# Embracing Sustainability Disclosures: A Guide for Companies in Ghana

**KPMG Ghana Publication**

—

December 2023

# Contents

# Executive Summary

## “Our Commitment to Sustainability Reporting ”

KPMG’s position as a trusted partner in the various industrial sectors of Ghana, has continuously evolved over the past years and has seen our people serve across a wide range of business advisory and specialised services. From our experience, we understand and acknowledge the importance of addressing environmental, social and governance (ESG) issues through transparent and accountable means as sustainability reporting. KPMG is poised to aid businesses in their efforts to incorporate sustainability reporting into their business activities. This will enable businesses to reap the benefits of embracing sustainability reporting, which will in turn foster economic resilience and advance societal well being.

The rise of sustainability reporting in Ghana marks an important milestone in the country's journey towards sustainable development. This article provides insights into the new IFRS standards released by the International Accounting Standards Board's (IASB), namely **IFRS S1** General Requirements and **IFRS S2** Climate-related Disclosures.

The article outlines the current progress of the adoption of sustainability reporting in Ghana , the new IFRS S1 & S2 requirements, presentation, transitioning and the local regulatory reporting requirements.

### Sustainability Reporting in Ghana

Ghana is increasingly focusing on sustainability and climate change due to regulatory and stakeholder pressure. Global rating agencies downgraded the country due to poor ESG scores, highlighting the need for better sustainability practices. In response, the Government and key stakeholders are actively promoting sustainable finance and ESG reporting through initiatives like the Country Financing Roadmap, UN Partnership for Green Economy, and an ESG Disclosures Guidance Manual for listed companies. The Bank of Ghana (BoG) issued Sustainable Banking Principles, and recent IASB standards make it crucial for Ghanaian companies following IFRS to integrate sustainability reporting.

Companies listed on the Ghana Stock Exchange are obligated to follow ESG disclosure guidance, which consists of both compulsory and voluntary elements for disclosing information regarding environmental, social, and governance (ESG) matters. These guidelines are segregated into economic, social, environmental and general guidelines. Bank of Ghana (BoG) has also established seven Sustainable Banking Principles and Sector Guidance Notes, serving as a framework for banks to embed sustainability into their operations and lending choices.

### IFRS S1 & IFRS S2

The introduction of IFRS S1 and IFRS S2 by the IASB represents a significant milestone in global financial reporting. IFRS S1 sets the foundational requirements for financial statements, ensuring consistency and clarity in reporting, while IFRS S2 addresses the pressing need for climate-related disclosures. IFRS S2 mandates the disclosure of climate-related risks, opportunities, scenario analysis, management's approach, and specific indicators and metrics. These standards align financial reporting with the imperative of climate change and sustainability, providing a clear framework for entities to communicate their financial position and the impact of climate-related factors.

IFRS S1 and S2, are organised around governance, strategy, risk management and metrics/targets. For presentation, companies are expected to include sustainability-related information within their annual general purpose financial reports. These reports serve as the primary means of financial disclosure and are prepared at least annually. The general requirements do not prescribe a specific format or location for these disclosures, allowing flexibility in how companies choose to present sustainability information.

# 01
# Introduction

**Embracing Sustainability Disclosures**

# Background

In today's rapidly changing world, businesses face increasing pressure to address environmental, social and governance (ESG) challenges. To address these challenges, sustainability reporting has been embraced as a pivotal mechanism for fostering transformation.  On the global front, various initiatives have been undertaken with countries, regulatory bodies and stock exchanges introducing regulations and mandates concerning sustainability reporting, that require companies to disclose non-financial information, including environmental and social factors.

However, to meet the demand for greater transparency and accountability, a new era of sustainability disclosure has emerged as a transformative force in driving positive change within the business landscape. As part of global initiatives, the International Accounting Standards Board (IASB) has released two IFRS Standards, namely IFRS S1 General Requirements and IFRS S2 Climate-related Disclosures .

As Ghana strives for sustainable development and economic growth, the emergence and importance of sustainability disclosures has gained significant traction with various initiatives underway by regulatory bodies and stakeholders to incorporate sustainability reporting in their business activities.

To educate and foster the adoption of sustainability reporting, this  publication seeks to provide insights, guidance, and thought-provoking perspectives on the new frontiers of sustainability disclosures by :

- **Providing a comprehensive understanding of Sustainability Disclosures**
- **Inspiring Action and Foster transformation**

**By embracing sustainability reporting, businesses stand to benefit and also contribute towards Ghana’s ESG progress**

Embracing this transformative tool, businesses in Ghana can lead the way towards a prosperous future, contributing to the country's environmental preservation, social progress, and economic resilience.

As Ghana embarks on this journey of exploration and discovery, we invite all stakeholders to unlock the potential of new sustainability reporting. By providing insight, shedding light on local initiatives and achievements, best practices and inspiring stakeholders. It is our aim that this paper ignites a conscious effort to embrace sustainability reporting in Ghana.

# Importance of Sustainability Reporting in the Global Business Landscape

## Why has the world accepted it?

As businesses face increasing pressure to address environmental, social and governance (ESG) through transparent and accountable means as sustainability reporting, the benefits cannot be understated. Sustainability reporting has become an integral part of the global business landscape, thus by embracing it as a strategic imperative, organisations can unlock new opportunities, build stakeholder trust, and contribute to a more sustainable and prosperous future. Based on a careful evaluation of Global initiatives, the importance  of sustainability reporting are discussed as follows:

- **Enhancing Transparency and Accountability**: Sustainability reporting provides a platform for organisations to disclose their ESG performance and showcase their commitment to responsible business practices. By transparently reporting on environmental impacts, social initiatives, and governance frameworks, businesses can build trust among stakeholders and demonstrate their accountability towards the sustainable development goals.

