PAFA SUSTAINABILITY WEEK: DAY1 – RESETTING CORPORATE REPORTING

01 August 2022

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AGENDA

Time	Topic	Speaker
14:00 – 14:10	Opening remarks	Ms Alta Prinsloo
14:10 – 14:25	Keynote address	H.E. Dr Nkosazana Dlamini-Zuma,
14:25 – 14:35	The Role of the accountancy profession in sustainability	Mr Kevin Dancey
14:35 – 14:50	The International Sustainability Standards Board - bridging the gap	Dr Ndidi Nnoli-Edozien
14:50 – 15:00	An Integrated Mindset as a Catalyst for Change	Mr Stathis Gould
15:00 – 15:15	Internal Audit Standards - enhancing sustainability reporting	Ms Anne Mercer
15:15 – 16:10	Panel discussion: Key Drivers and Impediments to Adopting Sustainability Related Standards and Frameworks	Moderator: Mr David Madon Panellists: Ms Shameela Soobramoney|Mr Sanjay Rughani |Ms Rukaiya El-Rufai
16:10 – 16:20	Input from the audience	Ms Lebogang Senne
16:20 – 16:30	Closing Remarks	Mr Raymond Chamboko

OPENING REMARKS

Ms Alta Prinsloo, CEO, PAFA

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PAFA is the regional organisation for the accountancy profession in Africa

56 member organisations in 45 countries.

Vision

Sustainable value creation to benefit the citizens of Africa

Mission

To strengthen the capacity and influence of the accountancy profession in Africa to enhance trade, the quality of services, and trust in institutions

TIME FOR ACTION ON SUSTAINABILITY

"With the establishment of the International Sustainability Standards Board (ISSB), the way forward is clear: The accountancy profession must lead on climate reporting and other material environmental, social and governance disclosures and their assurance — contributing to strong and sustainable financial markets and economies and enabling the UN's Sustainable Development Goals."

Call to Action from the International Federation of Accountants

STATE OF THE PROFESSION IN AFRICA – SPOTLIGHT ON SUSTAINABILITY

Download the report here

How is the accountancy profession contributing to the climate and ESG agendas?

Financial reporting on climate issues

44%

Skills gaps emerging in the accountancy profession as the business environment evolves

Financial reporting on climate issues – 4th highest

39%

Trends that are expected to have the biggest impact on the accountancy profession over next decade

Increasing attention to ESG

16%

Limitations to the involvement of the accountancy profession in the climate and ESG agendas

Lack of understanding 57%
Difficult to incorporate with traditional roles 52%
Inadequate knowledge & skills 51%
Country yet to embrace agenda 47%

