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TECHNICAL BULLETIN ON SUSTAINABILITY REPORTING

**IFRS S1- GENERAL REQUIREMENTS FOR
DISCLOSURE OF SUSTAINABILITY RELATED
FINANCIAL INFORMATION & IFRS S2 -
CLIMATE RELATED DISCLOSURES**



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FOREWORD



As we stand at the crossroads of economic progress, environmental stewardship, and social responsibility, the imperative for sustainable business practices has never been more apparent. In this setting, the significance of sustainability reporting cannot be overstated. It serves as a vital tool for organizations to communicate their environmental, social, and governance (ESG) performance to stakeholders, fostering transparency, accountability, and confidence.

The Institute of Certified Public Accountants of Kenya (ICPAK) recognizes the critical role that sustainability reporting plays in advancing sustainable development goals and promoting corporate responsibility. With the adoption of International Financial Reporting Standards (IFRS), especially IFRS S1 and IFRS S2, ICPAK aims to provide guidance and frameworks that will allow enterprises to effectively monitor, manage, and disclose their sustainability impacts and climate risks and opportunities.

IFRS S1 focuses on sustainability reporting principles and guidelines; providing a comprehensive framework for organizations to integrate sustainability principles into their reporting procedures. It emphasizes the importance of materiality, completeness, reliability, and comparability in disclosing sustainability information, thereby enhancing the usefulness and credibility of reported data.

IFRS S2, on the other hand, focuses deeper into specific sustainability issues, providing detailed guidance on reporting greenhouse gas emissions, water usage, biodiversity conservation, and other key environmental indicators. By aligning reporting practices with internationally recognized standards; IFRS S2 facilitates consistency and enables stakeholders to assess and compare environmental performance across different organizations.

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Through the implementation of IFRS S1 and IFRS S2, ICPAK aims to empower businesses to embrace sustainability as a core aspect of their operations

Through the implementation of IFRS S1 and IFRS S2, ICPAK aims to empower businesses to embrace sustainability as a core aspect of their operations, driving positive impacts for society and the environment while safeguarding long-term financial performance. These standards improve firms' credibility by promoting transparency and accountability, as well as instilling trust in investors, consumers, regulators, and other stakeholders.

As we navigate the complex challenges of the 21st century, sustainability reporting under IFRS S1 and IFRS S2 emerges as a critical tool for fostering resilience, innovation, and equitable growth. This compliance also provides decision useful information to investors and other key stakeholders. It is our hope that this guidance will inspire organizations to embrace sustainability as a strategic imperative, catalysing a collective journey towards a more prosperous, equitable, and sustainable future.

CPA PHILIP KAKAI
ICPAK CHAIRMAN



ACKNOWLEDGEMENT

On behalf of the Institute of Certified Public Accountants of Kenya (ICPAK), I extend heartfelt gratitude to all those who contributed to the development and implementation of the Sustainability Reporting Standards. First, I would like to express my sincere appreciation to the members of the International Sustainability Standards Board (ISSB) and the IFRS Foundation for their tireless efforts in researching, drafting, and refining these standards. Their expertise and dedication have been instrumental in shaping a robust framework that aligns with international best practices and addresses the evolving needs of stakeholders both in Kenya and globally.

I also wish to thank the stakeholders from various sectors, including members of the accountancy profession, industry experts, regulators, academia, development partners and civil society organizations, whose valuable insights and feedback have enriched the capacity building, research and the standards articulation in Kenya. Your constructive engagement has been invaluable in ensuring that the standards are relevant, practical, and impactful.

Furthermore, I extend my appreciation to the organizations and individuals who have demonstrated leadership and commitment to sustainability by adopting and implementing different sustainability reporting frameworks, climate change initiatives and other disclosure models in their respective organizations. These pioneering efforts serve as inspirations for others and contribute to advancing the sustainability agenda in Kenya and beyond.

Last but not least, I would like to acknowledge the dedication and professionalism of the ICPAK Secretariat and staff members who have



provided administrative support and technical assistance throughout the development and implementation phases of the standards including providing technical support in sustainability reporting and collating views that have shaped the new standards development process.

As we embark on this journey towards a more sustainable future, I am confident that the collective efforts of all stakeholders will lead to positive outcomes, driving sustainable development, and creating value for society, the environment, and future generations.

Thank you once again for your unwavering commitment and collaboration.