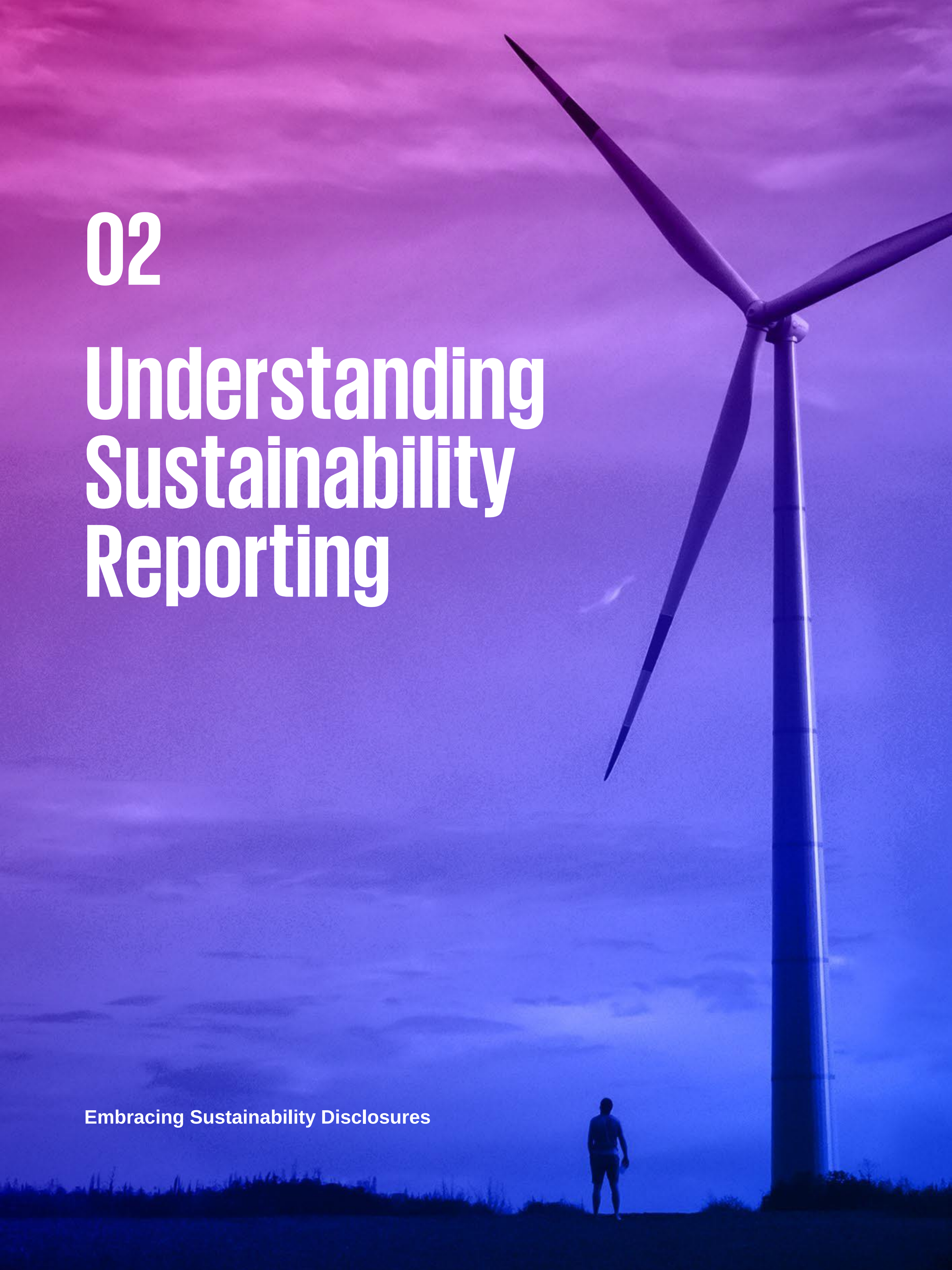
- **Global Reputation and Market Access**: Organisations operating in global markets face increasing scrutiny regarding their sustainability practices. By implementing robust sustainability reporting, businesses can enhance their global reputation, gain credibility, and improve market access. International customers, partners and stakeholders are more likely to engage with organisations that prioritise sustainability and can demonstrate their commitment through transparent reporting.

- **Cost Savings and Operational Efficiency**: Sustainability reporting plays a significant role in identifying areas where organisations can achieve cost savings and improve operational efficiency. By conducting thorough assessments of environmental impacts, resource consumption, and waste generation, businesses can uncover opportunities to optimise processes, reduce inefficiencies and lower operational costs

- **Risk Management:** Sustainability reporting facilitates the identification and management of ESG risks. By conducting robust assessments and reporting on potential risks and their mitigation strategies, organisations can proactively address issues such as climate change, supply chain disruptions, regulatory changes and reputational risks. This enables organisations to reduce vulnerability, enhance resilience and protect long-term value.

- **Regulatory Requirements:** Governments and regulatory bodies worldwide are implementing mandatory sustainability reporting frameworks and regulations. By adopting robust reporting practices, organisations can ensure compliance with these evolving requirements. Compliance with sustainability reporting standards also provides a level of legal security and protection against accusations of greenwashing or misleading claims.

Compliance does not only help businesses avoid legal and reputational risks but also positions them as responsible corporate citizens, contributing to the achievement of the global sustainability goals.



# 02

# Understanding Sustainability Reporting

Embracing Sustainability Disclosures

# Unveiling the Essence: Decoding Sustainability Reporting and its Dimensions

Sustainability reporting entails disclosing an organisation's environmental, social, and governance performance and its impacts. It goes beyond financial reporting to provide a comprehensive view of how a company integrates sustainability into its operations, strategies and decision-making processes. The reporting framework typically includes a range of metrics, targets and narratives that capture both positive and negative impacts on various sustainability issues.

## Global Frameworks and Standards

There are several global frameworks and standards on sustainability reporting that have been developed to provide guidance and consistency in disclosing sustainability information. Some of the prominent ones include:


### Global Reporting Initiative (GRI)

GRI provides guidelines and indicators for sustainability reporting, covering environmental, social and governance (ESG) topics.

### Sustainability Accounting Standards Board (SASB)

SASB develops industry-specific standards for disclosing financially material sustainability information.

### Task Force on Climate-related Financial Disclosures (TCFD)

TCFD develops recommendations for consistent climate-related financial disclosures to help organisations disclose climate- related risks and opportunities.

### International Integrated Reporting Council (IIRC)

IIRC advocated for integrated reporting, combining financial and non-financial information to provide a holistic view of an organisation's performance and value creation process.

