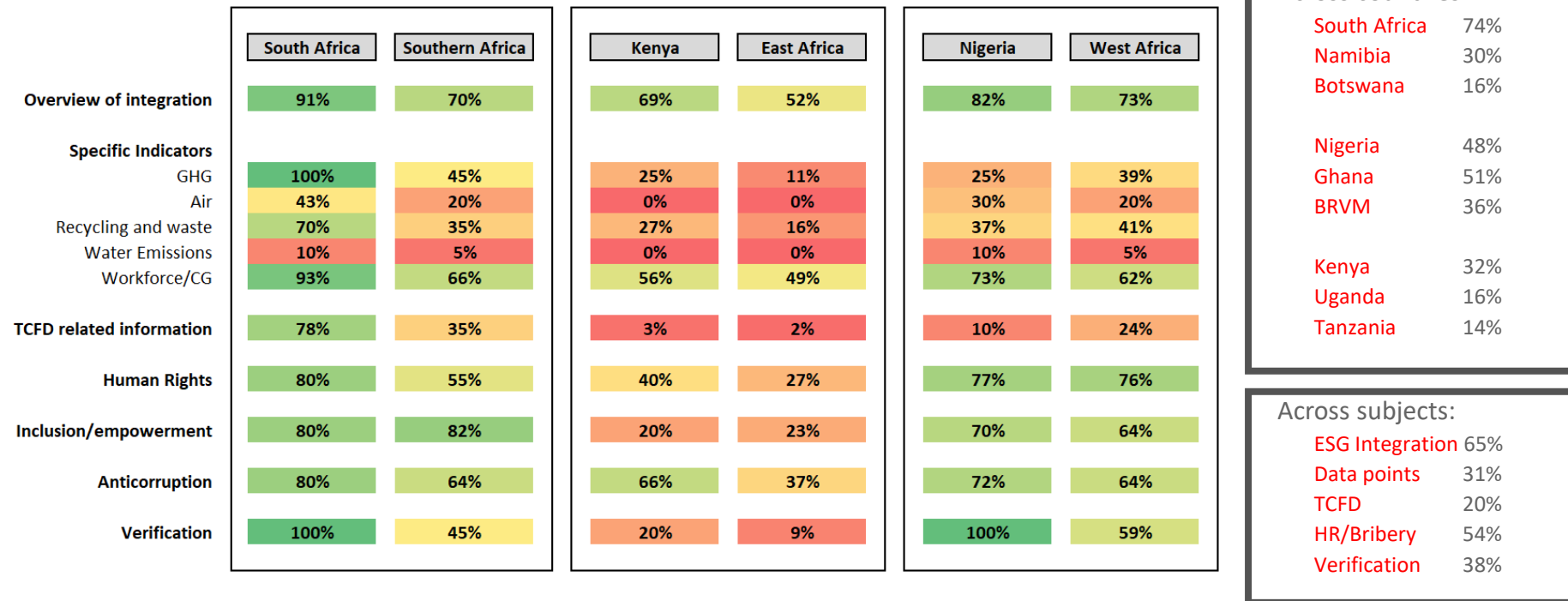


- ▶ Some disclosure of human rights, workforce and anti corruption efforts
- ▶ Otherwise, very limited disclosures of specific data points on environment, even amongst best practice issuers

Scope of ESG Issues (7/7)

Percentage of Information Found in Main Markets and in Regions

► Overall, only 38% of information sought was found (SA 46%, WA 45%, EA 23%).



Sustainability Reporting

- ▶ Is a complex process that helps the organisation **set goals**, **measure performance** and **manage change**, thus making their activities and business relationships more **sustainable**.
- ▶ Reporting frameworks, such as GRI Standards, help companies make progress towards the 2030 Agenda by:



