INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA

ADOPTION OF SUSTAINABILITY DISCLOSURE STANDARDS – UGANDA
PUBLIC CONSULTATION

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Plot 42 Bukoto Street, Kololo, P.O. Box 12464, Kampala, UGANDA
Tel: 041-4540125, 0393-262-333, 0393-265-590
standards@icpau.co.ug
www.icpau.co.ug

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ABOUT ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266. This has now been repealed and replaced by the Accountants Act, 2013.

The functions of the Institute as prescribed by the Act are to regulate and maintain the Standard of Accountancy in Uganda and to prescribe and regulate the conduct of accountants and practising accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

Vision

A globally recognised promoter of accountants for sustainable economies.

Mission

To develop and regulate accountants for professional excellence and sustainable impact.

Core Values

1) Professional Excellence
2) Accountability
3) Integrity
4) Responsiveness

International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC) and the Pan African Federation of Accountants (PAFA).

DISCLAIMER

This paper is prepared as a public consultation by the Council of the Institute of Certified Public Accountants of Uganda (ICPAU) as a step to gather feedback on the adoption of the International Sustainability Standards Board (ISSB) Standards, the IFRS Sustainability Standards.

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PROFESSIONAL STANDARDS COMMITTEE
PUBLIC CONSULTATION PAPER
NO. 1/2024

PROPOSED SUSTAINABILITY REPORTING FRAMEWORK

The Council of the Institute of Certified Public Accountants of Uganda (ICPAU) in conjunction with the Uganda Integrated Reporting Committee (UIRC), would like to invite your feedback on the issues as outlined in this Consultation Paper. The Council is charged with the promotion and maintenance of compliance with professional standards, legal and other regulatory requirements. As part of its mandate, the Council, through the UIRC was tasked with the assessment of the use and application of the standards issued by the International Sustainability Standards Board (ISSB), specifically *International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), and IFRS S2 Climate-related Disclosures (IFRS S2), collectively referred to as the ISSB Standards*.

This public consultation encompasses two components –

(a) This Consultation Paper provides background information and outlines the potential implementation approach and considerations in relation to the ISSB Standards; assurance of sustainability information; licensing of sustainability assurance providers as well as ethics considerations for sustainability assurance providers and

(b) Consultation Questions which can be accessed at https: www.icpau.co.ug.

The closing date to submit responses to the Consultation Questions is 31 July 2024 and responses will only be received when submitted via standards@icpau.co.ug. This Consultation Paper seeks for feedback on the use and application of IFRS S1 and IFRS S2, including the required transition reliefs, the approach in relation to a sustainability assurance framework, and the enablers or support required among others.

Kindly note that a foundational understanding of IFRS S1 and IFRS S2 is essential to providing an informed response.

Questions on this Consultation Paper or the Consultation Questions can be directed to the Secretariat at standards@icpau.co.ug.

1.0 Introduction

The International Sustainability Standards Board (ISSB), established by the IFRS Foundation (IFRS), issued a comprehensive global baseline of disclosure standards to facilitate consistent and comparable disclosures on risks and opportunities related to sustainability and climate, referred to as IFRS S1 and IFRS S2, respectively. The standards address longstanding reporting challenges, equipping companies and investors to better understand performance and comply with the ever-evolving regulations. We believe the standards will prove particularly valuable for businesses and investors operating in jurisdictions like Uganda.

The Council is charged with the promotion and maintenance of compliance with professional standards, and legal and other regulatory requirements. As part of its mandate, the Council is tasked with the assessment of the use and application of the standards issued by the International Sustainability Standards Board (ISSB), specifically International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), and IFRS S2 Climate-related Disclosures (IFRS S2), collectively referred to as the ISSB Standards.

The Council's responsibilities also include identifying other supporting elements that need to be in place including a framework for assurance and capacity building, collectively constituting the Uganda Sustainability Reporting Framework (USRF).

In undertaking its responsibilities, the Council has considered the existing domestic sustainability reporting requirements, frameworks, and guidance applicable in several local and international legislations to identify points of alignment to prevent fragmentation in the domestic reporting framework and to guide future efforts related to the sustainability reporting landscape.