### Challenges of Sustainability Reporting

- Greenwashing and credibility concerns: As sustainability reporting gains prominence, there is a risk of companies engaging in greenwashing, where they exaggerate or misrepresent their sustainability efforts. This can undermine the credibility of reporting and make it difficult for stakeholders to distinguish genuine sustainability leaders from those making unsubstantiated claims.

- Data Transparency: Striking a balance between transparency and confidentiality, especially in disclosing sensitive environmental or social data, can be challenging. Companies need to be open while protecting proprietary information.

# 03

# Sustainability Reporting in Ghana: Current Landscape

Embracing Sustainability Disclosures

# The RISE of Sustainability Reporting in Ghana

Below are some key initiatives that are driving sustainability reporting in Ghana

Over the past few years, there has been a gradual shift in focus towards sustainability and climate change risks, driven by both regulators and various stakeholders in Ghana. This increased attention reflects the recognition of the importance of addressing these challenges for the long-term stability and prosperity of the country.

One notable development is the downgrading of Ghana's long-term issuer rating by global rating agencies Moody's and Fitch. This downgrade was influenced, in part, by the low ESG credit impact scores (CIS-4 and 5[+]) assigned to Ghana. It highlights the need for enhanced sustainability practices and improved management of environmental, social and governance issues.

These developments collectively indicate a growing commitment in Ghana to address sustainability and climate change challenges. Regulators, financial institutions, stock exchanges and international organisations are promoting sustainable finance, encouraging ESG reporting and fostering responsible business practices to build a sustainable and resilient economy.

**Ghana has developed a comprehensive Country Financing Roadmap (CFR) in partnership with the World Economic Forum's Sustainable Development Investment Partnership(SDIP) to formulate action plans that will help the country achieve progress towards meeting the SDGs.**

**The country has signed up to become a member of the United Nations Partnership for Action on Green Economy (PAGE)**

**The GSE, with support from the GRI, launched the ESG Disclosures Guidance Manual on Wednesday, 2  November 2022 to provide detailed guidelines for listed companies on disclosing their environmental, social and governance practices**

**Bank of Ghana issued Sustainable Banking Principles Guidelines for Banks in 2019. These guidelines provide a framework for banks to integrate sustainability principles into their operations and reporting practices. By 2024**

**The European Sustainability Reporting Standards (ESRS) were adopted by the Commission on July 31, 2023, for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). This marks another step forward in the transition to a sustainable EU economy. Ghanaian companies, to which these standards may apply, can voluntarily adopt the ESRS, which will enhance transparency, accountability and reputation.**

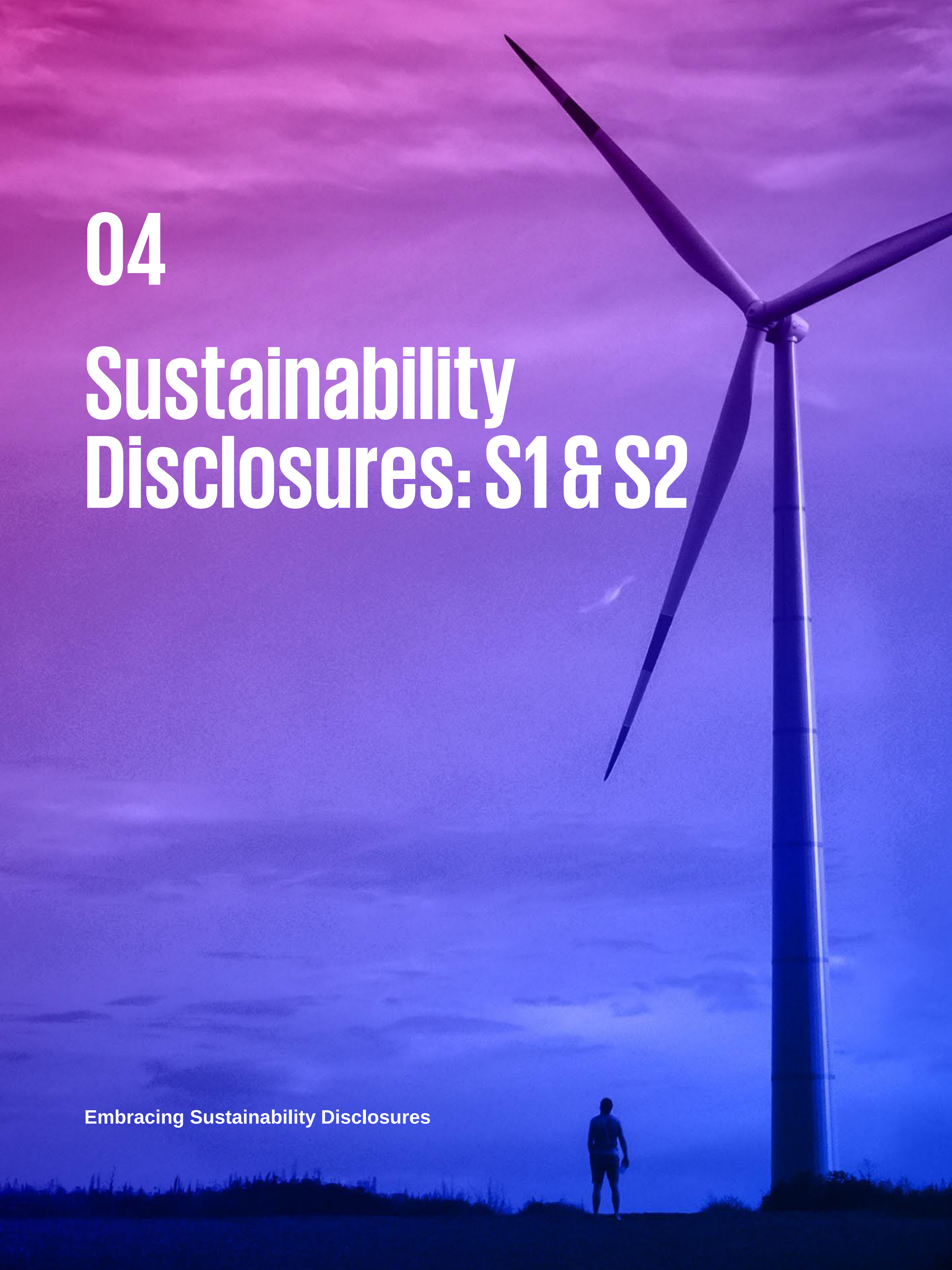
**With the recent publication of the International Accounting Standards Board's (IASB) first two IFRS Standards, namely IFRS S1 General Requirements and IFRS S2 Climate-related Disclosures in June 2023, the time is now for companies in Ghana to embrace sustainability reporting. IFRS S1 and S2 are currently voluntary standards. However, a number of jurisdictions are considering mandating their adoption. Companies in Ghana should therefore be prepared to adopt the standards.**