Kick-starting companies' understanding of their SDGs contributions



Providing global guidance as a common approach to achieving the 2030 Agenda



Helping companies identify gaps as opportunities for improvement



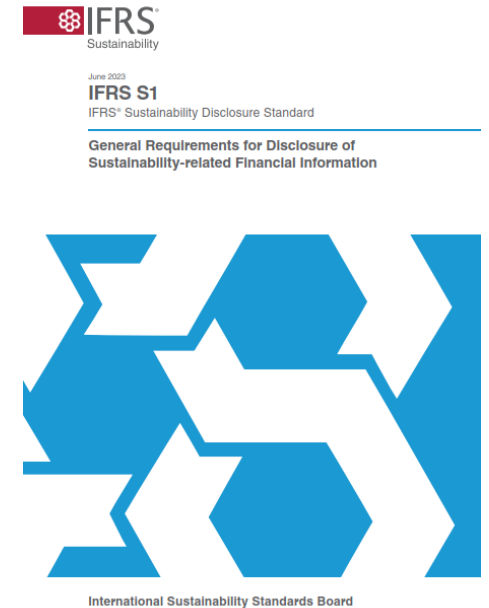
Easing data comparability with other companies



Helping companies link SDGs to business performance

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

- ▶ **Objective**
- ▶ **Scope**
- ▶ **Conceptual Foundations**
 - ▶ Fair Presentation
 - ▶ Materiality
 - ▶ Reporting Entity
 - ▶ Connected Information
- ▶ **Core Content**
 - ▶ Governance
 - ▶ Strategy
 - ▶ Risk Management
 - ▶ Metrics And Targets
- ▶ **General Requirements**
 - ▶ Sources of Guidance
 - ▶ Location of Disclosures
 - ▶ Timing of Reporting
 - ▶ Comparative Information
 - ▶ Statement of Compliance
- ▶ **Judgements, Uncertainties And Errors**
 - ▶ Judgements
 - ▶ Measurement Uncertainty
 - ▶ Errors

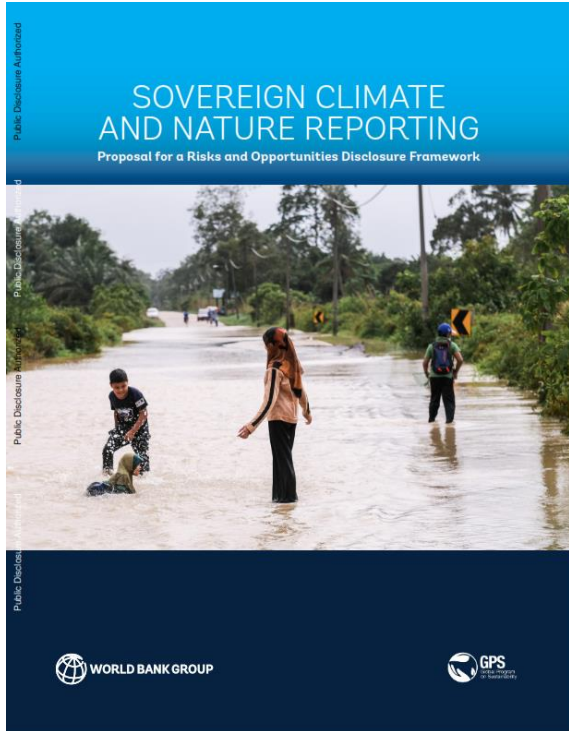


IFRS S2 - Climate-related Disclosures

- ▶ **Objective**
- ▶ **Scope**
- ▶ **Core Content**
 - ▶ Governance
 - ▶ Strategy
 - ▶ Risk Management
 - ▶ Metrics And Targets



Advancing Public Sector Sustainability Reporting



Public sector significance and unique role demands sustainability action and reporting.



Private sector guidance can be leveraged but does not meet the needs of the public sector