CPA DR. GRACE KAMAU
ICPAK CEO



01. INTRODUCTION

ICPAK as the Kenyan standard setter and regulator of the Accountancy Profession announced the intention to adopt the inaugural sustainability standards in Kenya on 6th September 2023 at a colorful adoption event that was graced by key stakeholders including regulators, users, preparers, The Pan African Federation of Accountants (PAFA), African Union representatives, ISSB & IFRS Foundation. The new standards as developed by ISSB will go a long way in promoting transparency and reliability of sustainability related information and climate change disclosures for entities in Kenya and across the world. These new standards usher in a new era of sustainability-related disclosures in capital markets worldwide and will help to improve trust and confidence in company disclosures about sustainability to inform investment decisions.

The ISSB Standards are designed to ensure that companies provide sustainability-related information alongside financial statements in the same reporting package. The standards have been developed to be used in conjunction with any accounting requirements. They are also built on the concepts that underpin the IFRS Accounting Standards, which are required by more than 140 jurisdictions. The ISSB Standards are suitable for application around the world, creating a truly global baseline.

1.1. ADOPTION OF THE ISSB STANDARDS

Since the issuance of IFRS S1 and IFRS S2 in June 2023, the ISSB commenced its engagement with jurisdictions and companies to support adoption across the world. The first steps included the formation of a Transition Implementation Group to support companies that apply the standards and launching capacity-building initiatives to support effective implementation. The ISSB is also working with jurisdictions wishing to require incremental disclosures beyond the global baseline and with GRI to support efficient and effective reporting when the ISSB Standards are applied in combination with other reporting standards.

Locally, ICPAK has also commenced collaboration with other industry players, regulators, development partners and other stakeholders to ensure full preparation towards compliance of the new standards. In pursuit of providing guidance and support in the new standards implementation and compliance, the Institute has established a Multi Stakeholder Sustainability and Climate Change Reporting Committee that will work with the Professional Standards Committee and all other Technical and sector specific sub committees to enhance the capacity of preparers and users of financial reports in interpreting and relaying sustainability and climate change related disclosures.

In line with the above, the committee will spearhead the adoption, transition and full implementation of the new IFRS-S1 and S2 standards in Kenya.

02. BACKGROUND

Sustainability reporting, driven by growing stakeholder interest in environmental, social, and governance (ESG) issues, has become increasingly vital. Entities provide disclosures on environmental and social issues beyond traditional reporting obligations. This trend reflects the importance placed on sustainability by stakeholders, prompting many entities to adopt sustainability reporting practices to meet their key stakeholders' expectations.

The demand for a holistic approach to corporate reporting has led to many reporting frameworks and standards. While these standards and frameworks may have met the specific needs of targeted stakeholders, investors and other stakeholders have not had access to consistent, complete, comparable and verifiable sustainability information.

In response to the demand to improve the global consistency and comparability of sustainability reporting, the International Sustainability Standards Board (ISSB), on 26 June 2023, issued its first two standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2). IFRS S1 sets out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements. IFRS S2 sets out disclosure requirements that are specific to climate-related matters.

The ISSB aims to establish a comprehensive global baseline of sustainability-related financial disclosures and a common language for sustainability information which will enable comparable and consistent sustainability disclosures across global capital markets thereby meeting the information needs of primary users of general-purpose financial reports concerning sustainability-related risks and opportunities.



03. IFRS S1: GENERAL REQUIREMENTS FOR DISCLOSURE OF SUSTAINABILITY-RELATED FINANCIAL INFORMATION

IFRS S1 sets out the general requirements for disclosure of sustainability-related financial risks and opportunities that could reasonably be expected to affect the entity's prospects. The effect on the entity's prospects refers to the effects of cash flows, access to finance or the cost of capital over the short, medium or long term.

The objective of the General Requirements Standard is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial statements when they make decisions about providing resources to the entity. The reporting entity is required to disclose material information about all sustainability-related risks and opportunities to which it is exposed.

Sustainability-related risks and opportunities arise from an entity's dependencies on resources and relationships and their impacts on those resources and relationships. These interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain are inextricably linked to the entity's ability to generate cash flows over the short, medium and long term. Entities are required to disclose significant sustainability-related risks and opportunities, which are concentrated in their value chain.

3.1. CORE CONTENT

IFRS S1 requires an entity to disclose information about its governance, strategy, risk management, metrics, and targets in relation to its sustainability-related risks and opportunities. These disclosure requirements represent the 'core content' that provides information about the way the entity manages those risks and opportunities.