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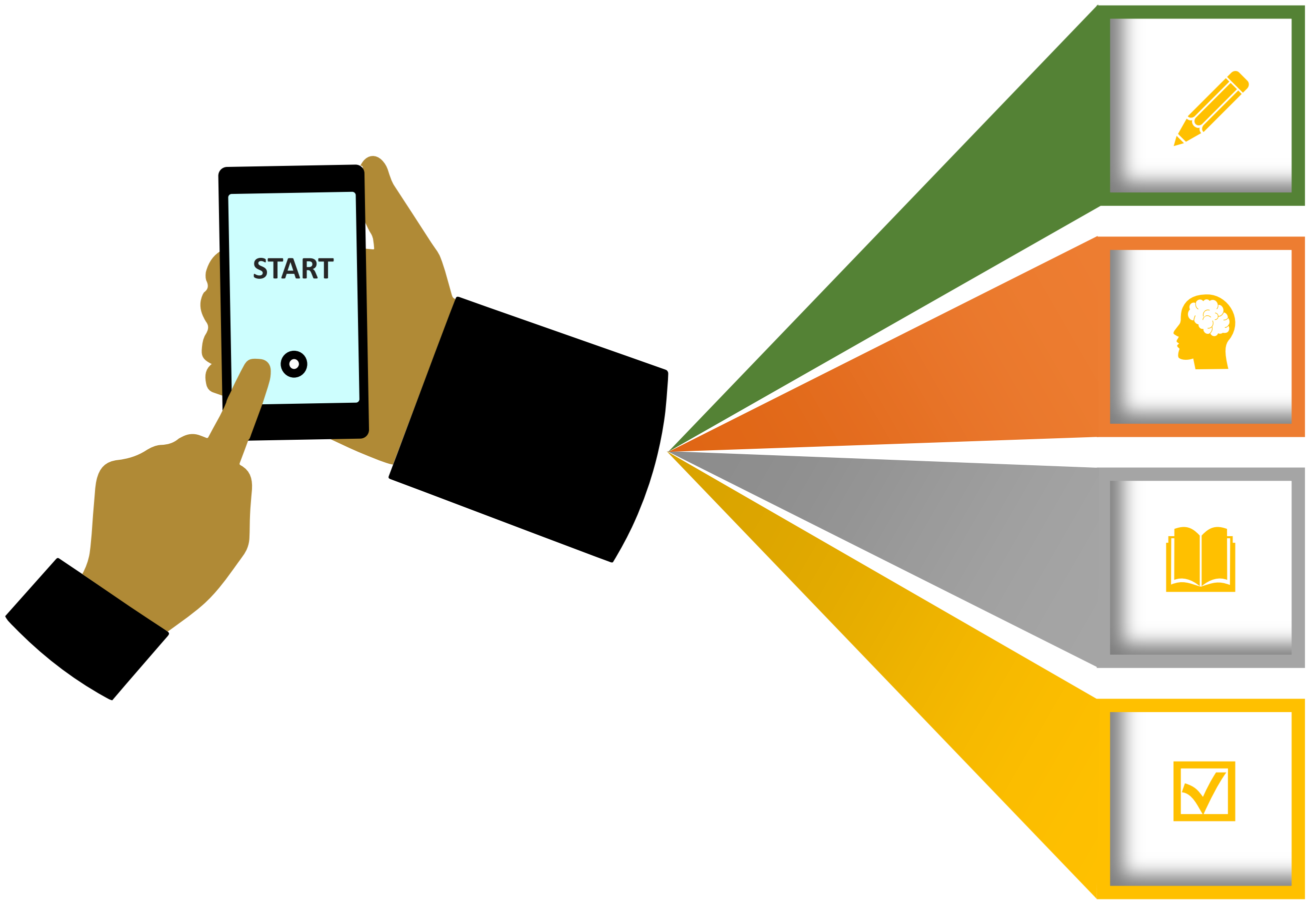
CALLING ON THE ACCOUNTANCY PROFESSION



Advocate for smart sustainability-related policymaking & regulation

— starting with support for the new ISSB and requiring assurance of sustainability disclosures.

Adopt an integrated mindset

— breaking down information silos within companies and promoting an interconnected approach to what companies report and have assured.

Be proactive on climate reporting

— complying with existing standard-setter requirements and best practices

Demonstrate sustainability-related skills and competencies

— ensuring professional accountants continue to expand the value-added services they are able to offer in the future

https://www.ifac.org/system/files/publications/files/IFAC-Time-for-Action-on-Sustainability.pdf

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Creating Value

Through and for stakeholders in the private and public sectors

Comparative Advantages

Integrated Pan African platform for engagement

Influential voice

Effective convener

Expert advisor

Knowledge gateway

Trusted intermediary

Effective PAOs – Sustainable, Relevant, Credible

- PAO development
- Accountancy learning & development
- *Future-fit:* Common Core Accountancy Competency Framework

Technical Excellence

- Dev., adopt, impl. of Int. stds – IAASB, IASB, IESBA, IPSASB, ISSB
- PAO technical support
- *Future-fit:* Sustainability reporting

Quality & Mobility

- Quality Accountancy Services
- *Future-fit:* Accountancy professionals and AfCFTA