Priority Projects

General sustainability-related information

Climate-related disclosures

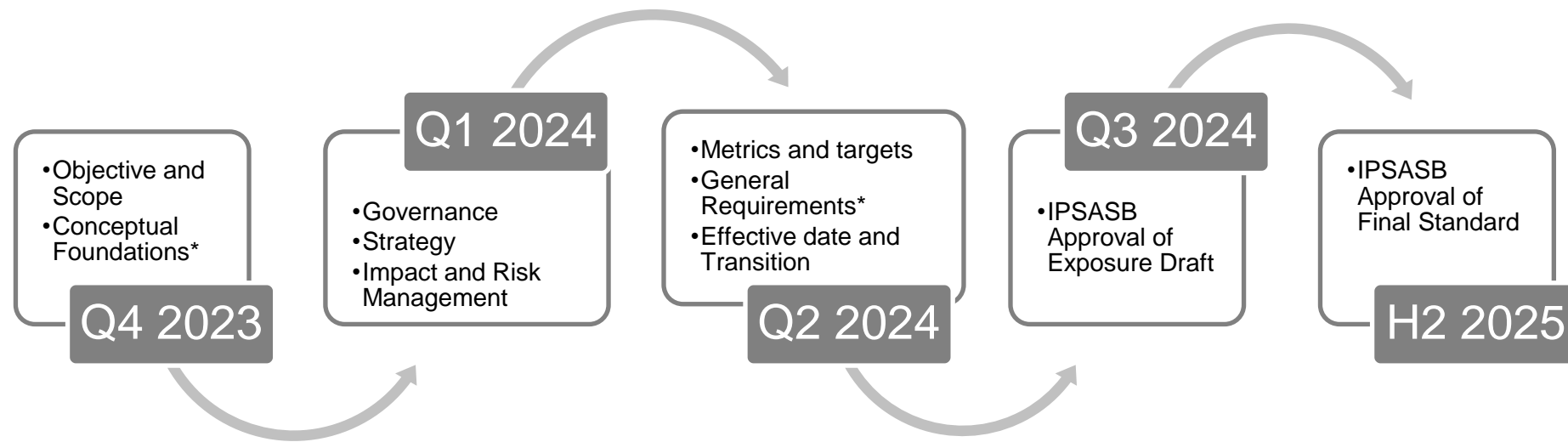
Natural resources, biodiversity

Advancing Public Sector Sustainability Reporting

IPSASB Sustainability Framework



Advancing Public Sector Sustainability Reporting Timeline to Climate-related Disclosures Standard



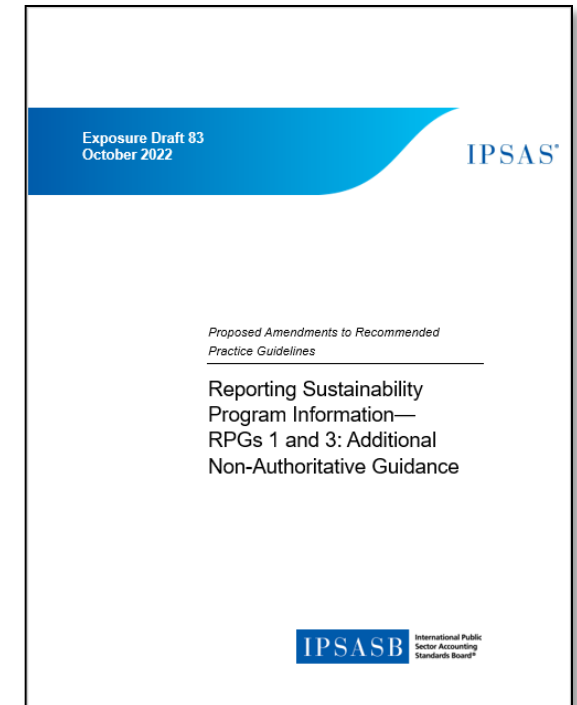
*IPSASB will incorporate general sustainability-related foundational concepts in this project, until a general sustainability-related disclosure project commences.

Advancing Public Sector Sustainability Reporting

Reporting Sustainability Program Information

- ▶ *RPG 3, Reporting Service Performance Information*
 - ▶ Guidance for reporting information on entity-level sustainability-related programs – practical examples

- ▶ *RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances*
 - ▶ Guidance for development of financial projections for sustainability of finances over long-term (most relevant at consolidated level)



International Auditing and Assurance Standards Board (IAASB)

- ▶ This International Standard on Sustainability Assurance (ISSA) deals with assurance engagements on sustainability information.
- ▶ This ISSA applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, in which case ISAE 3410 applies.

Exposure Draft
August 2023
Comments due: December 1, 2023

International Standard on Sustainability Assurance

Proposed International Standard on Sustainability Assurance 5000
General Requirements for Sustainability Assurance Engagements
and
Proposed Conforming and Consequential Amendments to Other IAASB Standards

This Exposure Draft is intended to be read along with the separate Explanatory Memorandum.