Information disclosed in relation to this 'core content' is necessary for primary users to assess the effects of sustainability-related risks and opportunities on an entity's cash flows, its access to finance and cost of capital over the short, medium and long term. The core content disclosure requirements build on the four pillars of the Task-force on Climate-related Financial Disclosures (TCFD Recommendations and are summarised below:

3.2. CONCEPTUAL FOUNDATIONS

These are fundamental qualitative characteristics that enhance the usefulness of sustainability-related financial information. The usefulness of sustainability-related financial information is enhanced if the information is comparable, verifiable, timely and understandable.

3.3. JUDGMENTS, UNCERTAINTIES AND ERRORS

The standard acknowledges that in preparing and presenting sustainability-related financial disclosures, an entity will need to apply various judgments. It also acknowledges the use of reasonable estimates is integral to preparing sustainability-related disclosures and defining metrics, as well as the possibility of errors. The standard requires the following disclosures relating to judgments, uncertainties and errors.

3.4 GENERAL REQUIREMENTS

Qualitative Characteristic	Description
Fair Representation	<p>Information in adherence to the presentation and in accordance with the principles set out in this Standard.</p> <p>Information that is a complete, neutral and accurate depiction of an entity’s sustainability-related risks and opportunities.</p>
Materiality	<p>Sustainability-related financial information is material if omitting, misstating, or obscuring such information could be expected to influence decisions that the primary users of general-purpose financial reports make based on that reporting.</p>
Reporting Entity	<p>Sustainability-related financial disclosures for the same reporting entity as the related general-purpose financial reports.</p>
Connected Information	<p>Information presented in a manner that enables users of general-purpose financial reports to connections between various sustainability-related risks and opportunities and between disclosures</p> <p>Consistency of data and assumptions used in preparing the sustainability-related financial statements.</p> <p>Use of the same currency in the sustainability-related financial disclosures as with the related financial statements.</p>

General Requirement	Guidance
Sources of Guidance	<p>In identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, an entity is required to apply</p> <ul style="list-style-type: none"> • IFRS Sustainability Disclosure Standards and SASB Standards, if applicable. • CDSB Framework Application Guidance • Most recent pronouncements of other standard-setting sustainability-related risks and opportunities identified by entities in the same industry(s) or geographical region(s).

Location of Disclosures	<p>Disclosures are required as part of an entity's general-purpose financial reports:</p> <ul style="list-style-type: none"> • In the same location as information disclosed to meet regulatory requirements • Included as part of the management commentary – management discussion and analysis (MD&A) • Separate sustainability report that is cross-referenced to the annual report.
Timing of Reporting	<ul style="list-style-type: none"> • Report its sustainability-related financial disclosures at the same time as its related financial statements. • Sustainability-related financial disclosures shall cover the same reporting period as the related financial statements. • The reporting period is usually a 12-month period. If longer or shorter, the entity needs to disclose the period covered, the reason for using a longer or shorter period, and the fact that the amounts disclosed in the sustainability-related financial disclosures are not entirely comparable. • Disclose information about transactions, other events and conditions that occur after the end of the reporting period that could reasonably be expected to influence the decisions of primary users of general-purpose financial reports.
Comparative Information	<p>Unless another IFRS Sustainability Disclosure Standard permits or requires otherwise, an entity shall:</p> <ul style="list-style-type: none"> • Disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period • Disclose comparative information for narrative and descriptive sustainability-related financial information if the information would be useful for an understanding of the sustainability-related financial disclosures.
Statement of Compliance	<p>An entity whose sustainability-related financial disclosures comply with all the relevant requirements of IFRS Sustainability Disclosure Standards is required to include an explicit and unqualified statement of compliance.</p>
Judgments	<p>An entity is required to disclose information to enable users of general-purpose financial reports to understand the judgments, apart from those involving estimations of amounts made in the process of preparing its sustainability-related financial disclosures and that have the most significant effect on the information included in those disclosures. Examples include:</p>

	<ul style="list-style-type: none"> • Identifying sustainability-related risks and opportunities • Determining which sources of guidance to apply • Identifying material information to include in the sustainability-related financial disclosures. • Assessing whether an event or change in circumstances is significant and requires a reassessment of the scope of all affected sustainability-related risks and opportunities throughout the entity's value chain.
Measurement Uncertainty	<ul style="list-style-type: none"> • An entity is required to disclose information to enable users of general-purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its sustainability-related financial disclosures. Specifically, an entity is required to identify: • the amounts it has disclosed that are subject to a high level of measurement uncertainty, • the sources of measurement uncertainty • and the assumptions, approximations and judgments made in measuring the amount.
Errors	<p>An entity is required to correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is impracticable to do so.</p>



04. IFRS S2: CLIMATE-RELATED DISCLOSURES

IFRS S2 is the ISSB's first topic-specific standard. An entity's climate-related risks and opportunities are a subset of its sustainability-related risks and opportunities and are required to be disclosed in accordance with IFRS S1. Therefore, IFRS S2 is to be applied in conjunction with IFRS S1.