Public sector transparency, accountability & good governance

People | Processes | Systems

TECHNICAL EXCELLENCE AT PAFA

<table>
<tr><th>Strategic Objectives</th><th>Strategic Actions</th><th>Mechanisms</th></tr>
<tr><td rowspan="3">Promoting the development, adoption and implementation of international standards</td><td>Contribute to the development of the international standards:
• Advocate for international SSB membership from Africa and engage with / support such members.
• Participate in international consultations on topics relevant to Africa.</td><td rowspan="2">• Multi-stakeholder Forum to Advance Technical Excellence in Africa
• Corporate Value Reporting Technical Advisory Group
• Ethics, Audit & Assurance Technical Advisory Group
• Public Value Management Technical Advisory Group
• Liaison relations with staff of the IAASB, IESBA and IFAC, as well as the Africa Forum of Independent Audit Regulators</td></tr>
<tr><td>Facilitate the adoption and implementation of the international standards:
• Create awareness of new and revised standards.
• Provide technical support to PAOs, including co-branded technical updates and deep dives on topics relevant to Africa.</td></tr>
<tr><td>Advance sustainability and integrated reporting in Africa, including:
• Influence the development of the global sustainability standards.
• Promote and support the adoption of the reform by regulators.
• Promote and support accountancy learning and development that includes integrated thinking, sustainability reporting and integrated reporting.</td><td>• Africa Integrated Reporting Council</td></tr>
</table>

Follow us

Thank you!

Alta Prinsloo, CEO

AltaP@pafa.org.za

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BUILDING A BRIDGE TO A BRIGHTER AFRICA

H.E. Dr Nkosazana Dlamini-Zuma

KEYNOTE ADDRESS

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THE ROLE OF THE ACCOUNTANCY PROFESSION IN SUSTAINABILITY

Mr. Kevin Dancey, CEO,
International Federation of Accountants (IFAC)

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The International Sustainability Standards Board - bridging the gap

Dr Ndidi Nnoli-Edozien, Member, International Sustainability Standards Board

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IFRS® Foundation

ISSB's proposed IFRS® Sustainability Disclosure Standards

Ndidi Nnoli-Edozien, ISSB Member

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Topics

- Background
- Organisational developments
- Technical developments
- Call to action and next steps

About the IFRS Foundation

Our organisation

- Not-for-profit, public interest organisation
- Three-tier governance model
    1. Monitoring Board (oversight)
    2. Trustees (governance & strategy)
    3. IASB + ISSB (standards)
- Extensive, inclusive due process

Our mission

Develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world

IFRS Accounting Standards

Required for use by more than 140 jurisdictions around the world

Current sustainability reporting landscape

Voluntary initiatives

- Incomplete application
- Multiple standards
- Multiple audiences

Jurisdictional initiatives (mandatory disclosure)

- Different jurisdictions different requirements
- Differences in scope, ambition and pace

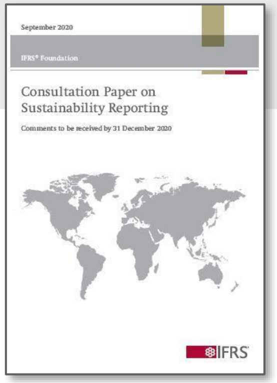
Consequences of multiple standards

Myriad requirements (alphabet soup)	Costly and complex reporting
Multiple, voluntary standards	Difficult to benchmark performance, limits transparency
Different requirements by different jurisdictions	Limited global consistency or comparability
Lack of capital market rigour (not mandated, not audited, lack of digital reporting)	Diminished confidence and trust in information

Demand-driven consultative process

What we asked

- Is there a demand for global sustainability standards?
- Should the IFRS Foundation play a role?
- Is the solution a sustainability-focused standard-setting board within the IFRS Foundation?



What we heard

- 750+ comment letters across stakeholder groups, geographies and economic settings
- Growing and urgent demand for global standards to improve consistency and comparability
- Broad support for Foundation to play a role
- Sustainability-related financial information, starting with climate

COP26 / ISSB announcement

1. **Establish** International Sustainability Standards Board (ISSB)
2. **Consolidate** Climate Disclosure Standards Board and Value Reporting Foundation (IIRC and SASB)
3. **Publish** general disclosure and climate prototypes **as a precursor** to ISSB proposals (exposure drafts)

IFRS

ISSB within IFRS Foundation Governance structure

Public accountability

Governance,
strategy & oversight

Independent
standard-setting
& related activity

International Accounting Standards Board (IASB)

IFRS Accounting Standards

IFRS Interpretations Committee

International Sustainability Standards Board (ISSB)

IFRS Sustainability Disclosure Standards

IFRS Advisory Council

(provides advice to Trustees, IASB & ISSB)