In the Council's view, the policy rationale for USRF is to:

a) improve the availability of reliable, comparable, cost-effective, and decision-useful information on material sustainability risks and opportunities of organisations through the use of the ISSB Standards as the baseline standard;
b) promote full disclosure of information material to investors' decisions to ensure investor protection by enabling Investors to better assess the potential risks and rewards of their investments and, thus, protect their interests;
c) enable the use of other complementary reporting frameworks, for example, the Global Reporting Initiative (GRI), industry-based standards issued by the Sustainability Accounting Standards Board (SASB), to meet the information needs of different stakeholders;
d) improve domestic entities' access to foreign capital markets and encourage foreign direct investment including access to green financing; and

e) support availability and flow of sustainability information across the supply chain

Specific Matter for Comment: Policy Rationale

The decision to adopt or otherwise use ISSB Standards is a sovereign decision. Each jurisdiction is expected to make the choice based on its circumstances, starting point, and state of readiness, while considering the benefits of widespread adoption of the ISSB Standards. The policy rationale will thus vary from jurisdiction to jurisdiction. The Council has considered the above policy rationale for the adoption of the ISSB Standards.

Do you agree to the policy rationale stated in (a) – (e) above? If not what are your recommendations for consideration?

With the emergence of the ISSB standards and its ultimate succession of the works of the Climate Disclosure Standards Board (CDSB), the TCFD, the Value Reporting Foundation's Integrated Reporting Framework, and industry-based Sustainability Accounting Standards Board (SASB) Standards, as well as the World Economic Forum's Stakeholder Capitalism Metrics, the development of standards for a global baseline of sustainability disclosures is now in a commonly defined direction.

2.0 Purpose of the Paper

This Consultation Paper seeks to obtain feedback on the following to inform the USRF:

a) the use and application of IFRS S1 and IFRS S2, including the required transition reliefs;
b) the approach in relation to a sustainability assurance framework;
c) The ethical considerations for sustainability assurance providers; and
d) enablers and/or support required for (a) (b) and (c).

The IFRS Foundation and the ISSB have outlined mechanisms to support jurisdictions in implementing the ISSB Standards. In relation to recommending the use of the ISSB Standards, the IFRS Foundation and ISSB recommend that jurisdictions at least require all or most domestic publicly accountable entities (PiEs) to apply the standards.[1]

While the prime consideration is for the use of the standards by Public Interest Entities (PiEs), the Council strongly encourages participation from all companies including Small and Medium-sized Enterprises (SMEs) in this consultation process to ensure a comprehensive understanding of industry needs and challenges.

[1] The jurisdictional journey towards globally comparable information for capital markets; Inaugural Jurisdictional Guide for the adoption or othr use of ISSB Standards, [inaugural-jurisdictional-guide.pdf (ifrs.org)](inaugural-jurisdictional-guide.pdf)

A Public interest entity includes but is not limited to:

a) An entity whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or is in the process of issuing such instruments for trading in a public market; or
b) An entity that holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for;
    - Financial institutions[2] and micro-finance deposit-taking institutions;
    - An entity that carries on insurance business under an insurance contract whether as an Insurer or re-insurer;
    - Retirement Benefits Schemes;
    - SACCOs;[3] or
c) A large company;[4] or
d) A payment system Operator; or
e) A capital market infrastructure provider ((namely; approved and or licensed entity); or
f) A public organization, in which the State owns the whole or part of the proprietary interest or which is otherwise controlled directly or indirectly by the State, including parastatals, state enterprises, commissions, and authorities; or
g) A private entity in which the State has an equity interest; or
h) An entity, that borrows funds that are guaranteed by the Government of Uganda.

The term 'entity' has been used to refer to a corporation, estate, trust, association, limited liability company, joint venture, or similar organization duly registered and or incorporated or both under any law in force in Uganda.

3.0 ISSB Standards and the Sustainability Reporting Landscape

Multiple sustainability reporting frameworks can cause fragmentation and risk inconsistent disclosure, hindering the comparability and reliability of information.[5] To address the need and demand for comparable and reliable sustainability-related

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[2] Financial institution means a company licensed to carry on or conduct financial institutions business in Uganda and includes a commercial bank, merchant bank, mortgage bank, post office savings bank, credit institution, a building society, an acceptance house, a discount house or any institution classified as a financial institution by the Central Bank.

[3] A SACCO referred to in this definition is one that meets at least two of the following criteria:
(i) Voluntary savings of three billion (3,000,000,000) Uganda shillings and above; or
(ii) Institutional capital of one billion (1,000,000,000) Uganda shillings and above
(iii) Membership of 500 people and above

[4] A large company means an organisation limited by guarantee or shares other than an entity already covered under (a), (b), (d) or (e) AND which on its balance sheet date exceeds the limits of two of the following criteria:
(i) balance sheet total –one hundred billion (100,000,000,000) Uganda Shillings;
(ii) turnover –fifty billion (50,000,000,000) Uganda Shillings;
(iii) average number of 500 employees during the accounting period.