IAASB International Auditing and Assurance Standards Board

Information Gathering, 1 st Board Discussion	Project Proposal	Exposure Draft	Comment Period Closes	Final Approval
December 2021	September 2022	June 2023	December 2023	September 2024

The IFAC

The Adaptive Cycle:



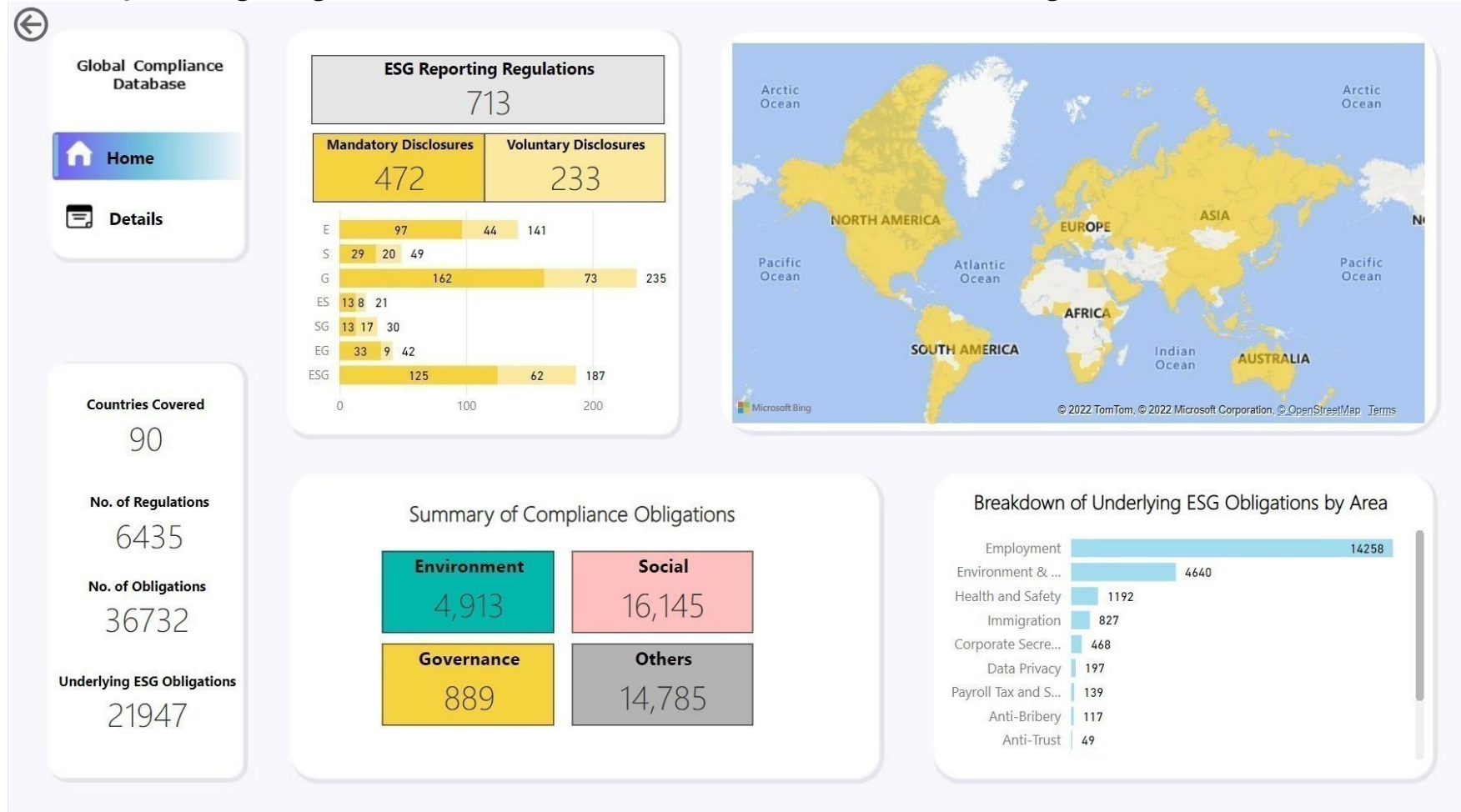
Future-Fit Accountant Roles:

- Co-Pilot
- Navigator
- Brand Protector
- **Storyteller**
- Digital and Technology Enabler
- Process and Control Expert
- Trusted Professional



Regulations

- ▶ There are 713 ESG reporting regulations across 90 countries, resulting in more than 20,000 obligations



In Tanzania (1/6)

- ▶ In March 2022, the Dar es Salaam Stock Exchange (DSE) issued specific rules related to issuance, listing and reporting of sustainability themed/labelled financial instruments.
 - ▶ DSE's mandate and emphasis on disclosure by listed issuers, these Guidelines identifies investors as the key stakeholder group for Exchange-led ESG disclosure and focus on ensuring the availability of baseline investor-relevant decision useful information.
 - ▶ The DSE encourages companies to disclose its sustainability policy, including mitigation of risks, performance data and other material information which deepens stakeholders' understanding of corporate performance.