G7 endorsement of ISSB's work

> The G7 welcomes the inauguration of the International Sustainability Standards Board (ISSB) and its progress of work on the global baseline of sustainability reporting standards. We welcome the ISSB "path to global baseline" statement of 18 May 2022 and call on all relevant stakeholders to participate in the ongoing consultation on the proposed standards.
>
> G7 Communique, 20 May 2022

Organisational developments

IFRS

Significant progress since COP26

COP26 announcement	Developments since COP26	Current focus
1. Establish ISSB	• Appointments: ISSB quorate (ten members appointed) • Multi-location model: interim offices in place in Frankfurt and Montreal • Advisory groups: call for members of Sustainability Standards Advisory Forum	•Appointments: recruiting remaining four ISSB members •Multi-location model: finalise arrangements for Asia-Oceania presence •Advisory groups: appoint members
2. Consolidate or align with other initiatives	• CDSB consolidation completed (Jan 2022) • GRI cooperation agreement (MoU) • Jurisdictional working group set up • VRF consolidation complete (Aug 2022)	•Ongoing ISSB-GRI engagement •Ongoing Jurisdictional Working Group meetings
3. Publication of prototypes	• Published two proposed IFRS Sustainability Disclosure Standards • Outreach and consultation	•Reviewing stakeholder feedback

ISSB members appointed to date

Emmanuel Faber
Chair

Sue Lloyd
Vice-Chair

Richard Barker

Verity Chegar

Jeffrey Hales

Michael Jantzi

Bing Leng

Ndidi Nnoli-Edozien

Tae-Young Paik

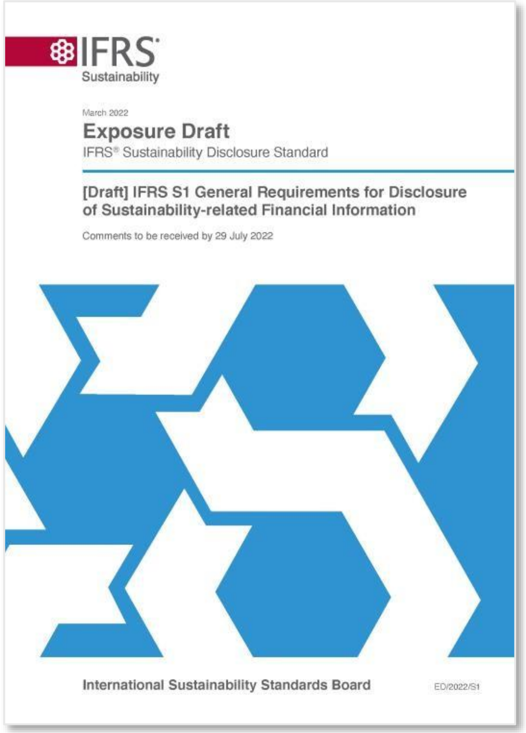
Elizabeth Seeger

ISSB advisory groups

Technical developments

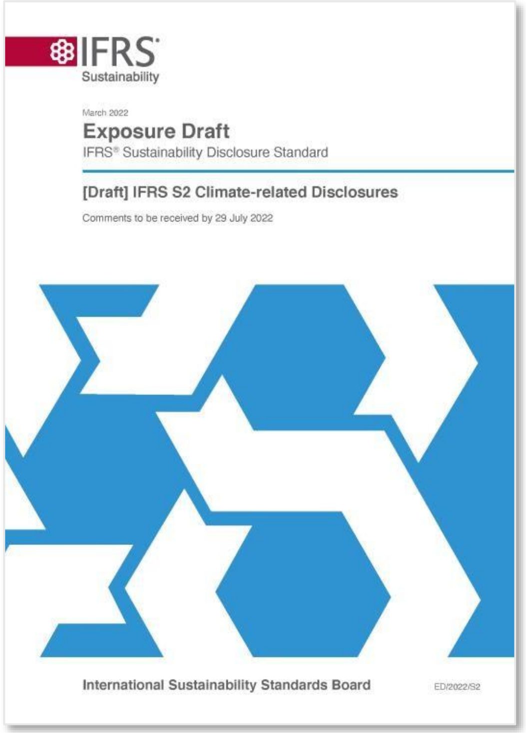
Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements
Exposure Draft