The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-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.

The standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

The Standard is structured around the four core content pillars of governance, strategy, risk management, metrics, and targets specified in the IFRS S1 General Requirement Standard.

4.1 GOVERNANCE

The objective of climate-related financial disclosures on governance is to enable users of general-purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.

An entity is required to disclose information such as:

- The identity of the body or bodies that may be the board, a committee or equivalent charged with oversight of climate-related risks and opportunities;
- How the responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies
- How the governance body ensures that the appropriate skills and competencies are available to oversee the strategies designed to respond to climate-related risks and opportunities;
- How and how often the body or bodies is informed about climate-related risks and opportunities.
- How the body or bodies consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies.
- How the body or bodies oversee the setting of targets related to climate-related risks and opportunities and monitor progress towards those targets.
- Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities

4.2 STRATEGY

The objective of climate-related financial disclosures on strategy is to enable users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities. An entity is required to disclose information such as:

- The climate-related risks and opportunities that it could reasonably expect to affect the entity's prospects over the short, medium or long term;
- The current and anticipated effects of climate-related risks and opportunities on its business model and value chain;
- The effects of climate-related risks and opportunities on the entity's strategy and decision-making, including its climate-related transition plan;
- The effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows; and
- The climate resilience of the entity's strategy and its business model to those climate-related risks

4.3 RISK MANAGEMENT

The objective is to enable users of general-purpose financial reports to understand an entity's processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities, whether and how these processes are integrated into the entities over risk management process, and how to assess the entity's overall risk profile and its overall risk management process. Specifically, an entity is required to disclose information about:

- The processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks – including inputs and parameters used and whether the entity uses climate-related scenario analysis to identify climate-related risks.
- The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities.
- The extent to which and how the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.

4.4 METRICS AND TARGETS

The objective of climate-related financial disclosures is to enable users of general-purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any targets the entity has set and any targets required to meet by law or regulation. In particular:

- Information relevant to the cross-industry metric categories.
- Industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry.
- Targets set by the entity and any targets it is required to meet by law or regulation to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities.

05. EFFECTIVE DATE AND TRANSITION

5.1 EFFECTIVE DATE

The first two IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) will be effective for annual periods beginning on or after 1 January 2024. However, jurisdictions must first endorse the standards in order for them to become effective, and they may choose a later effective date; The standards have been adopted with the intention to stagger the mandatory reporting for different entities. The detailed road-map for each sector will be discussed in the National Steering Committee and an adoption guideline issued.

Owing to the diverse reporting capabilities and data integrity requirements for organisations in different sectors in Kenya, it is recommended that the adoption of IFRS Sustainability disclosure standards would be a phased approach with full application of the mandatory reporting for groups of reporting entities from the 2027 reporting year onwards. The adoption would thus be phased and would factor in the early adopters, voluntary adopters and government & government organizations.

For governments and government organizations in Kenya, a review will be conducted when the sustainability reporting standards for public sector entities currently being developed by International Public Sector Accounting Standards Board (IPSASB) becomes available with the view to determine when reporting will be mandated or required.

5.2 TRANSITION

- An entity is not required to provide comparative information in the first annual reporting period in which it applies both IFRS S1 and IFRS S2 Standards.
- In the first annual reporting period in which an entity applies this standard, the entity is permitted to report its sustainability-related financial disclosures after it publishes its related financial statements for up to nine months of the end of the annual reporting period in which the entity first applies this standard,
- In the first annual reporting period in which an entity applies this Standard:
 - a. An entity is permitted to disclose only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in this IFRS S1 insofar as they relate to the disclosure of information on climate-related risks and opportunities.
 - b. An entity is permitted to continue using other methods for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).
 - c. An entity is not required to disclose its Scope 3 Greenhouse Gas Emissions, which includes financed emissions if the entity participates in asset management, commercial banking or insurance activities.