[5] Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, World Economic Forum, https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

information, the ISSB was formed and the ISSB Standards were developed and issued to provide a global baseline standard and common language for sustainability disclosures.

In November 2023, the IFRS Foundation released the Adoption Strategy to assist jurisdictions in implementing the ISSB Standards. The strategy suggests that ideally, jurisdictions should adopt both IFRS S1 and IFRS S2 simultaneously. However, countries emphasizing climate action can begin with IFRS S2 while incorporating the climate-related elements of IFRS S1. Recognising the urgency of climate change, many countries are adopting a "climate-first" (IFRS S2) approach.[6]

Globally, jurisdictions have taken several approaches to the adoption of the ISSB standards. Some have;

- committed to adopt or other use of ISSB Standards,
- partially incorporated ISSB Standards,
- permitted the use of ISSB Standards,
- adopted ISSB Standards with extended transition,
- adopted ISSB Standards with limited transition,
- adopted climate requirements in ISSB Standards and
- fully adopted ISSB Standards.[7]

Some countries such as Hong Kong, the Philippines, Singapore, and Taiwan have progressed to the post-consultation stages of their IFRS S1 and/or IFRS S2 implementation approach. In Africa, Nigeria, Kenya, and Rwanda have announced their intention to adopt these standards.

4.0 Drivers of alignment with international reporting standards

Facilitation of FDI and sustainable capital investment - Uganda is one of the countries attracting the most FDI in East Africa. According to UNCTAD'S World Investment Report 2023, FDI increased by 39% to USD 1.5 billion in 2022 due to large projects in extractive industries. The government has consistently pursued FDIs by implementing policies and incentives to attract foreign investors. Green financing mechanisms have become a common financing modal. Uganda developed *the Uganda Green Growth Development Strategy 2017/18 - 2030/31*, renewing its commitment to sustainable development principles. The government is taking steps to ensure that this transformation is cognizant of green growth tenets stipulated by all the Sustainable Development Goals (SDGs), the 2015 Paris Agreement on Climate Change, and the 2063 Agenda of the African Union. The Uganda Green Growth Development Strategy and its implementation roadmap identified finance as an

[6] SB Adoption Strategy, IFRS, https://www.ifrs.org/content/dam/ifrs/meetings/2023/november/ac/ap5-issb-adoption-strategy.pdf

[7] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/inaugural-jurisdictional-guide.pdf

enabling factor to drive the transition to a green economy. The existence of robust and reliable climate-related information thereby becoming more than necessary.

Enhancing the comparability and reliability of sustainability information and preventing greenwashing: Aligning with the IFRS Sustainability Disclosure Standards can provide investors with a comprehensive set of financial reporting (including the financial statements and sustainability information), facilitating investors' useful decision-making, prevent greenwashing, and enhancing investor protection.

Accelerating corporate sustainability transition and commitment: Uganda has declared its net zero target by 2065. As IFRS S2 requires companies to disclose climate transition plans, scenario analyses, and GHG emissions, the disclosure of reliable information and the momentum of capital market funds will encourage companies to proactively set transition targets and carry out their transition plans, continuing to move towards Uganda's net-zero goal.

Support to the national targets and aspirations under the National Development Plan: Also, the availability of reliable sustainability information and a structured approach to the management of sustainability-related and climate-related risks and opportunities will support the national targets and aspirations outlined in the Third National Development Plan, climate adaptation and preparedness are essential to ensure the resilience of the population and the economy to extreme weather events.[8] The Country also increased its ambition to reduce greenhouse gas (GHG) emissions from 22% to 24.7% in the new climate change plan also known as the Nationally Determined Contribution (NDC). Achieving these goals requires robust and reliable climate-related information.

5.0 Overview of sustainability reporting requirements in Uganda

While Uganda has a wide spectrum of laws and regulations containing provisions addressing environmental, social, and governance (ESG) issues – *See Appendix I*, the Companies Act, 2012, gives guidance on who is expected to comply with the ESG requirements. Currently, the sustainability reporting requirements in Uganda apply to a public company[9] - through the adoption of **TABLE F** at the time of registration of its articles. Table F under Article 15 specifically provides for sustainability reporting. Adoption of Table F is optional for a private company.[10]

[8] IMF Country Report No. 22/78 - 1UGAEA2022002.pdf
[9] S.6 of the Companies Act, 2012. A company which is not a private company under section 5 is a public company
[10] S.5 of the Companies Act, 2012 "private company" means a company which by its articles— (a) restricts the right to transfer its shares and other securities; (b) limits the number of its members to one hundred, not including persons who are employed by the company and persons who, have been formerly employed by the company; and 20 Act 1 Companies Act 2012 (c) prohibits any invitation to the public to subscribe for any shares or debentures of the company.