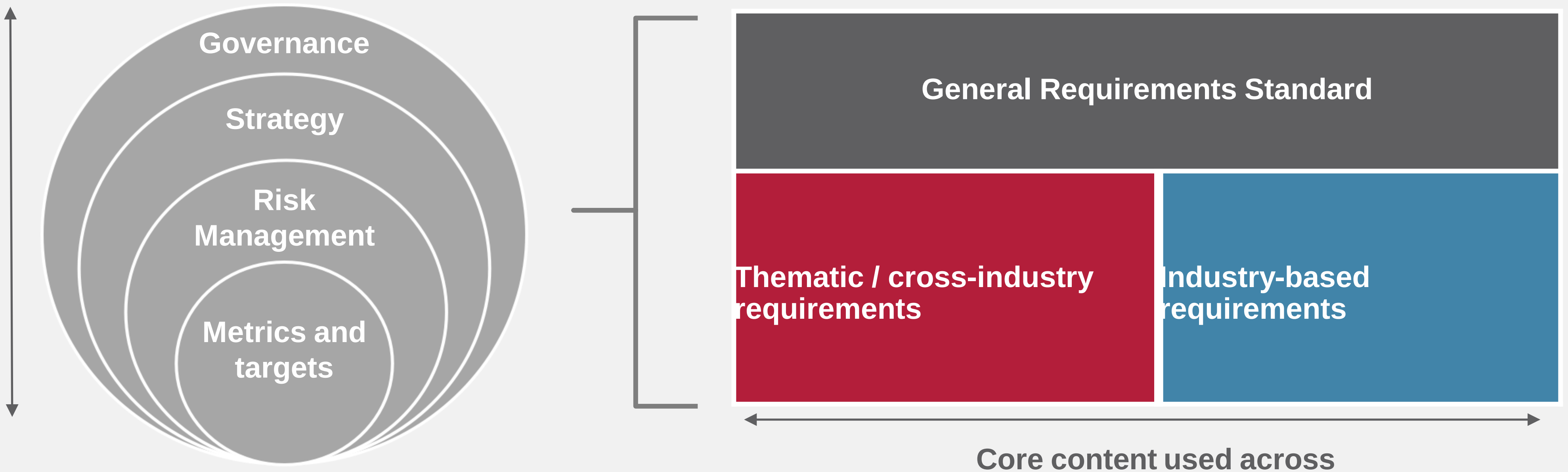
2



Climate
Exposure Draft

Standards architecture

Focus on investor audience and enterprise value



Common thread – four core elements
Taken from TCFD structure

Core content used across
IFRS Sustainability Disclosure Standards

Call to action and next steps

Participate in ISSB's meetings

September, Frankfurt

by 9 Sept
Meeting papers published

w/c 19 Sept
Meeting takes place

on/after 26 Sept
Meeting summary published

Meetings take place monthly and can be observed online at ifrs.org/news-and-events/calendar

Prepare to share views on upcoming consultation

Public consultation on future agenda, including

- sustainability-related risks and opportunities the ISSB should prioritise; and
- delivery plan for current SASB Standards projects.

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International Accounting Standards Board

International Sustainability Standards Board

AN INTEGRATED MINDSET AS A CATALYST FOR CHANGE

Mr. Stathis Gould, Director, IFAC

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Internal Audit Standards - enhancing sustainability reporting

Ms. Anne Mercer, Senior Director Professional Guidance, The Institute of Internal Auditors

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Internal Audit Standards:
Enhancing Sustainability Reporting

The Institute of
Internal Auditors

Anne Mercer , CIA, CFSA, CFE
Senior Director Professional Guidance

PAFA   August 2022

Agenda

- Internal Audit's Role in Sustainability Reporting
- Current International Professional Practices Framework (IPPF) Standards
- IPPF Standards for the Future

Internal Audit's Role In Sustainability Reporting

- **Independent, objective assurance and advice is critical to effective sustainability reporting.**
- **Effectively accomplished by Internal Audit through conformance with IPPF mandatory standards.**