06. INTERNATIONAL SUSTAINABILITY FRAMEWORKS

6.1 EU REGULATIONS AND DISCLOSURE REQUIREMENTS

Under the Corporate Sustainability Reporting Directive (CSRD), the European Commission (EC), the European Parliament, and the Council of the European Union have taken steps to guarantee that sustainability laws will become a reality. The CSRD went into force on January 5, 2023, and EU member states have 18 months to adopt its requirements into their own national laws. The European Sustainability Reporting Standards (ESRS), as recommended by the European Financial Reporting Advisory Group (EFRAG), were developed as a result of the CSRD.

6.2 IFRS SUSTAINABILITY DISCLOSURE STANDARDS

In March 2022, the International Standards Board (ISSB) released two exposure drafts: IFRS S2, which deals with climate-related disclosure requirements, and IFRS S1, which covers broad disclosure standards that address governance and other sustainability problems. Companies must "refer to and consider" the industry-based SASB standards' applicable disclosure themes and related indicators when using IFRS S1. Additional resources, such as the Global Reporting Initiative (GRI) and ESRS standards, statements from other standard-setters, and the Climate Disclosure Standards Board (CDSB) Framework, could also be taken into account.

6.3 SASB STANDARDS

The IFRS Foundation took over oversight of the Sustainability Accounting Standards Board (SASB Standards) in August 2022, allowing organizations to disclose sustainability-related risks and opportunities in an industry-based manner. The standards are segmented by industry, allowing comparison among companies in different sectors and encompassing five elements: sustainability, environment, social capital, human capital, business model and innovation, leadership and governance.

SASB is a widely used framework for reporting ESG aspects, distinguishing between standards and frameworks. It offers specific metrics, unlike other frameworks like GHG, GRI, TCAF, and TCFD, which provide general guidelines for reporting on specific topics and themes.

The durability of the SASB standards renders them an essential baseline for contrasting businesses with one another in the industry. In addition, the SASB standards offer an opportunity of placing frameworks that are important to an organization into practice. Disclosure requirements for 11 sectors and 77 industries are stipulated in the SASB standards.

However, in SASB framework, the standards (metrics) are the focus. This means that not all the measures are applicable to all organizations. Therefore, it is beneficial when combined with another framework that directs the areas pertinent to the reporting company and its strategic goals.

6.4 TCFD RECOMMENDATIONS

The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB) in 2015, aims to develop consistent disclosure standards for companies to assess their climate-related financial risk. Its recommendations, published in June 2017, serve as the industry standard for climate-related disclosures. The TCFD's recommendations focus on governance, strategy, risk management, and metrics & targets. The ISSB will take over the TCFD's responsibility in July 2024.

6.5 GHG PROTOCOL

The goal of the 1998-founded GHG protocol initiative is to provide globally accepted greenhouse gas (GHG) accounting and reporting guidelines to business entities and to encourage a wide acceptance of these guidelines. By offering guidelines for measuring and managing GHG emissions, the GHG protocol supports a number of reporting frameworks and standards and allows enterprises to monitor their impact on climate change.

6.6 GRI STANDARDS

The GRI specifications are a modular framework for sustainability reporting, focusing on topic-specific, industry-specific, and universal requirements. It was first published in 2016 and expanded in 2019 and 2021. Despite its own protocols, the GHG Protocol can be applied to various frameworks.

6.7 PCAF RECOMMENDATIONS

The Partnership for Carbon Accounting Financial (PCAF) is a finance project that developed the Global GHG Accounting and Reporting Standard for the financial sector. The standard, released in November 2020, offers comprehensive methodological standards for measuring and disclosing greenhouse gas emissions related to six asset classes: corporate bonds, business loans, project finance, commercial real estate, mortgages, and car loans.

6.8 CARBON DISCLOSURE PROJECT

The Carbon Disclosure Project (CDP) was established in 2000 to improve environmental performance and transparency through disclosures on carbon, water, forests, and new plastics. It scores reporting organizations, comparing five frameworks: EU's CSRD, IFRS ISSB, TCFD, IFRS SASB, and GRI.