> *All our efforts to defeat poverty and pursue sustainable development will be in vain if environmental degradation and natural resource depletion continue unabated*
>
> *Kofi Annan, Report for the United Nations sixtieth anniversary summit, 2005.*

Source: 1. https://www.moodys.com/research/Moodys-downgrades-Ghanas-rating-to-Caa2-and-places-it-on--PR_469810
2. https://www.fitchratings.com/research/sovereigns/fitch-downgrades-ghana-to-cc-23-09-2022

# 04

# Sustainability Disclosures: S1 & S2



# ISSB... Road to 2024

**The International Sustainability Standards Board (ISSB)** which was formed to develop standards for a global baseline of sustainability disclosures issued its inaugural standards on 26 June 2023—IFRS S1 and S2 . The new sustainability disclosure standards are slated to be **effective from January 2024.**

IFRS Foundation

**International Sustainability Standards Board (ISSB)**

**Has issued IFRS S1 & S2**

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2 Climate-related Disclosures

**The ISSB builds on the work of**

**GRI** — Global Reporting Initiative

**SASB** — Sustainability Accounting Standards Board

**TCFD** — Task Force on Climate-related Financial Disclosures

**IASB** — International Accounting Standards Board

# The Change is here

The IFRS S1 and S2 are effective for annual reporting periods beginning 1 January 2024. However, early application is permitted.

- The standards are designed to meet the needs of all companies, not just the most sophisticated. They provide a clear idea of what companies need to report to meet the needs of global capital markets – providing investors with globally comparable information.
- The standards sets out the overall requirements for providing users of general purpose financial reports with a complete set of sustainability-related financial disclosures.
- The new standards require entities to incorporate ESG to overall business strategy, by reporting on all relevant sustainable topics.
- Companies will need to use scenario analysis when describing their assessment of climate resilience.
- IFRS S1 and S2 apply to all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance or cost of capital over the short, medium or long term. These risks and opportunities are collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects
- IFRS S1 specifies that if entities with not-for-profit activities in the private sector or public sector apply this Standard, they might need to amend the descriptions used for particular items of information when applying IFRS Sustainability Disclosure Standards.

The ISSB's first two standards are designed to be applied together, supporting companies to identify and report information that investors need for informed decision making – in other words, information that is expected to affect the assessments that investors make about companies' future cash flows.

To achieve this, the general standard provides a framework for companies to report on all relevant sustainability-related topics across the areas of governance, strategy, risk management and metrics and targets.

This is supported by more detailed guidance on how to report on climate-related risks and opportunities in the climate standard.

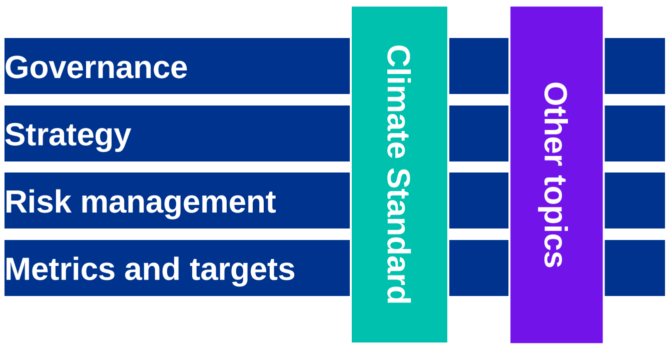
In the subsequent sections, guidance on the standards Content and Disclosure Requirements, Presentation and Transition Periods are provided in detail. Additionally, GRI disclosure requirements and BoG's Sustainable Banking Principles Guidelines have been highlighted briefly.

# Content requirements

The content requirements in the General and Climate-related requirements are structured around governance, strategy, risk management and metrics and targets.

### A consistent content structure

Both the general requirements and the climate related requirements follow a structure that is consistent with TCFD - comprising core content across the areas of governance, strategy, risk management, and metrics and targets. The climate standard adds topic - and industry-specific disclosures; future standards are expected to adopt the same content structure. The standard does not require companies to present their disclosures using this structure.




### Governance

The governance pillar refers to the framework and processes that an organization has in place to oversee its sustainability performance. This includes the board of directors' role in sustainability, the management team's responsibilities, and the organization's sustainability policies and procedures.

### Strategy

The strategy pillar refers to how an organization integrates sustainability into its overall business strategy. This includes setting sustainability goals, developing sustainability plans and allocating resources to achieve sustainability objectives.

### Risk Management

The risk management pillar refers to how an organization identifies, assesses and manages sustainability-related risks. This includes identifying the potential impacts of climate change and other sustainability risks on the organization, assessing the likelihood and severity of those risks, and developing mitigation and adaptation strategies.

### Metrics and Targets

The metrics and targets pillar refers to how an organization measures and reports on its sustainability performance. This includes setting sustainability metrics and targets, collecting and analysing data and reporting on progress over time.

# Content requirements (cont'd)

## Governance

The **objective** of disclosures in the governance content area is to help users **understand the governance processes, controls and procedures** used to monitor and manage sustainability-related risks and opportunities.

The disclosure requirements on governance of the climate-related risks and opportunities under the climate standard are consistent with the general standard. Therefore, companies would need to avoid unnecessary duplication.

Under the standard, a company needs to:

**Identify the body (or bodies) or individual responsible** for sustainability-related risks and opportunities and disclose how:

- It reflects those responsibilities in terms of reference, mandates, role descriptions and other company policies;
- It determines whether the company has access to the appropriate skills and competencies to oversee its strategies around sustainability-related matters or how they will be developed;
- It stays informed about sustainability-related risks and opportunities, including how often it is informed;
- It considers the risks and opportunities when overseeing company strategy, decisions on major transactions and risk management processes and policies and whether it considers trade-offs between risks and opportunities;
- It oversees how the company sets sustainability-related targets and monitors progress towards these, including if and how sustainability-related metrics are included in renumeration policies.

