

IFRS Sustainability Reporting Standards were approved by the National Board of Accountants and Auditors (NBAA) Governing Board during its' 192nd meeting held on 29th September 2023. Subsequently, the NBAA launched the Sustainability Reporting on 18th October 2023 in Dar es Salaam, Tanzania. This meant the start of the journey to implement International Financial Reporting Standards (IFRS) Sustainability Reporting Standards issued by the International Sustainability Standards Board (ISSB). Two standards are in issue at the moment, these are the IFRS S1 *General Requirements for Disclosure of Sustainability-Related Financial Information* and IFRS S2 *Climate Related Disclosures*, issued by the International Sustainability Standards Board (ISSB) in June 2023 with the implementation date of 01st January 2024.



Official Guest- Assistant Accountant General of the Government of the United Republic of Tanzania CPA Azizi Kifile (left) pressing the button to mark the launch of the Sustainability Reporting in Tanzania aimed at helping the government in its efforts to achieve the goals of Sustainable Development 2030 (SDG 2030). Those standards are International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-Related Financial Information and IFRS S2 Climate Related Disclosures, to be used by Public and Private Institutions in Tanzania from January 01, 2024.

In the middle is the Chairman of the National Board of Accountants and Auditors Tanzania (NBAA), CPA. Prof. Sylvia Temu and right is the Executive Director of NBAA, CPA Pius Maneno.

The aim of the standards is to support the Governments towards the 2030 Sustainable Development Goals (SDGs) implementation journey and ensure that private and public sector entities are reporting their contribution towards the implementation of the SDGs. SDG 12 *Responsible Consumption and Production*, in its target 12.6 explicitly 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. Several other SDG indicators refer to data already being provided by many enterprises in their reports, such as on the use of energy and water, carbon dioxide emissions, waste generation and recycling, and to human resource management, gender equality and community development, among others. Reporting is therefore an important data source for the SDG monitoring framework. As a primary source of information on entity's performance, reporting can enrich and enhance SDG monitoring mechanisms by providing stakeholders such as Governments and capital providers with the means to assess the environmental, social and governance impact of companies on sustainable development.

NBAA, through the amendment of the Tanzania Financial Reporting Standard (TFRS) 1 *Reporting by Those Charged with Governance*, require entities to incorporate sustainability disclosures in the report by those charged with governance, the report which accompany the financial statements with effect from 01st January 2024. Para 26 of the TFRS 1 requires private and public sector entities to comply with all applicable sustainability standards and guidelines issued by the by the International Sustainability Standards Board (ISSB) and International Public Sector Accounting Standards Board (IPSASB) respectively. Furthermore, the report by those charged with governance shall discuss the sustainability disclosures about environment, social, governance and any other disclosures required by the ISSB and IPSASB. Moreover, TFRS 1 requires Regulatory Authorities to disclose actions taken by themselves, as Regulatory Authorities, in ensuring sustainable developments of the sectors or industries regulated. Hence, it is expected that the private sector entities will incorporate the requirements of sustainability reporting standards in the financial statements for the year ending 31 December 2024, and public sector entities for the year ending 30 June 2025.



A cross section of the participants to the ceremony on Launching of the Sustainability Reporting in Tanzania held at the Bank of Tanzania Hall in Dar Es Salaam, Tanzania on 18th October 2023

The launch of the Sustainability Reporting in Tanzania was followed by the formation of the National Sustainability Reporting Steering Committee (NSRSC). The thirty-one (31) members of the Committee include the Planning Commission, Various Government Regulators including the NBAA, Dar es Salaam Stock Exchange (DSE), CEO's Roundtable, Tanzania Private Sector Foundation (TPSF) and the National Carbon Monitoring Centre (NCMC).

The National Sustainability Reporting Steering Committee (NSRSC)

The NSRSC is an important part of the country's sustainability reporting framework. The Committee is responsible for monitoring the sustainability reporting in both the private and public sector. The sustainability disclosure accompanying the financial statements will form an important input in the preparation of Voluntary National Review Report on the Implementation of SDGs.

The Bank of Tanzania as amongst the Regulators in the Committee had already issued the Guideline on Climate Related Financial Risks, 2022, to mandate climate related disclosures in the financial statements of banks and financial institutions. Similarly, the DSE issued the Dar es Salaam Stock Exchange Rules 2022 which includes the Guidelines to Sustainability Reporting.

The specific responsibilities of the members of the NSRSC are to:

- a) Develop guidance or circulars on sustainability-related financial information and climate related disclosures for their industries / sectors / areas of responsibilities;
- b) Set timelines or deadlines for entities under their regulation to comply with sustainability-related financial information and climate related disclosures guidelines, specifically the disclosures of Scope 1 Greenhouse Gas Emissions, Scope 2 Greenhouse Gas Emissions and Scope 3 Greenhouse Gas Emissions;
- c) Set monitoring procedures to ensure that the guidelines or circulars are being complied with;
- d) Provide input on various sustainability reporting developments from a Tanzanian perspective;
- e) Inform the NBAA research agenda; and
- f) Help NBAA respond to relevant proposals by the ISSB and IPSASB and conduct research on sustainability issues affecting Tanzanian entities.