On June 4, 2024, the Bank of Uganda (BoU) launched the Sustainability Standards and Certification Initiative (SSCI), which aims to promote sustainable and responsible practices in the banking sector.

6.0 Details of the Proposed Uganda Sustainability Reporting Framework

6.1 IFRS S1 and IFRS S2 Adoption Approach

The ISSB standards are not entirely new. They integrate certain existing standards, such as those of the Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD), and Climate Disclosure Standards Board (CDSB), among others, and are designed for interoperability with existing standards, such as the Global Reporting Initiative (GRI) standards. Presently, some PiEs in Uganda have been providing sustainability-related information using such frameworks like the GRI, CDSB, and SASB among others. Such entities shall be expected to enhance their frameworks to match the baseline guidance provided under the ISSB standards. For example, companies with TCFD-aligned climate disclosures have a reasonable foundation to begin adopting IFRS S2, as the recommendations of the TCFD are embedded within the standard.

While the TCFD recommendations are embedded within IFRS S2, the IFRS S2 requires greater resources and preparation to be able to meet these additional disclosures, such as providing industry-specific disclosures, information on the intended use of carbon credits, and details on financed emissions. The Council recognises that PiEs may require time to meet these substantial and additional requirements, hence transition reliefs will be necessary.

ICPAU will continue to work with other industry players, regulators, development partners, and other stakeholders to ensure full preparation towards compliance of the ISSB standards. The Institute has established the Uganda Integrated Reporting Committee that will work with the Council to enhance the capacity of preparers and users of financial reports in interpreting and relaying sustainability and climate change-related disclosures. To that effect, the Institute seeks to adopt the use of ISSB Standards in preparing General-purpose financial reports[11] for accounting periods as prescribed under 6.2, though early adoption was encouraged. The adoption shall be communicated by the Council of the Institute through a pronouncement in mass media of wide circulation.

Consequently, new or amended ISSB Standards and interpretations shall become applicable as and when they are issued by the ISSB Board, other than in

[11] IFRS S1 defines general purpose financial reports as 'reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about: (a) buying, selling or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources. General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures.

circumstances where jurisdictional modifications may be considered relevant. In such circumstances, new or amended ISSB Standards and interpretations shall become applicable as shall be guided by the Council of the Institute.

6.2 The IFRS Sustainability Disclosure Standards Roadmap - potential Scope and Timeline for IFRS S1 and IFRS S2 Adoption

Building on the existing sustainability reporting requirements and considering the capacities and capabilities of Ugandan companies, the Council considers that the country develop a phase-in approach to adopt the ISSB Standards starting from fiscal year 2027. From 2028 onwards, the Council will continue assessing and endorsing each upcoming standard issued by ISSB based on the development of the IFRS Sustainability Standards. The potential approach for the adoption of IFRS S1 and IFRS S2 is as follows;

Phase I - PiEs will be required to compile information for the accounting period beginning on or after 1 January 2026 and report in 2027 in accordance with the ISSB Standards voluntarily;

Phase II – Mandatory adoption by PiEs for the accounting period beginning on or after 1 January 2028.

Phase III- The other entities (other than PiEs) will be encouraged to compile information for the accounting period beginning on or after 1 January 2028 and report 2029 in accordance with the ISSB Standards voluntarily; and

Phase IV - for the public sector a review be conducted when the sustainability reporting standards for public sector entities currently being developed by the International Public Sector Accounting Standards Board (IPSASB) become available.

Specific Matter for Comment: The Adoption Roadmap (Reporting) - PiEs

According to the proposed timelines for reporting sustainability-related financial information in phases (i.e. Phases I to IV);

(a) Should the reporting requirements for PiEs require disclosures aligned with IFRS S2 instead in the first year of implementation? Please state the reasons for your views.

(b) For PiEs, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2027 voluntarily? If not, when? Please state the reasons for your views.

(c) For PiEs, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2028 on a mandatory basis? If not, when? Please state the reasons for your views.