**Describe management's role** in monitoring, managing and overseeing sustainability-related risks and opportunities, including:

- whether specific roles are delegated to a management level position or committee and, if so, how oversight is maintained; and
- whether management has implemented processes and controls to support oversight and how these controls are integrated with other functions.

**Do companies need to change their governance structures or activities?**

No. There are no requirements in the standards on how to manage or govern a company.

For example, the standards require a company to disclose how sustainability-related risks and opportunities affect remuneration, but do not require it to introduce any direct link between sustainability-related performance and remuneration.

However, the nature of disclosures and potential scale of the change to existing reporting practice for some companies may trigger additional scrutiny and cause management to reconsider the structures it has in place, as well as the company's processes and controls over sustainability-related financial disclosures.

# Content requirements (cont'd)

## Strategy

The **objective** of disclosures in the strategy content is to help users understand the company's strategy for managing **sustainability-related risks and opportunities**

The standards include requirements to:

**Identify and describe sustainability-related risks and opportunities**

A company would disclose the information set out in the table below to help users understand the sustainability-related risks and opportunities that could reasonably be expected to affect the business (either positively or negatively) over the short, medium and long term.

| information | What to disclose |
|---|---|
| **Identify the risks and opportunities to report** | A description of the sustainability-related risks and opportunities, including the time horizon over which each could be reasonably expected to impact the company's prospects |
| **Define the time horizons** | How the company defines short, medium and long term, including how these definitions link to strategic planning horizons |

### Disclosing impacts on the business model and value chain

Once a company has identified its sustainability-related risks and opportunities, it would explain its assessment of how they impact the business model and the value chain that underpins it, as well as how these may be impacted in the future.

### Disclosing current and anticipated financial effects

Users need to understand how sustainability-related risks and opportunities (and the strategies that management implements to manage those risks and opportunities) impact the financial statements

**What are the sustainability-related risks and opportunities?**

- How do they impact the business model?
- How do they inform the strategy and decision making?
- How will they affect financial planning and the financial statements over time?
- How resilient is the strategy to the risks?

### Describing a company's resilience

Under both S1 and S2, a company would disclose an analysis of the resilience of its strategy and cash flows to significant sustainability-related risks (including quantitative information where possible). This would include how the analysis was completed and the time horizon.

### Climate transition plans

The climate related standard provides more granular disclosure requirements and explicitly links disclosure about changes in strategy and decision making to a company's climate transition plans and targets.

### Climate-related scenario analysis

Climate-related scenarios allow a company to understand how climate-related events (and their associated risks and opportunities) may impact its business, strategy and financial performance over time. Scenario analysis needs to represent management's expectations of uncertain outcomes in a range of hypothetical situations that are based on management's view of the risk and opportunities affecting the business.

# Content requirements (cont'd)

## Risk management

The **objective** of risk management disclosures would be to help users **evaluate the effectiveness** of the company's risk and opportunity management processes. The disclosures would aim to help users understand how a company's existing and emerging significant sustainability-related risks and opportunities are **identified, assessed and managed,** and whether those processes are **integrated** into the company's overall risk management processes.

This information could be related to disclosures about a company's governance processes. For example, within the governance content area, a company would describe the activities of the body responsible for sustainability-related risks and strategies, including how it considers the risks and opportunities when overseeing company risk management policies. This information is likely to be linked to a description of the risk management processes, which would be required under the risk management content area.

| Information | What to disclose |
|---|---|
| **Risk and opportunity identification processes** | How the company identifies sustainability-related risks and opportunities |
| **Risk assessment processes** | How the company assesses the likelihood and impact of identified sustainability-related risks (including qualitative factors or quantitative thresholds used).<br>How the company prioritises these risks relative to other types of risks, including the use of risk assessment tools - e.g. science-based risk assessment tools.<br>The significant inputs and parameters that it used in its risk assessment process - e.g. data sources, scope of operations covered and level of detail used in assumptions.<br>Whether its risk assessment processes have changed since the prior reporting period. |
| **Opportunity assessment process** | How the company assesses and prioritises identified sustainability-related opportunities. |

| Information | What to disclose |
|---|---|
| **Risk and opportunity management processes** | How the company monitors, manages and mitigates each risk or opportunity, including relevant policies. |
| **Integration of processes** | The extent to which sustainability-related risk or opportunity management activities are integrated into the company's overall management processes. |
| **Climate-related opportunity processes** | Whether and how climate-related scenario analysis is used to inform its identification of climate-related opportunities. |

Under the general requirements, all targets and related metrics would need to be:

- clearly and meaningfully labelled;
- consistently defined and calculated over time; and
- explained when they are changed, replaced or stopped, including:
  - the reason for the change;
  - why the replacement metric is more useful; and
  - their restated comparatives, unless this is impracticable.

The climate standard emphasizes the need for companies to avoid redundancy in reporting climate-related risks and opportunities, especially when their governance and risk management processes overlap with different subjects. To meet this requirement, companies must thoughtfully present integrated information to prevent unnecessary duplication.

# Content requirements (cont'd)

## Metrics and targets

The sustainability and climate related standard identifies three types of metrics that companies would use to measure and monitor their significant sustainability-related risks and opportunities. They are Cross-industry, Industry-based and Company-defined metrics.

### Cross-industry climate-related metrics

Companies need to disclose seven categories of cross-industry climate-related metrics. These metrics are designed to be generally applicable to all companies, regardless of their industry and business model.

#### 1. Greenhouse gas emissions

The IFRS S2 mandates reporting of Scope 1, 2 and 3 emissions in $CO^2$, following GHG Protocol standards. Include measurement approach, changes and disaggregation. Scope 2 uses location-based data, mention contractual instruments and market-based emissions. Scope 3 covers categories and financed emissions for relevant sectors.

#### 2. Transition risks

The risks arising from transition to a lower carbon economy.

#### 3. Physical risks

The risks relating to the physical impacts of climate change

#### 4. Climate-related opportunities

The amount and percentage of assets or other business activities aligned with climate-related opportunities.

#### 5. Capital deployment

The amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities

#### 6. Internal carbon prices

The price for each metric tonne of greenhouse gas emissions that the company uses to assess the cost of its.

