



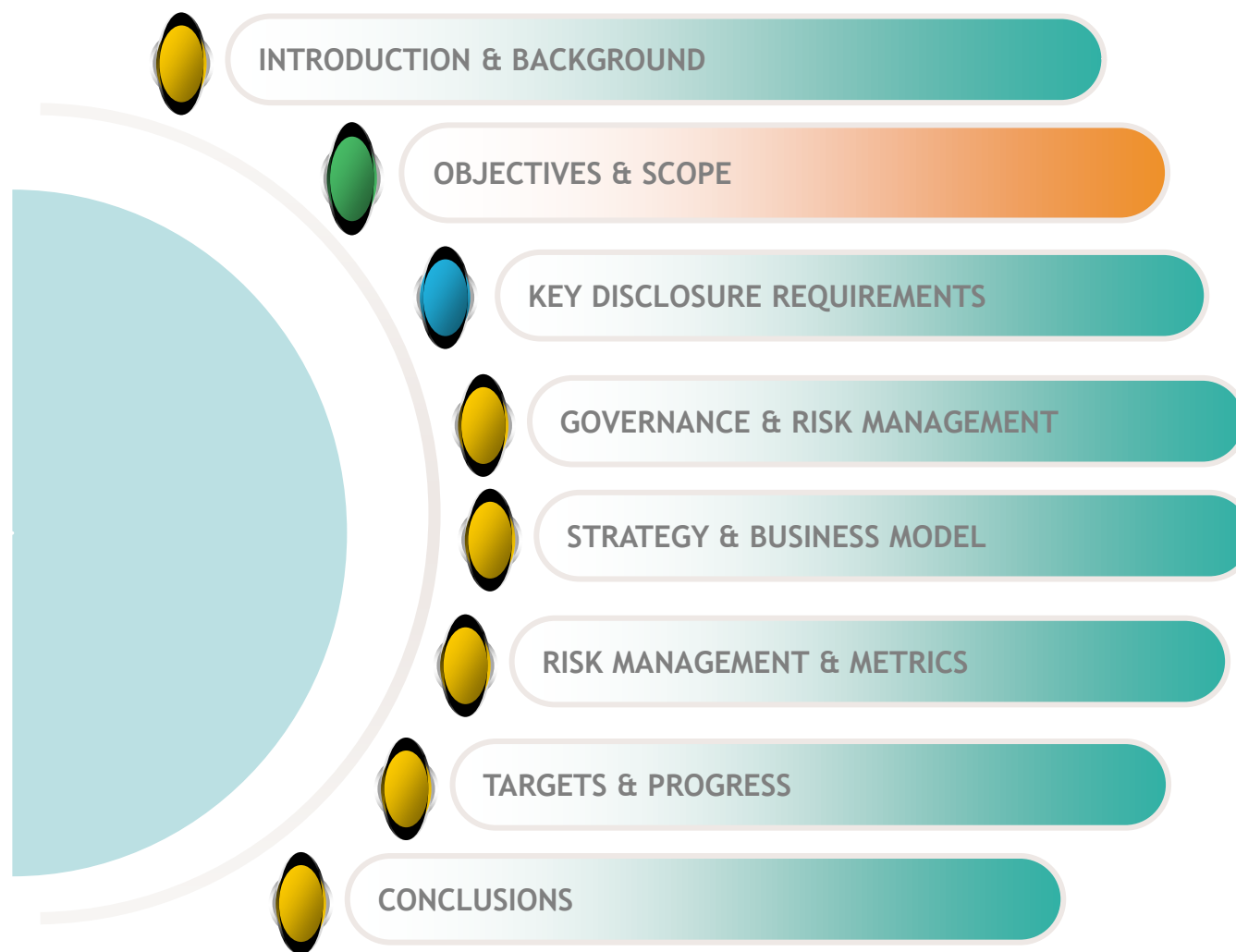
# “DETAILED EXAMINATION OF IFRS S2 - CLIMATE RELATED DISCLOSURES”

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# WHAT SHALL BE COVERED IN THIS SESSION



# IFRS S2 - DETAILED EXAMINATION OF CLIMATE RELATED DISCLOSURES

## INTRODUCTION



# IFRS S2 - CLIMATE RELATED DISCLOSURES

- IFRS S2, also known as the International Financial Reporting Standard (IFRS) for Sustainability-related Disclosures, was issued by the International Sustainability Standards Board (ISSB) in June 2022.
- The ISSB is an independent standard-setting body, established by the International Financial Reporting Foundation (IFRF) in 2021, to develop and issue global sustainability reporting standards.
- IFRS S2 is expected to come into effect for reporting periods starting on or after January 1, 2024, with early adoption permitted. However, the exact effective date may vary depending on the jurisdiction and regulatory requirements.
- June 2022: ISSB issues IFRS S2
- 2023: Regulatory bodies and jurisdictions adopt and endorse IFRS S2
- January 1, 2024: IFRS S2 comes into effect for reporting periods starting on or after this date.