In Tanzania (2/6)

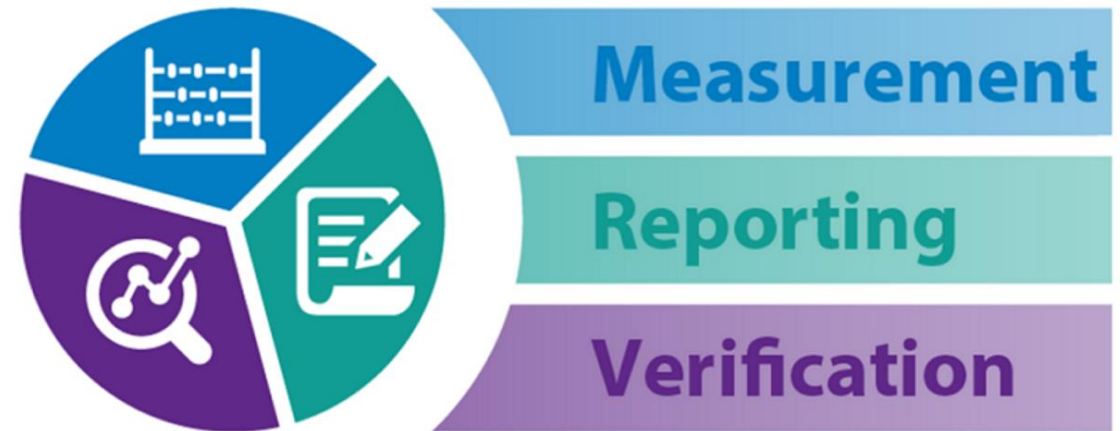
- ▶ Bank of Tanzania (BOT) issued the guidelines under Section 71 of the Banking and Financial Institutions Act, 2006 on Climate-Related Financial Risks Management, 2022 – which outline the responsibilities of senior management as to:
 - i. develop and implement climate-related financial risks management strategies, policies and frameworks;
 - ii. regularly review the effectiveness of the strategies, policies frameworks, tools and controls;
 - iii. provide periodic reports to the Board on climate-related financial risks issues;
 - iv. ensure that the internal structures responsible for managing climate-related financial risks are clearly defined and have adequate resources, skills and expertise;
 - v. ensure that staff have sufficient awareness and understanding to identify potential climate-related financial risks through periodic training and capacity development; and
 - vi. ensure that material climate-related financial risk issues are addressed in a timely manner.

In Tanzania (3/6)

- ▶ National Carbon Monitoring Centre (NCCMC)
 - ▶ Is a vehicle for reporting on carbon stocks and their changes as well as coordinating the national MRV-processes for the Government of Tanzania.
 - ▶ The goal of the Centre is to enable Tanzania to actively participate and benefit from possible future international carbon trading mechanisms to reduce greenhouse gas emissions,

Integrated GHG-NDC MRV Portal

Measurement, Reporting and Verification of Greenhouse Gases and Biodiversity



In Tanzania (4/6)

▶ **National Environmental Master Plan for Strategic Interventions (NEMPSI) (2022 – 2032)**

- ▶ To guide strategic and coordinated environmental interventions at all levels, based on spatial variation of environmental challenges and intervention options.

Specific NEMPSI objectives

- Provide the existing status of environmental challenges, indicating the causal effect, existing initiatives and constraints;
- Provide the direction of required changes;
- Indicate priority focus areas for interventions;
- Establish realistic and fact-based intervention options for addressing the environmental challenges.