#### 7. Remuneration

The proportion of executive management remuneration linked to climate-related considerations in the current period.

### Industry-specific climate-related metrics

Companies need to provide industry-specific information where relevant. When a company undertakes activities across various industries, it may identify disclosure topics and, therefore, metrics from more than one industry.

The climate standard provides illustrative definitions and measurement guidance for industry-specific metrics across 11 sectors, comprising 68 industries. Companies are required to refer to and consider the applicability of these metrics in disclosing industry-specific information that describes their performance or how they manage and measure climate-related risks and opportunities.

### Company-defined metrics

Companies use IFRS Sustainability Disclosure Standards to identify metrics to disclose, and other sources of guidance for topics not (yet) covered by an IFRS Sustainability Disclosure Standard. However, companies may also need to disclose other metrics, including climate-related metrics, where they are used to measure and monitor sustainability-related risks and opportunities. This is particularly relevant when a target relies on a metric that the company has defined itself.

### Targets

A company provides detailed descriptions of its own sustainability-related targets, linked to the metrics it uses to measure and monitor them. It also needs to disclose targets that it is required to meet by law or regulation. There is no prescribed format to present this information. However, clear connectivity of disclosures between strategy and the related metrics and targets is important.

# Presentation

## Location of information

A company would disclose sustainability-related information as part of its general purpose financial reporting, prepared at least on an annual basis for a discussion of interim reporting.

Many companies currently release other documents in addition to their general purpose financial reporting. This could include separate sustainability reports prepared to satisfy the needs of wider stakeholders, supplementary data sheets or special-purpose reports.

The general requirements does not specify a single location for disclosures. This means that information could be presented in many ways, including:

- **within the general purpose financial reporting:** for example:
  - **integrated through the front part** of the report with clear linkage to the financial statements or
  - in a **separate section with clear linkage** to other content in the report such as management commentary and the financial statements; or
- **cross-referenced** from another document such as a separate sustainability report (subject to certain conditions).

Cross-referencing to a document that does not form part of the company's general purpose financial reporting would be permitted because local laws and regulations often determine the location of sustainability-related information. However, the following conditions would need to be met:

- the use of cross-referencing does not make the information included within the general purpose financial reporting less understandable;
- the other report would need to be available to users on the same terms and at the same time as the financial statements;
- the location of the cross-referenced information and an explanation of how to access it would be included in the company's general purpose financial reporting;
- cross-references used would be to a precise, specific location and not to general sections;
- any information included by cross-reference would become part of the complete set of sustainability-related financial disclosures and would need to comply with the requirements of IFRS Sustainability Disclosure Standards, including the requirement for information to be relevant, faithfully represented, comparable, verifiable, timely and understandable; and
- the same people who authorise the general purpose financial reporting for issue would need to take the same degree of responsibility for the information included by cross-reference.

Companies may find these conditions challenging to meet and in many cases, may include information directly in their general purpose financial reporting. In some jurisdictions, cross-referencing of material information is prohibited (e.g. in the UK and Australia). Elsewhere, companies would need to consider whether the general purpose financial reporting would be understandable and have a coherent narrative if information was included solely via cross-referencing.

# Presentation (cont'd)

## Presentation structure

The general requirements does not include requirements for the structure of information presented. Companies would need to determine an appropriate structure for reporting that is coherent and facilitates linkage with any broader sustainability reporting to avoid unnecessary duplication.

The standard includes requirements across the content areas of governance, strategy, risk management, and metrics and targets. However, it does not follow that companies should present information separately under each area for each disclosure topic. The standard specify that companies should avoid duplication if different IFRS Sustainability Disclosure Standards require common pieces of information.

When designing the presentation structure, key decisions would include:

- whether to **include all information within a single general purpose financial report** or to cross refer;
- whether to **present information on the content areas separately** {i.e. following the four content areas (governance, strategy, risk management, and metrics and targets) as a presentation structure as well as content structure); or
- whether to **integrate content from different topics** within existing sections of the general purpose financial reporting or keep it separate

Illustration 1: Integrated

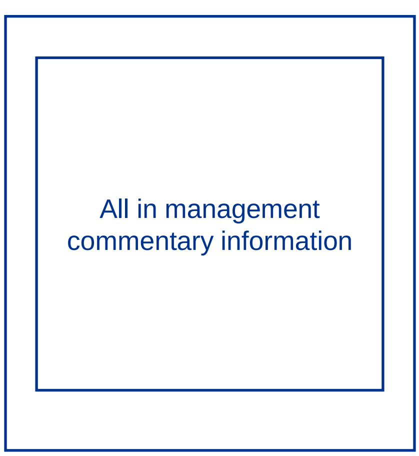
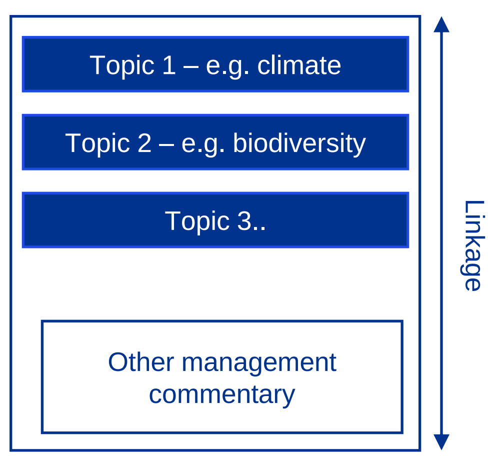