# IFRS S2 - DETAILED EXAMINATION OF CLIMATE RELATED DISCLOSURES

## BACKGROUND

# IFRS S2 - CLIMATE RELATED DISCLOSURES

International Financial Reporting Standard (IFRS) for Sustainability-related Disclosures, is rooted in the growing demand for high-quality, globally comparable sustainability information to support informed decision-making by investors, regulators, and other stakeholders.

Key factors that led to the promulgation of IFRS S2:

1. Global call for action: The United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement highlighted the need for companies to integrate sustainability considerations into their business models.
2. Investor demand: Investors increasingly seek sustainability information to assess long-term risks and opportunities, driving the demand for standardized, comparable disclosures.
3. Regulatory momentum: Governments and regulatory bodies worldwide have introduced sustainability reporting requirements, creating a fragmented landscape.

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4. Market volatility: The COVID-19 pandemic and climate-related events underscored the importance of resilience and adaptability in the face of uncertainty.
5. Stakeholder expectations: Companies face growing pressure from customers, employees, and society to demonstrate their commitment to sustainability and transparency.

IFRS S2 was promulgated to:

1. Standardize sustainability disclosures: Provide a consistent, comparable framework for companies to report sustainability information.
2. Enhance transparency and accountability: Improve the quality and reliability of sustainability disclosures, enabling informed decision-making.
3. Support global consistency: Reduce fragmentation and facilitate global comparability of sustainability information.

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4. Address investor needs: Meet the growing demand for sustainability information from investors and regulators.
5. Promote sustainable capital markets: Encourage companies to integrate sustainability considerations into their business models, supporting a more sustainable global economy.

By establishing a global standard for sustainability-related disclosures, IFRS S2 aims to drive transparency, consistency, and comparability, ultimately supporting more informed decision-making and sustainable capital markets.



# IFRS S2 - DETAILED EXAMINATION OF CLIMATE RELATED DISCLOSURES

## REGULATORY FRAMEWORK

# IFRS S2 - CLIMATE RELATED DISCLOSURES A LOOK AT THE REGULATORY FRAMEWORK

- a) Task Force on Climate-related Financial Disclosures (TCFD)
- b) International Sustainability Standards Board (ISSB)
- c) IFRS S2 Climate-related Disclosures
  - 31 July 2024 - IASB has proposed illustrative examples to improve reporting of climate-related and other uncertainties in financial statements
- d) Global Reporting Initiative (GRI)
- e) EU Sustainability Reporting Standards (ESRS)
- f) Zambia Institute of Chartered Accountants (ZICA) - Circular 4 of 2023 issued 21 November 2023

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## SCOPE OF IFRS S2

# IFRS S2 - CLIMATE RELATED DISCLOSURES

IFRS S2, the International Financial Reporting Standard for Sustainability-related Disclosures, is applicable to the following entities:

Scope of Application:

1. Publicly traded companies: Listed companies on stock exchanges.
2. Financial institutions: Banks, insurance companies, and other financial institutions.
3. Large private companies: Companies with significant economic or environmental impact.
4. Multinational corporations: Companies operating globally.

Industry-specific applicability:

1. Energy and extractives
2. Financial services

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Industry-specific applicability:

1. Manufacturing
2. Transportation
3. Agriculture and forestry
4. Real estate and construction
5. Technology and telecommunications

Jurisdiction-specific applicability:

1. European Union (EU): Mandatory for listed companies.
2. United Kingdom (UK): Mandatory for listed companies.
3. Canada: Mandatory for TSX-listed companies.
4. Australia: Mandatory for ASX-listed companies.
5. Hong Kong: Mandatory for listed companies.
6. Singapore: Mandatory for listed companies.



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## Exemptions:

1. Small and medium-sized enterprises (SMEs): Generally exempt.
2. Non-profit organizations: Generally exempt.
3. Private companies with limited economic or environmental impact: May be exempt.

Effective Date : IFRS S2 is effective for reporting periods starting on or after January 1, 2024, with early adoption permitted.

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## ZICA pronouncement

1. Standard is applicable to all Public Accountable Entities (PAEs)
2. All other entities may adopt IFRS 2 on a voluntary basis.
3. Effective annual reporting periods beginning on or after 01 January 2025.