The below section depicts a comparative analysis of the various frameworks as described above:

07. DETAILED COMPARATIVE ANALYSIS OF MAJOR SUSTAINABILITY FRAMEWORKS

THEME	ISSB	SASB	GRI	CSRD	TCFD
Topics in scope	Standards address climate and other sustainability risks. Additional thematic standards are expected in the future.	Standards address climate and other sustainability risks.	Standard helps organizations report on their economic, environmental, and social impacts.	Proposed standards span a broad list of ESG topics, including one dedicated to climate disclosures.	Standards address climate- related financial risks.
Industry standards	The ISSB cuts across all industries and sectors.	11 sector-specific standards across 77 industries.	The Universal, Sector, and Topic Standards are the GRI's three main standards.	Ten sector-specific standards in development.	The TCFD cuts across all industries with emphasis on a Dynamic Risk Assessment approach.
Location of disclosures	There is an optional provision to release the IFRS Sustainability Standards either with the General Purpose financial statements or separately as a Stand-alone statement.	Disclosures are industry-specific and can be used as additional sources of guidance for ESG reporting purposes.	Can be produced as a stand-alone sustainability report, or can reference information disclosed in a variety of locations and formats.	Disclosure would be included within a dedicated section of the management report. No financial statement footnote disclosure required.	The Task Force recommends that preparers of climate- related financial disclosures provide such disclosures in their mainstream (i.e., public) annual financial filings.
Materiality	Materiality would be assessed based on factors that could reasonably be expected to influence decisions that the primary users make based on that information.	The responsibility for making materiality judgements and determinations rests with the reporting entity.	Materiality is based on the most significant impacts of activities and business relationships on the economy,	Based on “double materiality,” consisting of “financial materiality” (an outside in perspective) and “impact materiality” (an inside out perspective).	Materiality would be assessed based on factors that could impact the enterprise value of the company from the standpoint of the investor and

THEME	ISSB	SASB	GRI	CSRD	TCFD
			environment, and people.		other participants in the world's capital markets
Targets and transition plans	Disclosure would be required of any climate-related targets set by the company, including how such targets were informed by the “latest international agreement on climate change” (currently the Paris Agreement).	Commitment to and disclosure of GHG emissions reduction targets and timelines for the reduction activity would be required.	Proposed climate change and energy standard would require disclosures related to transition plans, climate change adaptation, emission reduction Targets, GHG removal within organizations' value chains and the use of carbon credits.	Commitment to and disclosure of GHG emissions reduction targets would be required in five-year rolling periods. Disclosure about the transition plan's compatibility with the Paris Agreement would also be required.	Disclosure of the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material.
Use of scenario analysis	Disclosure of whether the company used a scenario that aligns with the “latest international agreement on climate change” would be required.	Disclosure of how strategies might change to address potential climate-related risks and opportunities including a 2° Celsius or lower scenario.		Explanation is required of whether and how scenario analysis is consistent with the Paris Agreement and limiting climate change to 1.5°C.	Disclosure of how strategies might change to address potential climate-related risks and opportunities including a 2° Celsius or lower scenario.
GHG Protocol	Use of the GHG Protocol would be required, unless a different method is required by a jurisdictional authority or exchange.	Use of the GHG Protocol would be required but provide additional guidance, such as industry- or region-specific guidance.	The reporting requirements for GHG emissions are based on the requirements of the GHG Protocol.	Consideration of the GHG Protocol is required.	GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and

THEME	ISSB	SASB	GRI	CSRD	TCFD
GHG emissions - organizational boundaries	Emissions would be reported using either a control or equity share approach (consistent with optionality described in the GHG Protocol).	Emissions would be recorded based on peculiar industry-based models e.g. Energy and Extractive emissions, Financial services lending portfolios, etc.	The reporting organization shall report the consolidation approach for emissions; whether equity share, financial control, or operational control.	Parent and consolidated subsidiaries' emissions: follow the organizational boundaries of the consolidated FS. Associates and JVs emissions: presented based on operational control.	comparability across organizations and jurisdictions. Emissions would be reported based on climate risk profiling for each organization
Scope 1 and scope 2 GHG emission	Disclosure of gross scope 1 and scope 2 GHG emissions for the consolidated group and separately for the investees excluded from consolidation, such as its associates and joint ventures. Scope 2 emissions would be disclosed using the location-based method. No requirement to disaggregate emissions by type of GHG.	Gross Scope 1 GHG emission data shall be consolidated according to the approach with which the entity consolidates its financial reporting data, Would require emissions to be disaggregated by type of GHG	Disclosure of Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent and Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent are required.	<ul style="list-style-type: none"> - Disclosure of gross Scope 1 and Scope 2 emissions for Parent, consolidated subsidiaries, and associated entities. - Separate disclosures of the percentage of Scope 1 emissions under regulated emission trading schemes - Separate disclosures of Scope 2 emissions - No requirement to disaggregate emissions by type of GHG. 	Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. No requirement to disaggregate emissions by type of GHG.
Scope 1 and Scope 2 GHG intensity	No requirement to disclose GHG emissions intensity.	Disclosure of GHG emissions per unit of total revenue and per unit of	Disclosure of scopes 1, 2 and 3 GHG emissions intensity ratio is required.	Disclosure of total GHG emissions per net revenue would be required.	Disclosure of industry specific GHG efficiency ratios e.g. emissions

