

# ENHANCING SUSTAINABILITY REPORTING IN ZIMBABWE: INTRODUCING THE IFRS S1 STANDARD



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Sustainability reporting has gained significant momentum both in Zimbabwe and across the globe as companies strive to demonstrate their commitment towards environmental, social, and governance (ESG) issues. However, a key challenge has been the lack of comparability between different sustainability reports, due to the multiple standard-setting bodies that exist, each with their own methods of disclosing sustainability topics for a company. Addressing this concern, the International Financial Reporting Standards Foundation (IFRS), which is the body responsible for the standards used to prepare financial statements established an International Sustainability Standards Board (ISSB). The ISSB through various consultations with stakeholders over the past two years has released the International Financial Reporting Standard on Sustainability 1 (IFRS S1) which focuses on General Requirements of Sustainability and the International Financial Reporting Standard on Sustainability 2 (IFRS S2) which focuses on Climate-related disclosures. The standards were released on the 26th of June 2023. The rest of this article will focus on IFRS S1 and its main coverage areas.

IFRS S1's effective date is January 1, 2024, and it aims to enhance transparency, comparability, and stakeholder trust in sustainability reporting. The IFRS S1 standard requires companies to disclose information regarding sustainability-related risks and opportunities that could impact their cash flows, access to finance, or cost of capital over the short, medium, or long term. It covers a broad range of ESG issues and mandates entities to disclose their policies, processes, and performance related to these issues.





By disclosing sustainability-related risks and opportunities, companies can enhance their reputation and build trust with stakeholders. This is more critical than ever.



Three green circles

The popular ESG issues are usually issues centred around the environment, however, the framework includes social issues such as wage disparities and gender balances in an organization and governance issues which focus on the policies and procedures that exist in the organization. The IFRS S1 Standard also provides guidance on identifying and assessing sustainability-related risks and opportunities, facilitating clear, concise, and comparable reporting.

By disclosing sustainability-related risks and opportunities, companies can enhance their reputation and build trust with stakeholders. It formulates a social license to operate for customers. Furthermore, the standard empowers companies to better manage risks by identifying and mitigating sustainability-related challenges well in time. This can be done through scenario analysis techniques to prepare the company. Companies that align with the IFRS S1 Standard can also benefit from increased access to capital, as investors increasingly prioritize sustainable investing. Ultimately, this standard fosters improved stakeholder engagement and supports sustainable development.

IFRS S1 is not limited to any specific industry or sector. Its applicability extends to all industries such as banking, manufacturing, construction, and consulting just to name a few.. In Zimbabwe, the Public Accountants and Auditors Board (PAAB) issued a statement in November last year, that stated that local companies should adopt the IFRS Sustainability standards early.



Mining companies can improve transparency and accountability in their sustainability reporting.

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This endorsement from the regulatory body reinforces the significance and relevance of the standard for Zimbabwean companies across various sectors. The time to start preparing was yesterday.

An example of the IFRS S1 Standard's applicability in Zimbabwe can be seen in the mining sector. Mining plays a significant role in Zimbabwe's economy, contributing to employment, export revenues and foreign investment. However, mining activities also have environmental and social impacts that need to be adequately addressed. By adopting IFRS S1, mining companies in Zimbabwe would be required to disclose sustainability-related risks and opportunities associated with their operations. This would include disclosing information on environmental impacts, such as water usage, land rehabilitation efforts, and greenhouse gas emissions. Additionally, companies would need to report on social aspects, such as community engagement, labour practices, gender composition and health and safety measures.

Mining companies can improve transparency and accountability in their sustainability reporting. They would provide stakeholders, including investors, regulators, and local communities, with a more comprehensive understanding of the company's sustainability performance. This would enable stakeholders to assess the company's commitment to responsible mining practices and make informed decisions based on ESG considerations.

Companies will also be in a better position to address these risks and opportunities.





For instance, by disclosing their efforts to reduce environmental impacts, companies can demonstrate their commitment to environmental stewardship and minimize potential regulatory and reputational risks. They can also identify opportunities for operational efficiency improvements or innovative approaches that align with sustainable development goals which may translate to profits for the company.

Encouraging companies to disclose their sustainability performance also contributes to the national development goals (such as Zimbabwe's National Development Strategy 1 and 2) by balancing economic growth with environmental and social considerations. It enables policymakers to monitor the industry's impact on the environment, community well-being, and economic development more effectively, facilitating evidence-based decision-making and policy formulation.

Several professions and professionals involved in the preparation, audit, and analysis of financial reports will be impacted by the IFRS S1 Standard. Accounting professionals, including financial accountants, and management accountants, will play a crucial role in ensuring compliance with disclosure requirements and reporting sustainability-related risks and opportunities effectively. Auditors, both external and internal, will need to assess the accuracy, completeness, and reliability of sustainability-related disclosures and provide assurance on them. Financial analysts, investors, company secretaries and functional managers such as human resources who rely on or are key to the input of financial reports are supposed to have knowledge of the requirements of this standard. To make informed decisions will benefit from the comprehensive and comparable information provided by the standard.





To adhere to the IFRS S1, it is essential for all individuals involved in the preparation of sustainability reports to have a thorough understanding of its requirements. This includes professionals from various departments, such as HR, marketing, and operations, as their inputs contribute to the final sustainability report. By ensuring a cohesive understanding of the standard throughout the organization, companies can guarantee accurate and comprehensive reporting of sustainability-related information.

The release of IFRS S1 marks a significant milestone in sustainability reporting. The standard's applicability to a wide range of industries and professions underscores its importance in driving sustainable development. As Zimbabwean companies embark on this reporting journey, they should embrace IFRS S1.

Training and Advisory Services will be conducting a series of training sessions that provide an in-depth overview of the requirements of IFRS S1 and IFRS S2 which focuses on Climate-Related Disclosures. For more information, you can contact [marketing@tas.co.zw](mailto:marketing@tas.co.zw).