Assurance

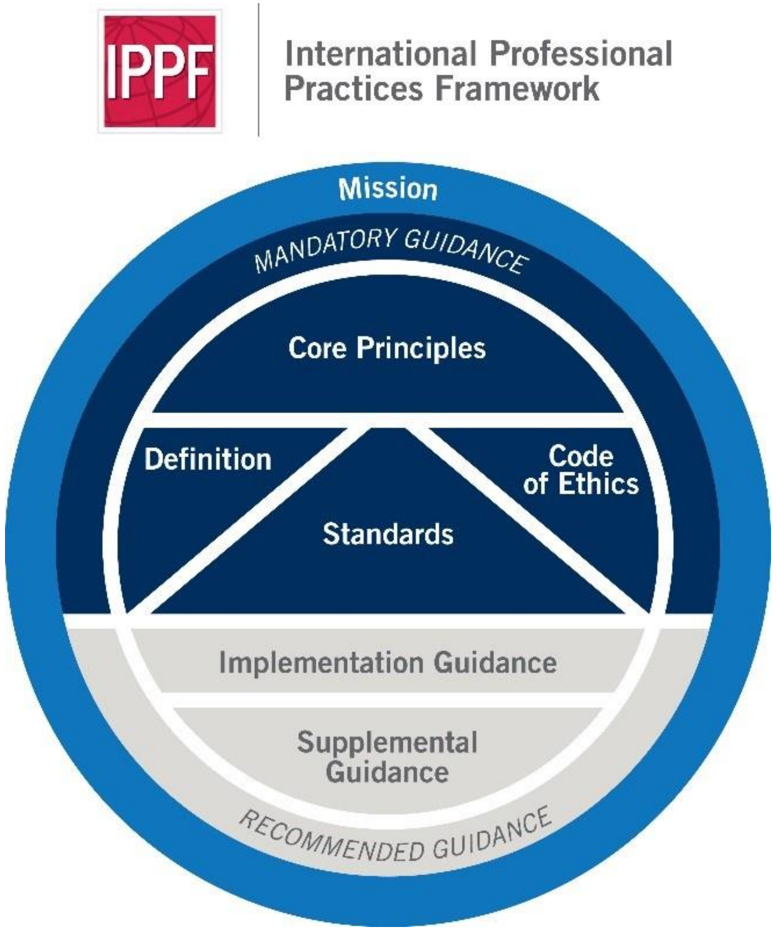
- Review sustainability reporting metrics for relevancy, accuracy, timeliness, and consistency.
- Review sustainability reporting for consistency with formal financial disclosure filings.
- Conduct materiality or risk assessments on sustainability reporting.
- Incorporate sustainability into audit plans.

Advisory

- Build a sustainability control environment.
- Recommend sustainability reporting metrics.
- Advice on sustainability governance.

The Current IPPF

IPPF Today



Components of the IPPF

- Mission
- Mandatory Guidance
  - Core Principles
  - Definition
  - Code of Ethics
  - *Standards*
- Recommended Guidance
  - Implementation Guidance
  - Supplemental Guidance

IPPF Standard 2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

2120.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organizations governance, operations, and information systems regarding the:

- Achievement of the organization’s strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

IPPF Standard 2130 - Control

The internal Audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organizations governance, operations, and information systems regarding the:

- Achievement of the organization’s strategic objectives.
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- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