# IFRS S2 - DETAILED EXAMINATION OF CLIMATE RELATED DISCLOSURES

## GOVERNANCE & RISK MANAGEMENT

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Board Oversight and Accountability

- Climate-related risk management processes
- Integration into overall risk management
- Climate-related expertise on the board and management team
- Role of the audit committee

## What do entities need to do.

- Climate risk assessment and mitigation strategies
- Board-level climate-related decision-making

Company X's board has established a Climate Risk Committee to oversee climate-related risk management.

The committee includes independent directors with expertise in climate change and sustainability.

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Board Oversight and Accountability (cont'd)

- Company A's CEO has designated a Chief Sustainability Officer to oversee climate-related initiatives.
- Company B's board has established a climate-related risk management framework.

## Disclosures required:

- Description of the board's oversight of climate-related risks and opportunities.
- Details of climate-related risk management processes and integration into overall risk management.
- Disclosure of climate-related expertise on the board and management team.



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## **STRATEGY & BUSINESS MODEL**

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Climate - Related Opportunities and Risks

- Physical risks (e.g., extreme weather events)
- Transition risks (e.g., changes in regulation or technology)
- Liability risks (e.g., climate-related litigation)
- Opportunity risks (e.g., revenue from low-carbon products)
- Resilience and adaptability planning

## What do entities need to do.

- Scenario analysis and stress testing
- Climate-related innovation and R&D

Company Y has developed a transition plan to reduce its reliance on fossil fuels and increase renewable energy sources.

The plan includes scenario analysis and stress testing to assess the impact of different climate scenarios on the business.

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## Examples:

- Company C has developed a climate-resilient business model that incorporates adaptation and mitigation strategies.
- Company D has set up a green financing mechanism to support climate-related projects.

## Disclosures required:

- Description of climate-related opportunities and risks affecting the business model
- Explanation of how climate change is integrated into strategic planning and decision-making
- Disclosure of climate-related scenarios used to inform strategic planning

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## RISK MANAGEMENT & METRICS

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Climate-Related Risk Metrics and Targets

- Carbon footprint and greenhouse gas emissions
- Climate-related risk metrics (e.g., carbon price)
- Scenario analysis and stress testing
- Climate-related key performance indicators (KPIs)

## Examples:

- Greenhouse gas reduction targets
- Renewable energy targets
- Climate-related supply chain risk management

Company Z uses carbon footprint metrics to track its greenhouse gas emissions and sets targets for reduction.

The company also conducts scenario analysis to assess the potential impact of climate-related risks on its supply chain.



# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Examples:

- Company E uses climate-related risk metrics to assess the impact of climate change on its assets and liabilities.
- Company F conducts regular climate-related scenario analysis to inform strategic decision-making.

## Disclosures required:

- A description of climate-related risk metrics and targets used to manage and monitor climate-related risks
- Disclosure of carbon footprint and greenhouse gas emissions data
- An explanation of climate-related risk management processes and tools used

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## TARGETS & PROCESSES

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Climate-Related Targets and Progress

- Greenhouse gas reduction targets
- Progress towards targets (metrics and milestones)
- Transition plans and timelines
- Climate-related performance metrics

## Examples:

- Science-based targets
- Carbon offsetting and neutrality
- Climate-related reporting and assurance
- Company W has set a target to reduce its greenhouse gas emissions by 50% by 2030.
- The company reports progress towards this target annually, including metrics on emissions reduction and transition plans.

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Examples:

- Company G has set science-based targets for greenhouse gas emissions reduction.
- Company H reports progress towards its climate-related targets using standardized metrics.

What disclosures will be required:

- Disclosure of climate-related targets, such as greenhouse gas reduction targets
- Progress towards climate-related targets, including metrics and milestones
- An explanation of transition plans to achieve climate-related targets

# IFRS S2 - CLIMATE RELATED DISCLOSURES

What further disclosures will be required:

- A description of climate-related physical risks, such as exposure to extreme weather events
- Disclosure of climate-related transition risks, such as changes in regulation or technology
- An explanation of climate-related opportunities, such as revenue from low-carbon products or services
- Disclosure of climate-related capital expenditures and investments
- An explanation of climate-related research and development activities

These disclosures aim to provide stakeholders with a comprehensive understanding of a company's climate-related risks, opportunities, and strategies, enabling informed decision-making.