Illustration 2: Compartmentalised

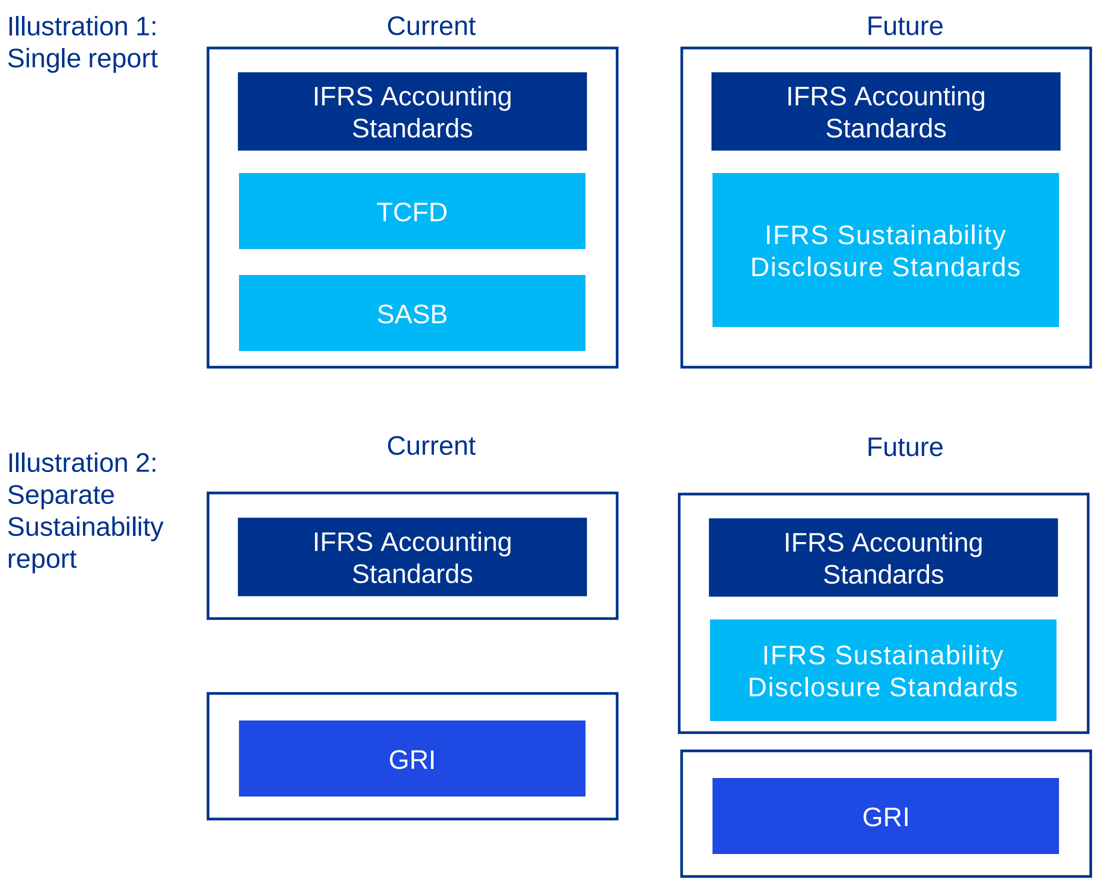



In the 'integrated' illustration, management would present management commentary disclosures that contain information about significant sustainability-related risks and opportunities as well as other topics as a coherent whole. This may be more appropriate where the company manages

# Transition

## Transition

The adoption of the IFRS Sustainability Disclosure Standards represent a consolidation of major enterprise-value focused standard. However, there are other types of sustainability reporting that are outside the scope of IFRS Sustainability Disclosure Standards but remain equally important. The diagram below illustrates two different ways that companies may evolve on adopting IFRS Sustainability Disclosure



# GSE Reporting requirements

## GSE ESG Disclosure guidelines

Listed companies on the Ghana Stock Exchange must adhere to the ESG disclosure guidance, which encompasses mandatory and optional requirements for disclosing environmental, social and governance (ESG) issues. Compliance with these guidelines entails disclosing the specified ESG information below

| | Mandatory | Optional |
|---|---|---|
| **General** | ▪ Corporate governance<br>▪ Corporate strategy<br>▪ Environmental and social risk management<br>▪ Stakeholder engagement<br>▪ Regulatory compliance<br>▪ Data privacy | ▪ Supply chain screening<br>▪ Risk management and internal controls<br>▪ Ethics and integrity<br>▪ Shared value – Sustainable Development Goals |
| **Economic** | ▪ Economic performance<br>▪ Taxes<br>▪ Anti-corruption | ▪ Indirect economic impacts<br>▪ Market presence<br>▪ Local content |
| **Social** | ▪ Human rights<br>▪ Labour and working conditions<br>▪ Occupational health and safety<br>▪ Training and education<br>▪ Diversity and equal opportunity | ▪ Consumer protection<br>▪ Pay ratios (CEO, Gender) |
| **Environmental** | ▪ Environmental oversight<br>▪ Environmental compliance<br>▪ Emissions | ▪ Water and effluents management<br>▪ Waste Management<br>▪ Energy consumption (Usage, intensity, and mix)<br>▪ Climate risk mitigation |

# Bank of Ghana Reporting Requirement

## The Sustainable Banking Principles and Sector Guidance Notes

The Sustainable Banking Principles and Sector Guidance Notes by Bank of Ghana (BoG) provide a framework for banks to integrate sustainability into their business operations and lending decisions. The Principles are sevenfold:

### Environmental and Social Risk Management

Banks should identify, measure, mitigate and monitor environmental and social risks and opportunities in their business activities.

### Internal Environment Social and Governance (ESG) in banks operations

Banks should promote good ESG practices in their internal business operations.

### Corporate Governance and Ethical Standard

Banks should maintain high standards of corporate governance and ethics.

### Gender Equality

Banks should promote gender equality in their workplace and in their lending and investment practices.

