**ESG and Sustainability Reporting in Zimbabwe Part 3**

**Introduction**

Last week’s part 2 dealt with IFRS S1’s General Requirements for Disclosure of Sustainability Reporting. The series covered key components to be disclosed and the related categories under ZSE Practice Note No. 16. The relationship between IFRS S1 and ZSE Practice Note No. 16 was explored. This week’s article will shift to IFRS S2 reporting requirements to ensure sustainability. The linkage to ZSE Practice Note No. 16 will be examined to help local entities comply with the requirements. IFRS S2 deals with Climate-related Disclosures which have been topical in the United Arab Emirates (UAE) at COP28 which came to an end on Tuesday, the 12th of December 2028.

**IFRS S2 –Climate-related Disclosures**

Climate-related Disclosures should maintain approach and principles discussed under IFRS S1 in that there is need to disclose material information but focus will be on climate related risks and opportunities which are industry specific. The key issues to be disclosed are:

* Impact of climate change on past performance and prospects of the company;
* Company’s strategic response to climate induced risks and opportunities;
* Assessment of capacity to adapt business model and operations to climate-related risks and opportunities and;
* Appreciation of opportunities brought about by climate change in the value chain.

The connectivity of Climate-related Disclosures to financial information cannot be overemphasised. The sustainability report should be for a specific entity and period, not a generalised statement of intent but a deliberate focus on addressing climate-related challenges. IFRS S2 require comparative figures to be given as well as relationship of Climate-related Disclosures to laws and regulations on the environment and climate in Zimbabwe. Key reporting areas under IFRS S1 of governance, strategy, risk management, key ratios and/or metrics should be maintained under IFRS S2. For instance, strategy should maintain industry guide, give climate-related scenarios and how the company would adapt in addition to details on resilience and relief. The greenhouse gas (GHG) emissions on all three (3) scopes of direct emissions, indirect emissions as a result of procurement and indirect emissions in the value chain should be reported under IFRS S2.

**ZSE Practice Note No. 16**

The Environmental and Social Disclosures under Practice Note No. 16 are the ones linked to IFRS S2 in terms of Climate-related Disclosures. Materials used, energy consumption, water consumption, waste and emissions in terms of carbon dioxide should be disclosed and companies need to minimise negative impact on the environment. Sustainability reporting in terms of climate-related disclosures should incorporate social disclosures aspects such as development programmes in communities where companies operate. Gender diversity, training, health and safety projects enhance social integrity which is key for sustainable communities. Organisations should work with local communities for high impact sustainable projects that transcends generations.

**Conclusion**

The World Bank launched an ambitious plan under Forest Carbon Partnership Facility (FCPF) on the 1st of December 2023 at the just ended COP28 in Dubai, UAE, which seeks to promote conservation of natural forests. The World Bank’s carbon credits scheme is hinged on environment and social integrity. The scheme shall initially benefit fifteen (15) countries which include the Democratic Republic of Congo, Madagascar and Mozambique by enabling trade of carbon credits. The countries are expected to produce around 126 million carbon credits by 2028 earning a staggering US$2.5 billion. It’s imperative that Zimbabwean companies set up projects which will improve the climate and social life of the communities in which they operate. Carbon credits market are the future of business and embracing the scheme on existing and new projects shall go a long way in meeting climate related disclosures.