THEME	ISSB	SASB	GRI	CSRD	TCFD
		production would be required.			per unit of economic output.
Scope 3 GHG emissions	Scope 3 emissions would be disclosed in total, including component categories.	Scope 3 emissions would be disclosed in total, including component categories per relevant industry.	Disclosure of Gross other indirect (Scope 3) GHG emissions in metric tons of CO ₂ equivalent required.	Scope 3 emissions would be disclosed in total for the parent and consolidated subsidiaries as well as entities over which it has operational control, including significant scope 3 categories. (i.e., those that are a priority for the undertaking).	Scope 3 emissions would be disclosed in total, including component categories.
Scope 3 GHG intensity	No requirement to disclose GHG emissions intensity.	Disclosure of GHG emissions per unit of total revenue and production would be required.	Disclosure of scopes 1, 2 and 3 GHG emissions intensity ratio is required.	Disclosure of total GHG emissions per net revenue would be required.	Disclosure of industry specific GHG efficiency ratios e.g. emissions per unit of economic output.
Assurance excluding GHG emissions	Sustainability information would be subject to assurance based on the rules of the jurisdictions adopting the standards.	Sustainability information would be subject to assurance based on the rules of each jurisdiction relation to each industry within the jurisdiction.	Encourages organizations to use external assurance to increase the confidence of decision-makers in the accuracy and reliability of the reported information.	Sustainability information would initially be subject to limited assurance, transitioning to reasonable assurance at an unspecified date.	Sustainability information would be subject to assurance based on the rules of each jurisdiction
Timing of application	Timing will depend on how standards are implemented in each jurisdiction.	Timing would depend on if the SASB standards are consulted as		Timing is established by the CSRD and would be phased by type of entity.	Timing will depend on type of preparer with disclosure requirements being

THEME	ISSB	SASB	GRI	CSRD	TCFD
	<p>Disclosure requirements of IFRS2 are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted.</p> <p>In the first year of reporting, entities are permitted to apply IFRS S1 only to the extent it relates to the disclosure of Climate-related information.</p>	<p>additional sources of guidance for reporting purposes.</p>			<p>the industry standard for climate-related disclosures since published in June 2017.</p>
Comparative information	<p>Comparative information would not be required in the first year of adoption but required thereafter.</p>	<p>Comparative information would not be required in the first year of adoption (as an additional guidance) but required thereafter.</p>	<p>The information shall be presented in a manner that enables analysis of changes in organization's performance over time, and relative to other organizations.</p>	<p>Comparative information would not be required in the first year of adoption but required thereafter.</p>	<p>Presenting comparative information is preferred; however, in some situations it may be preferable to include a new disclosure even if comparative information cannot be prepared or restated.</p>

8. SUSTAINABILITY ASSURANCE- ISSA 5000

Ensuring sustainability financial disclosures is crucial. The assurance road-map moves from specific standards to full assurance, ranging from limited to reasonable certainty. Encouraging entities to adhere to the assurance standards would benefit the company's compliance with its road-map's principles.

The International Auditing and Assurance Standards Board (IAASB) is currently developing ISAA 5000, that will act as the basis for assurance and deal with both limited and reasonable assurance. The proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, will serve as a comprehensive, standalone standard suitable for any sustainability assurance engagements. It will apply to sustainability information reported across any sustainability topic and prepared under multiple frameworks, including the recently released IFRS Sustainability Disclosure Standards S1 and S2. The proposed standard is profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners.

The proposed ISSA 5000 can also be used by all assurance practitioners, as long as they comply with relevant ethical requirements and apply a system of quality management that is at least as rigorous as the International Code of Ethics for Professional Accountants (including International Independence Standards), published by the International Ethics Standards Board for Accountants, and the IAASB's suite of quality management standards.

The proposed ISSA 5000 is also a principles-based standard, focused on principles or outcomes rather than procedures or steps. This allows the assurance practitioner to apply their professional judgment in planning and performing the assurance engagement. This approach supports the scalability and comprehensiveness of the standard by limiting possible exceptions from the principles that apply and demonstrating how a requirement applies to all entities regardless of, for example, the type of entity, industry, or sector, and whether their nature and circumstances are less complex or more complex.