### Financial Inclusion

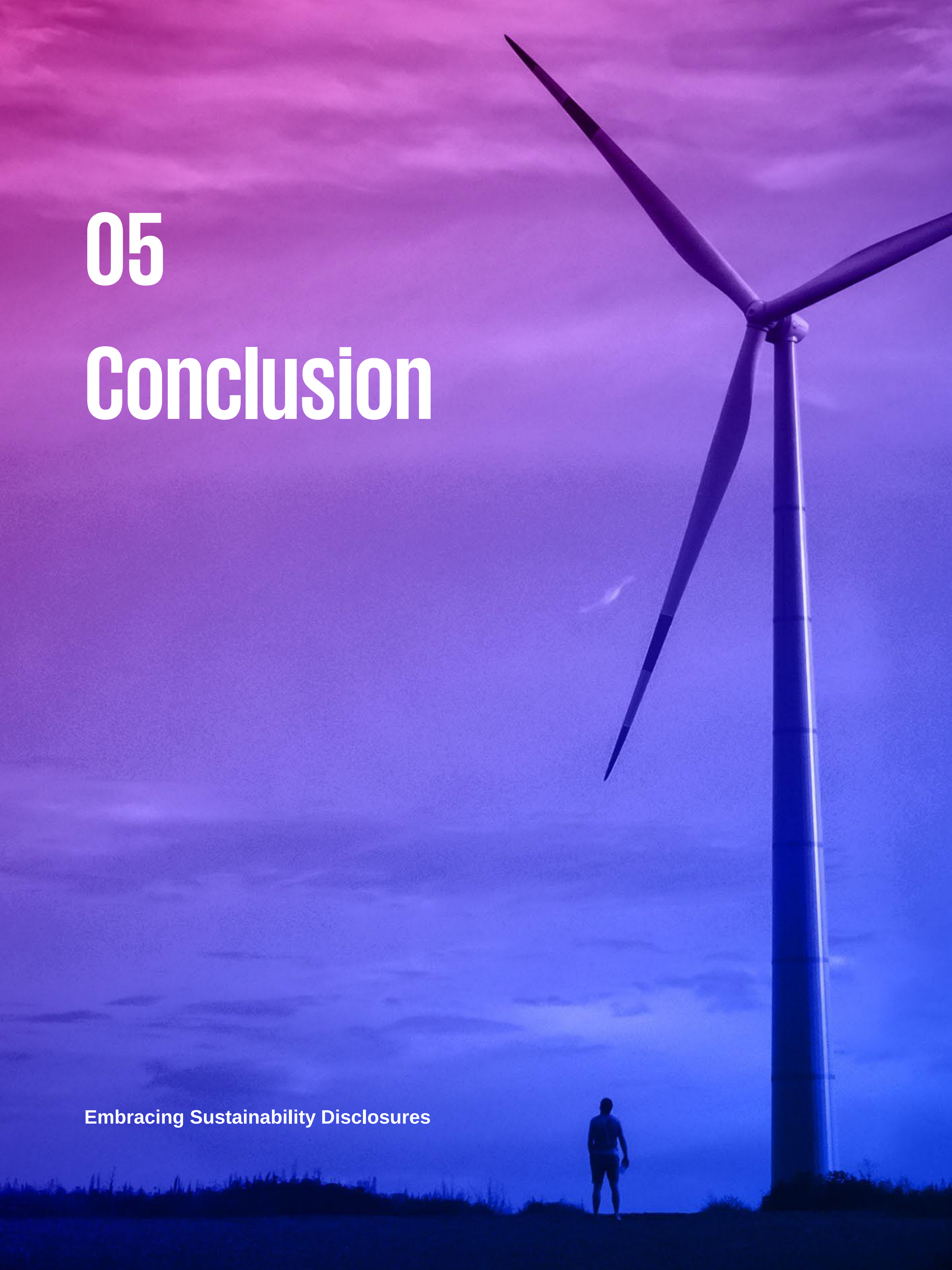
Banks should expand access to financial services for all segments of the population.

### Resource efficiency, Sustainable Production and Consumption

Banks should support their clients in adopting sustainable business practices and reducing their environmental impact.

### Reporting and Disclosure

Banks should transparently report on their sustainability performance.



# 05 Conclusion

# In conclusion

The rise of sustainability reporting in Ghana marks an important milestone in the country's journey towards sustainable development. As businesses recognize the significance of environmental, social, and governance (ESG) factors, the need for comprehensive and transparent sustainability disclosures become increasingly important.

The new standards, IFRS S1 and S2, require entities to incorporate ESG in their overall business strategy, by reporting on all relevant sustainable topics . To achieve this, companies are required to build the right corporate governance structure thus creating the need to put in place processes and controls to enable the provision of sustainable related information. The content requirements and presentation guidelines aim to ensure comprehensive and transparent sustainability reporting by companies.

As businesses navigate the path of sustainability reporting in Ghana, it is crucial to prioritise accuracy, transparency and relevance in the presentation of sustainability statements. Clear and concise reporting, supported by robust data and key performance indicators, will enable stakeholders to assess the organisation's sustainability performance and make informed decisions.

However, the successful implementation of sustainability disclosures requires more than just compliance. It calls for a shift in mindset and organizational culture, with a genuine commitment to sustainable practices. Businesses should view sustainability reporting as an opportunity to create shared value, address societal challenges and foster long-term relationships with stakeholders.

# How we can help

KPMG is at the forefront of sustainability reporting, helping clients develop responsible and sustainable strategies, business models, operations and investments. We combine ESG know-how with technical accounting and reporting expertise. We have experience in supporting listed and private businesses across all sectors and at all levels of maturity. There are tangible ways businesses can invest in sustainability reporting:

- Understand what your stakeholders expect you to report on. We can help you articulate your ESG performance clearly
- Create effective corporate ESG reporting. We can provide training for your team and undertake materiality assessments or benchmarking
- We also support content identification and development, providing advice on data requirements and the best reporting structure, as well as undertaking compliance reviews
- Align your ESG reporting with key mandatory and voluntary reporting frameworks
- Improve the quality and efficiency of ESG non-financial reporting. We can help you identify data requirements, prepare methodology statements and review existing reporting processes to assess assurance readiness
- Understand the impact of climate change on financial statement disclosures. We can help you review ESG disclosures for compliance with existing reporting requirements and benchmark against good practices

KPMG understands the power of ESG to help transform your business. Our ESG Advisory professionals can guide you on how to enhance trust, mitigate risk and unlock new value as you build a sustainable future.

# Contact us to discuss your specific needs

**Kwame S. Barnieh**
Partner, Governance Risk and Compliance Services

Tel: +233 (302) 770454, 770618
Email: ksbarnieh@kpmg.com
www.kpmg.com

**Joyceline Coleman**
Partner, Accounting Advisory Services

Tel: +233 (302) 770454, 770618
Email: joycelinecoleman@kpmg.com
www.kpmg.com

**Reindolf Annor**
Partner, Accounting Advisory Services

Tel: +233 (302) 770454, 770618
Email: rannor@kpmg.com
www.kpmg.com

**Patience M. Dzikunoo**
Senior Manager, Accounting Advisory Services

Tel: +233 (302) 770454, 770618
Email: pdzikunoo@kpmg.com
www.kpmg.com

**kpmg.com/socialmedia**



**Document Classification: KPMG Public**