(d) For PiEs, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2028 on a mandatory basis, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2029? If not, when? Please state the reasons for your views

Specific Matter for Comment: The Adoption Roadmap (Reporting) - **Other entities (other than PiEs)**

According to the proposed timelines for reporting sustainability-related financial information in phases (i.e. Phases I to IV);

(a) Should the reporting requirements for other entities (other than PiEs) require disclosures aligned with IFRS S2 instead in the first year of implementation? Please state the reasons for your views.

(b) For entities (other than PiEs), should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2029 voluntarily? If not, when? Please state the reasons for your views.

(c) For other entities (other than PiEs), assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2029 voluntarily, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2030? If not, when? Please state the reasons for your views.

(d) Other than other entities (other than PiEs), what other categories of entities should be considered with clarity in the adoption of IFRS S1 and IFRS S2?

Specific Matter for Comment: The Adoption Roadmap (Reporting) – **Public Sector Entities.**

According to the proposed timelines for reporting sustainability-related financial information in phases (i.e. Phases I to IV); Should the sustainability reporting requirements for the public sector await for conclusion of the sustainability reporting standards for public sector entities currently being developed by the International Public Sector Accounting Standards Board?

6.3 Support and Reliefs for Preparers

The ISSB has provided some reliefs that will assist and support both preparers and regulators with the implementation of the standards. The proportionality and scalability mechanisms are permanent and allow "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort" and allow companies to consider their "skills, capabilities and resources" for specified disclosure requirements such as climate-related scenario analysis and anticipated financial effects.

The following reliefs are available for reporting entities to apply.

(a) Proportionality and scalability mechanisms in IFRS S1 and IFRS S2. Concepts such as 'reasonable and supportable information that is available at the reporting date without undue cost or effort' and 'the skills, capabilities, and resources available to the entity' were introduced in the determination of anticipated financial effects, Climate-related scenario analysis, Measurement of Scope 3 GHG emissions, identification of risks and opportunities, determination of the scope of the value chain and calculation of metrics in some cross-industry categories.

(b) Introducing transitional reliefs from some disclosure requirements when in IFRS S1 and IFRS S2 standards are first applied. The transition reliefs include;

- Climate-first reporting— entities are allowed to disclose information on only climate-related risks and opportunities in the first annual reporting period in which that entity applies IFRS S1 (IFRS S1:E5).
- Scope 3 GHG emissions—provides a transition relief in the first annual reporting period not to disclose Scope 3 GHG emissions is provided ((IFRS S2:C4(b)). Further guidance will be issued by ICPAU on scope 3 GHG emissions.
- Timing of reporting— in the first annual reporting period, IFRS S1 permits entities to report their annual sustainability-related financial disclosures after they publish their related financial statements, along with their half-year financial reports (IFRS S1:E4).
- comparative reporting—if an entity decides to apply the relief to disclose information on only climate-related risks and opportunities in the first annual reporting period, then it does not need to provide comparative information about its sustainability-related risks and opportunities apart from climate in its second year (IFRS S1:E6 & E3).
- GHG Protocol—IFRS S2 allows an entity already using a different measurement method to continue to use that method in the first year it applies IFRS S2 (IFRS S2:C4(a)). Reporting entities in Uganda shall be expected to continue to use the different measurement methods beyond the first year if there is evidence that it aligns significantly with the GHG Protocol.

Acknowledging the potential challenges companies may encounter in adopting these standards, the Council is seeking feedback on adopting the transition reliefs provided by the ISSB and providing additional reliefs, beyond those already provided by the ISSB. The additional reliefs would provide extended support for preparers to integrate the required reporting processes and adhere to requirements under the IFRS S1 and IFRS S2.

The table below demonstrates a summary of the implementation approach inclusive of possible additional reliefs alongside the standards in built reliefs above.

PiE Segment	FYE 31 December 2027	FYE 31 December 2028	FYE 31 December 2029	FYE 31 December 2030
IFRS S2 Adoption	IFRS S2 with reliefs (voluntary)	IFRS S2 with reliefs (mandatory)		
IFRS S2 Reliefs	▪ Focus on climate-related financial disclosures specifically on principal business segments ▪ Option to not disclose impacts of climate-related risks and opportunities on the company's strategy and decision-making ▪ Option to not disclose Scope 3 greenhouse gas emissions.			
IFRS S1 Adoption	IFRS S1 on climate-related disclosures only		IFRS S1 with reliefs	
IFRS S1 Reliefs			▪ Focus on sustainability-related financial disclosures specifically on principal business segments ▪ Option to not disclose impacts of sustainability-related risks and opportunities on the company's strategy and decision-making	
Full Adoption				IFRS S1 and IFRS S2 full adoption