The guidance developed should be designed to provide the right information, in the right way, to support decision-making and facilitate the country's reporting on SDGs.

The proposed roadmap is as shown hereunder.

No.	Description	2024	2025	2026	2027	2028
1.	Sustainability Assessment: A thorough assessment of the entity's sustainability readiness and performances					
2.	Sustainability Positioning: A positioning analysis aimed at identifying the current and prospective sustainability positioning of the entity versus its main competitors or industry Key Performance Indicators (KPIs).					
3.	Sustainability Framework and Sustainability Policy: A sustainability framework and sustainability					

Adoption and Implementation of Sustainability Reporting in Tanzania

No.	Description	2024	2025	2026	2027	2028
	policy outlining the entity's commitment to practices and standards designed to promote environmentally and socially responsible operations.					
4.	Sustainability Strategic Plan: A strategic plan especially designed to help the entity meet its sustainability goals, through specific, measurable, attainable, relevant and time-bound interventions and KPI.					
5.	IFRS S1 Disclosures: For each disclosure topic, the information about Governance, Strategy, Risk Management and Metrics and Targets.					
6.	IFRS S2 Disclosures: For each disclosure topic, the information about Governance, Strategy, Risk Management and Metrics and Targets.					
7.	Scope 1 Greenhouse Gas Emission: (Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity)					
8.	Scope 2 Greenhouse Gas Emission: (Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity).					
9.	Scope 3 Greenhouse Gas Emission: (Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions).					
	(1) Purchased goods and services					
	(2) Capital goods					
	(3) Fuel- and energy-related activities not included in Scope 1 greenhouse gas emissions or Scope 2 greenhouse gas emissions					
	(4) Upstream transportation and distribution					
	(5) Waste generated in operations					
	(6) Business travel					
	(7) Employee commuting					
	(8) Upstream leased assets					
	(9) Downstream transportation and distribution					
	(10) Processing of sold products					
	(11) Use of sold products					
	(12) End-of-life treatment of sold products					
	(13) Downstream leased assets					
	(14) Franchises					
	(15) Investments					

New Sustainability Disclosure Standards will be incorporated in the proposed roadmap when issued.

Compliance with IFRS Sustainability Disclosure Standards

Para 72 of the IFRS S1 *General Requirements for Disclosure of Sustainability-Related Financial Information* requires that an entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards shall make an explicit and unreserved statement of compliance. An entity shall not describe sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards.

The comparative information disclosed in respect of the preceding period for all amounts disclosed in the reporting period, including comparative information for narrative and descriptive information, will be useful for an understanding of the sustainability-related financial disclosures and climate-related disclosure for the reporting period.

Where the report by those charged with governance include the ‘explicit and unreserved statement of compliance’ with IFRS sustainability disclosure standards, the NBAA is in the process of issuing a circular requiring the ‘Declaration of Head of Finance’ to state that the sustainability disclosures are in compliance with applicable standards. This requirement will be similar to the current requirement for the declaration of head of finance on compliance with IFRS/IPSAS.

External Auditors Responsibilities on Sustainability Disclosures

As the Sustainability Disclosures will be incorporated in the report by those charged with governance, it will form part of other information accompanying audited financial statements. The objectives of the auditors, having read the sustainability disclosures, will be to consider whether there is a material inconsistency between the sustainability disclosures and the financial statements; to consider whether there is a material inconsistency between the sustainability disclosures and the auditor’s knowledge obtained in the audit; to respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that sustainability disclosures appears to be materially misstated; and to report in accordance with International Standards on Auditing (ISA) 720 *The Auditor’s Responsibilities Relating To Other Information*.

It will therefore be the responsibility of external auditors to consider the adequacy of the ‘explicit and unreserved statement of compliance’ with IFRS sustainability disclosure standards, if included in the report by those charged with governance.

Furthermore, the external auditors will be expected to consider the reasonability of the plans that Those Charged with Governance have to ensure that the entity being governed comply with IFRS Sustainability Disclosure Standards.



Official Guest Assistant Accountant General of the Government of the United Republic of Tanzania CPA Azizi Kifile in a photo with the Chairman of the National Board of Accountants and Auditors Tanzania (NBAA), CPA. Prof. Sylvia Temu, Executive Director of the National Board of Accountants and Auditors (NBAA), CPA Pius Maneno, the Board's staff as well as various stakeholders who attended the launch of the International Standards for Sustainable Development held in the Central Bank of Tanzania Hall in Dar es Salaam.

Conclusion

The objective of the NBAA is to provide a reporting mechanism which will assist entities in evaluating whether they are making positive progress towards sustainable development by improving their sustainability practices and minimizing carbon emission on year-on-year basis. Hence NBAA is calling upon all Tanzania development stakeholders to participate fully and honestly with renewed confidence in their respective roles towards the successful implementation of all IFRS Sustainability Disclosure Standards, and hence supporting the implementation of the seventeen (17) SDGs.

The second meeting of the NSRSC is expected to be held in July 2024.

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