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## **BENEFITS OF CLIMATE RELATED DISCLOSURES**

# IFRS S2 - CLIMATE RELATED DISCLOSURES

Let's look at some of the benefits of climate related disclosures

1. Enhancing Transparency and Accountability
2. Improved decision-making
3. Enhanced reputation and trust
4. Better risk management
5. Increased competitiveness
6. Regulatory compliance



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## **GREEN FINANCING OPPORTUNITIES**

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There are several financiers and funding sources dedicated to addressing climate-related issues. Examples include:

## International Organizations:

1. Green Climate Fund (GCF)
2. Global Environment Facility (GEF)
3. Climate Investment Funds (CIF)
4. United Nations Development Programme (UNDP)
5. World Bank Climate Finance

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## Multilateral Development Banks:

1. European Investment Bank (EIB)
2. Asian Development Bank (ADB)
3. African Development Bank (AfDB)
4. Inter-American Development Bank (IDB)
5. European Bank for Reconstruction and Development (EBRD)

## Private Sector Financiers:

1. Goldman Sachs' Climate Change Investment Initiative
2. JPMorgan Chase's Climate Change Strategy
3. Citigroup's Climate Change Investment Initiative
4. Bank of America's Environmental Business Initiative
5. Morgan Stanley's Sustainable Finance Group

# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Climate-Specific Funds:

1. Climate Finance Partners (CFP)
2. Climate Change Capital (CCC)
3. 3. The Climate Fund
4. Green Climate Fund (GCF) accredited entities
5. Carbon Finance.

## Government-Backed Initiatives:

1. US Climate Finance Initiative
2. UK Climate Finance Accelerator
3. Australian Climate Finance Initiative
4. Canadian Climate Finance Initiative
5. European Union's Climate Finance Platform

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## Impact Investors:

1. Al Gore's Generation Investment Management
2. The Nature Conservancy's Impact Investments
3. Environmental Defense Fund's (EDF) Climate Corps
4. The Climate Group
5. CDP (Carbon Disclosure Project) Investors.

## Green Bonds and Climate Bonds:

1. International Capital Market Association (ICMA) Green Bond Principles
2. Climate Bonds Initiative (CBI)
3. Green Bond Issuance

These financiers provide various financial instruments, such as: Grants, Loans, Equity investments, Green bonds, Climate bonds, Carbon credits

# IFRS S2 - CLIMATE RELATED DISCLOSURES

To support climate-related projects and initiatives, including:

- Renewable energy
- Energy efficiency
- Sustainable infrastructure
- Climate resilience
- Carbon capture and storage
- Sustainable agriculture
- Eco-friendly technologies

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Zambia has access to green financing options, although the market is still developing. Here are some initiatives and institutions providing green financing in Zambia:

## Government Initiatives:

1. Zambia's National Climate Change Policy (2016) promotes green financing.
2. The Ministry of Green Economy and Environment (MGEE) coordinates climate change and green economy initiatives.
3. The Zambia Environmental Management Agency (ZEMA) provides environmental protection and conservation financing.

## International Organizations:

1. World Bank's Zambia Climate Change Program
2. African Development Bank's (AfDB) Zambia Climate Change Initiative
3. United Nations Development Programme (UNDP) Zambia's Climate Change and Green Economy Program
4. Global Environment Facility (GEF) projects in Zambia



# IFRS S2 - CLIMATE RELATED DISCLOSURES

## Local Financial Institutions:

1. Zambia National Commercial Bank (Zanaco) offers green loans for renewable energy and energy efficiency.
2. Stanbic Bank Zambia provides green financing for sustainable agriculture and renewable energy.
3. ABSA offers green loans for energy efficiency and renewable energy.
4. Ecobank Zambia provides financing for climate-resilient agriculture.

## To access green financing in Zambia, entities must consider:

1. Consulting with local financial institutions and development finance institutions.
2. Reviewing government initiatives and policies.
3. Exploring international organization programs.
4. Networking with industry associations and green finance platforms.

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## OVERCOMING CHALLENGES

# IFRS S2 - CLIMATE RELATED DISCLOSURES

Overcoming Challenges of climate related disclosures.

1. Data quality and availability
2. Methodology and metrics consistency
3. Assurance and verification
4. Cost and resource constraints
5. Regulatory complexity

# IFRS S2 - DETAILED EXAMINATION OF CLIMATE RELATED DISCLOSURES

## CONCLUSION

# IFRS S2 - CLIMATE RELATED DISCLOSURES

- Climate-related disclosures are essential for transparency and accountability
- IFRS S2 provides a global framework for climate-related disclosures
- Companies must prioritize climate-related risk management and disclosure
- Stakeholders must demand high-quality climate-related disclosures

# THANK YOU!