It is anticipated that the final sustainability assurance standard will be issued before the end of 2024.

9. LICENSING OF SUSTAINABILITY ASSURANCE PROVIDERS

A neutral, experienced source will perform sustainability assurance, ensuring disclosures are distinct from the audit organization. Professionals must have necessary credentials and understanding of procedures. Delegation to outside providers is allowed, and all professionals involved in ensuring credibility of sustainability financial disclosures such as preparers and auditors must be members of ICPAK.

10. ADVOCACY AND COMMUNICATION

An essential component of a successful adoption and implementation for Kenya is advocacy and communication. In the adoption process, it has been determined that professional associations, regulators, policy makers, specialized institutions, academia, and the media-including social media, are essential players. In order for the stakeholders to fully comprehend the implications of sustainability; awareness must be raised. The several interaction channels that have been discovered include social media handles, jingles, webinars, in-person and hybrid meetings, webinars, seminars, and visits.

11. MONITORING AND ENFORCEMENT

The Institute of Certified Public Accountants (ICPAK) is promoting compliance with the adopted standards issued by the ISSB and efforts to enhance this promotion will include technical support, capacity building sessions, customised trainings, open forums to receive feedback and address common concerns and an in-depth sector specific approach. ICPAK will initially support entities in implementing these standards, with no expected sanctions at early adoption stages.

12. NEXT STEPS

TECHNICAL SUPPORT FROM ICPAK

ICPAK has formed a multi stakeholder committee on sustainability reporting consisting of 16 members from different institutional categories to provide seamless guidance on implementation of the new standards and to harmonise the requirements from different stakeholders and regulators at a national level. The main objectives of the committee will be to help in the adoption and implementation of the sustainability standards for a global baseline of sustainability disclosures, to develop sector specific implementation guidelines for sustainability reporting in Kenya and to meet the information needs of both local and regional investors. The Committee is also mandated to develop strategies that will enable companies to provide comprehensive sustainability information to our capital markets and to facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups.

ORGANISATION-SPECIFIC PREPARATIONS

Specific organisations are guided to develop a gap analysis evaluating current governance and sustainability strategies to support future sustainability financial disclosures while depicting clear areas of improvement. It is also paramount for organisations to clearly analyse their governance structure and create a board-led governance structure to oversee sustainability reporting while utilizing interdisciplinary expertise to ensure accurate and verifiable disclosures. In setting up organisational governance structures to support sustainability reporting, it is equally important to identify internal and external capabilities and deficiencies.

For effective guidance and planning for compliance to the requirements of the standards, companies are urged to develop a Sustainability Road-map that is sector specific indicating a clear plan to bridge identified gaps and set critical milestones. Entities are further urged to collaborate with process owners to identify additional systems and procedures and establish a control system for sustainability reporting to ensure high-quality data.

The value of capacity building and awareness for key stakeholders cannot be underscored. Organisations as part of their adoption planning will be required to create programs that foster an understanding of sustainability across all business levels and inform stakeholders of new disclosure mandates. This would further be underpinned by the dissemination and clarification of the strategy for identifying, disclosing, and mitigating risks.

ABOUT THE INSTITUTE

The Institute of Certified Public Accountants of Kenya (ICPAK) is the professional organisation that regulates the activities of all Certified Public Accountants (the CPAs (K)) in Kenya. It was established in 1978 by the Accountants Act. Since then, ICPAK has been dedicated to the development and regulation of the accountancy profession in Kenya to enhance its contribution and that of its members to national economic growth and development. In 2008, a new Accountants Act No. 15 was enacted to replace the 1978 Accountants Act to consider the various developments that had shaped the accounting profession in Kenya, and globally.

In line with The Accountants Act, one of the key functions of the Institute is to promote standards of professional competence and practice amongst members. As a member of IFAC, the Institute ensures compliance to all the statements of member obligations and as such promoting compliance to standards within the practice of members and the country at large. The Institute participates actively in the standards setting process by actively commenting on exposure drafts thus contributing to setting high quality international standards that enhance the competence of professional accountants while strengthening the worldwide accountancy profession and contributing to strengthened public trust.

For further enquiries on financial reporting, adoption of standards and other related technical matters please reach out to the Standards & Technical Services Directorate and the Professional Standards Committee of ICPAK on: technicalservices@icpak.com or through ceo@icpak.com





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