
**Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting
(ISAR)**

**39th SESSION
1 – 3 November 2022**

Wednesday, 2 November 2022

**Agenda item 3. Good practices in and approaches to the
practical implementation of sustainability reporting
requirements**

Presented by

Cliff Nyandoro
Head, Standards and Technical Services, Institute of Certified
Public Accountants, Kenya

*This material has been reproduced in the language and form as it was provided.
The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.*

ISAR 39TH session – Good practices in approaches to the practical implementation of sustainability reporting requirements

Introduction

- The Development Account Project has brought great benefits to the country, Kenya having been identified as a beneficiary
- Case Studies highlighted the applicability of the GCI Tool across sectors and industries
- Other UCTAD tools highlighted the gaps in corporate reporting in the country – ADT
- Assessment enabled the identification of the gaps and formulation of the objectives in the Action Plan for the country
- Implementation of the Action plan has commenced

Key insights

Objectives were identified along the three pillars;

- ❑ Legal and regulatory framework
- ❑ Regulatory infrastructure and institutional framework
- ❑ Human capacity development

The pillars are based on the approach advised by the ADT structure where the focus is on these important elements of the reporting infrastructure.

Key insights on corporate reporting

Positive trends

- An increasing number of entities report on ESG information with listed companies among the champions of non-financial reporting
- Regulators enforcing ESG and Integrated Reporting to enhance levels of corporate disclosure. CBK climate related risk disclosure guideline for the banking sector
- The NSE guideline on ESG reporting issues to the market in 2020
- FiRe Award recognition of the ESG component in the evaluations. Increased numbers submitting annual reports for assessment.
- **Unlisted companies** are increasingly producing **voluntary reporting**, especially in financial reporting.

Key insights on corporate reporting

Positive trends

- Recent Africa Financial Markets Index (AFMI) Survey 2022 places Kenya among top scorers in progress on adoption of ESG policies and frameworks
- The country is among African countries with sustainability focused policies – The AFMI report lists Kenya as one of the countries with a maximum score on sustainability measures, with climate risk incorporated in the financial stability frameworks.

Areas requiring improvement

- The absence of the standard reporting framework results in inconsistent ESG/SDG data and leads to the lack of corporate transparency.
- There is lack of awareness initiatives adopted to ensure progress in ESG/SDG reporting in Kenya
- The ESG/SDG reporting and adoption of sustainability practices should be strategic objective led by National Government given its significant impact on social, environmental and economic dimensions.

Areas requiring improvement

- Promotion of ESG component in education is required for universities as well as for continued professional development programs.
- Limited capacity in the public sector to monitor ESG/SDG reporting by companies.

Action plan implementation focus groups

Legal & regulatory framework

- The objective is to address constraints in the **legal and regulatory reporting** infrastructure in the country
- The SME Authority was formed to regulate the SME Sector. However, a fully functional regulatory framework for microenterprises reporting is missing.

Regulatory infrastructure & Institutional framework

- **Strengthened institutional coordination between relevant stakeholders** is critical to achieve the objectives of high-quality corporate and sustainability reporting.
- Harmonisation and coordination by PAO and other professional and academic organisations in SDG/sustainability reporting is key to ensure quality programmes are offered across all institutions.

Human capacity development

- This objective focuses on enhancing the human capacity and regulatory frameworks in educational requirements for corporate and sustainability reporting
- Aim is to ensure there is adequate programmes to address corporate and sustainability reporting. Academic programmes at universities and other tertiary institutions need to include sustainability/SDG reporting and need for strong collaboration with PAO

Action plan implementation focus groups

Legal & regulatory framework

- Data on sustainability, social responsibility and corporate governance is still lacking for SMEs.
- This is as a result of the absence of a local authority to **regulate corporate reporting** and coordinate efforts with different regulators.

Regulatory infrastructure & Institutional framework

- The objectives focuses on the following 4 areas:
 - **Regulatory infrastructure**
 - **PAO and other professional organisations**
 - **Government and national and international standard setters**
 - **Government bodies**

Human capacity development

- The objective focuses on the following 3 areas:
 - **Undergraduate Education**
 - **Postgraduate and professional education**
 - **Knowledge on SDGs and ESG alignment in the private sector**

Recommendations

- Need to engage government to ensure support for the action plan implementation
- Continued collaboration and cooperation with other key stakeholders
- Identification of critical resources to ensure implementation of the action plan in all its facets
- Supporting the SMEs and the public sector in the area of sustainability reporting
- Continuous review, monitoring and reporting on the critical milestones achieved.
- Flexibility in the implementation of the action plan due to the challenges that might arise along the way

Q & A