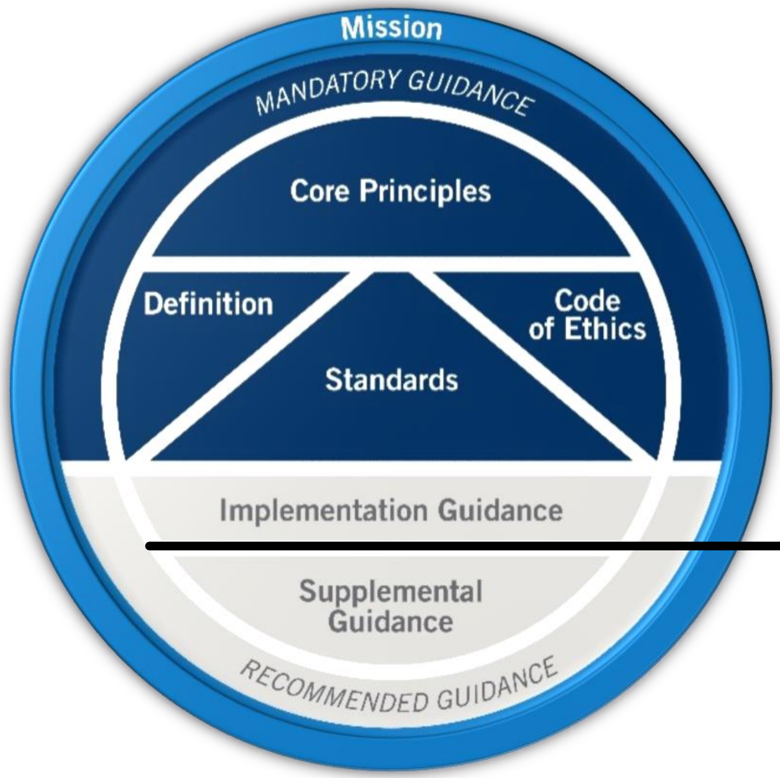
The Future: IPPF Evolution Project

Feedback received - IPPF is not meeting expectations

- Simplify the structure of the IPPF (too many subsections; not clear how they fit together).
- Clarify and align elements (duplication and inconsistencies).
- Standards do not include timely and/or emerging topical areas.
- Ensure practical and applicable (regardless of size, location, industry, maturity).
- Communicate and advocate (with internal audit, stakeholders, regulators, etc.).

Vision for the *Standards*

Current IPPF



The NEW IPPF

STANDARDS

MANDATORY

Principles

Standards

Application Standards

GUIDANCE

RECOMMENDED

NEW Standards Architecture

General Standards

- Purpose of Internal Auditing 01
- Ethics and Professionalism 02
- Governing the Internal Audit Function 03
- Managing the Internal Audit Function 04
- Performing Internal Audit Services 05

Application Standards

Audit Practice

- Strategic Planning for IA Function
- Developing Risk-based Audit Plan
- IA Governance (Reporting Lines under Various Governance Models)
- Three Lines Model in Risk Management
- Quality Assurance and Improvement Program
- Standards Conformance in Small IA Functions
- Using Data and Technology to Perform IA Services

Audit Subject

- Third Party Management
- Information technology
- Cybersecurity
- Sustainability
- Assessing Organizational Governance
- Fraud Risk Management
- Privacy Risk Management

Sector

- Public Sector: Performance Audits
- Public Sector: Unique Aspects of Internal Auditing in the Public Sector
- Public Sector: Dissemination of Engagement Results
- Financial Services: Regulatory Considerations

Draft List, subject to the approval of Standards Board

IPPF Evolution Project

1. Review Research
Done March 2021

2. IPPF New Structure
Done Dec 2021

3. Governance Due Process
Done Mar 2022

4. Content Development

Stakeholder Engagement

5. Public Exposure

6. Review Revision

7. Issuance

5. Public Exposure → 6. Review / Revision → 7. Issuance

- December 2022 - General Standards and Application Standards drafted
- Q4 2022 & Q1 2023 - Translation
- Q1-3 2023 - Exposure (internal auditors, affiliates, stakeholders)
  - **General Standards (90 days)**
  - **Application Standards (90 days)**
- Q3/Q4 2023 - New Standards released
- Q3/Q4 2024 - New Standards effective (early adoption encouraged)

thank you

PANEL DISCUSSION: UNDERSTANDING THE KEY DRIVERS AND IMPEDIMENTS TO ADOPTING SUSTAINABILITY RELATED STANDARDS AND FRAMEWORKS

Moderator: Mr. David Madon, Director, IFAC

Panellists:

- Ms. Shameela Soobramoney, CSO, JSE
- Mr. Sanjay Rughani, CEO, Standard Chartered Bank Uganda Limited
- Ms. Rukaiya El-Rufai, Partner, PWC

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QUESTIONS AND ANSWERS

Ms. Lebogang Senne,
Director, IFAC

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CLOSING REMARKS

Mr. Raymond Chamboko, Chairman, CVR_TAG – PAFA

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Lebogang Senne, Director: Technical Excellence

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