The Plan focuses on addressing the twelve (12) key environmental challenges facing the country :

- Land degradation; and Deterioration of water sources;
- Impacts of climate change; and Environmental pollution;
- Deforestation and forest degradation;
- Loss of wildlife habitat and biodiversity;
- Deterioration of coastal and marine ecosystem;
- Wetland deterioration;
- Inadequate waste management;
- Urban environmental challenges;
- Proliferation of invasive species; and inadequate environmental governance

In Tanzania (5/6)

Tanzania's 2023 Voluntary National Review (VNR) Report on the implementation of 2030 Agenda for Sustainable Development

- ▶ Challenges and Way Forward:
 - ▶ Data
 - ▶ Financing - *Facilitating accreditation of the Ministry of Finance and Planning for the Green Climate Fund (GCF) to allow direct access.*
 - ▶ Environmental Challenges

ENVIRONMENT

Investing in climate resilient projects

\$250 MILLION

> TZS400 BILLION

Supporting achievement of SDGs

In all of our investments, operations, and product design, including the lending process, the CRDB Bank Group is committed to fostering sustainable development. Environmental and social sustainability are critical components of attaining our goals, and they are in line with our long-term growth strategy.

The amount CRDB Bank can access per project to support climate-resilient projects in Tanzania under the Green Climate Fund (GCF) Amount earmarked to finance the agriculture sector in 2022 following approval of a proposal by CRDB Bank to GCF

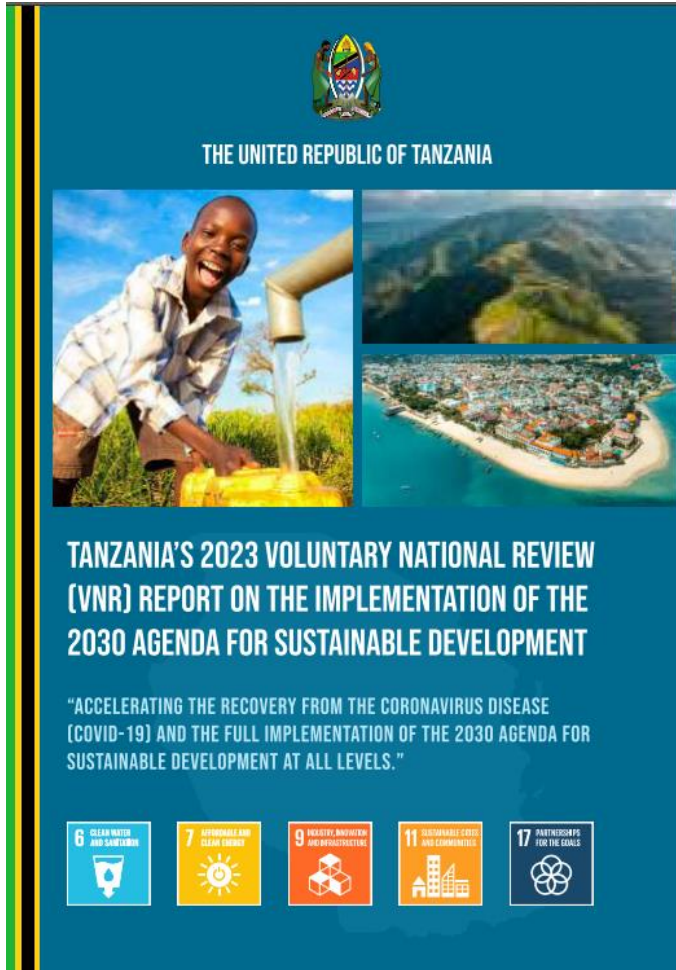
CRDB 2021 Financial Statements



In Tanzania (6/6)

- ▶ The National Board of Accountants and Auditors (NBAA) requires entity to use the IFRS S1 and IFRS S2 from 01 January 2024.
- ▶ Sustainability Reporting Steering Committee formed.

Conclusion



*I therefore call upon all Tanzania development stakeholders to participate fully and honestly with renewed confidence in their respective roles towards the successful implementation of all 17 SDGs. May I close by reminding all of you about the wisdom of the Father of the Nation, the late **Mwalimu Julius Kambarage Nyerere** who underscored that, “**If real development is to take place, the people have to be involved**”.*

*Hon. Kassim Majaliwa Majaliwa
Prime Minister of the United Republic of Tanzania
July 2023*

Thank You Very Much for Listening



We wish you well

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