Other entities other than PiEs	FYE 31 December 2029	FYE 31 December 2030	FYE 31 December 2031
IFRS S2 Adoption	IFRS S2 with reliefs (voluntary)		
IFRS S2 Reliefs	▪ Focus on climate-related financial disclosures specifically on principal business segments ▪ Option to not disclose impacts of climate-related risks and opportunities on the company's strategy and decision-making ▪ Option to not disclose Scope 3 greenhouse gas emissions.		
IFRS S1 Adoption	IFRS S1 on climate-related disclosures only	IFRS S1 with reliefs	
IFRS S1 Reliefs		▪ Focus on sustainability-related financial disclosures specifically on principal business segments ▪ Option to not disclose impacts of sustainability-related risks and opportunities on the company's strategy and decision-making	
Full Adoption			IFRS S1 and IFRS S2 full adoption

Specific Matter for Comment: Transitional Reliefs above –
According to IFRS S1 and IFRS S2, ICPAU recommends the above transitional reliefs for some disclosure requirements for first-time Adopters of the standards.

a) Should the built-in reliefs be applied upon implementation of the ISSB Standards on PiEs?
b) Is the proportionality and scalability mechanism for the disclosures sufficient? Please state the reasons for your views.
c) Should additional reliefs as listed below be applied in addition to those already identified by the ISSB:
- Focus on sustainability-related financial disclosures specifically on principal business segments. If yes, how long should the relief be provided?
- Option to not disclose the impacts of sustainability-related and climate-related risks and opportunities on the company's strategy and decision-making? If yes, how long should the relief be provided?
- Option to not disclose Scope 3 greenhouse gas emissions? If yes, how long should the relief be provided?

d) Are there any additional reliefs that should be considered to facilitate the adoption of IFRS S1 and IFRS S2? Please state your suggestions and reasons for your suggestions.
e) As IFRS requires the use of GHG Protocol unless a different method is mandated by a regulatory entity, is your organization ready to use or already using the GHG Protocol to calculate its GHG emissions?
f) If your organization is not using the GHG Protocol, what other standard(s) or methodology is being used? Can the organization transition to the GHG protocol? If yes, by when? If the organization is not able to transition to using the GHG protocol, please explain why.

6.4 Disclosing Sustainability Information

6.4.1 Location of disclosures –

The ISSB Standards encourage disclosures to be included

a) in general financial reports, including, for example, annual reports of an entity as part of a management report', 'management's discussion and analysis', 'operating and financial review', 'integrated report' or 'strategic report' or
b) in the same location as information disclosed to meet other requirements, such as information required by regulators say in quarterly reports or
c) by cross-reference to another report published by the entity which could be another regulatory required report or standalone voluntary report containing the disclosures.

To align with existing reporting practices, reporting entities in Uganda will be required to provide disclosures required by ISSB Standards as part of their general-purpose financial reports and this should be presented after the directors' report pending further directives and or guidance from the ICPAU.

Specific Matter for Comment: Location of Disclosures –

Should the option to decide the location of the disclosures required by IFRS Sustainability Disclosure Standards be left to the organisations? If Yes why, If No justify your response with a specific alternative of choice.

6.4.2 Timing of reporting –

Reporting timing of sustainability-related financial disclosures under the new standards is the same as applies to the related financial statements covering the same reporting period. The timing of sustainability-related disclosures should be consistent with the timing of financial statements. Entities are required to report their sustainability-related financial disclosures at the same time as their related financial statements and it shall cover the same reporting period as the related financial statements subject to the exemption provided for the first year of reporting.

Specific Matter for Comment: Timing of Reporting

Should a company report its sustainability-related financial disclosures at the same time as its related financial statements covering the same reporting period as the related financial statements? If Yes, why, If No justify your response with a specific alternative of choice.

6.4.3 Comparative Information

An entity is required to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period. An entity shall not comply with this requirement where another ISSB Standard permits or requires otherwise or the entity decides to apply the relief available for comparative reporting for the first year.

Specific Matter for Comment: Comparative Information
Any Comment?

6.4.4 Statement of Compliance

In line with existing requirements in financial statements, 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 ISSB Standards unless they comply with all the requirements of ISSB Standards.

In addition to the above, the content of the statement of directors' responsibilities (as required by the Companies Act, 2012) may have to be expanded to include responsibilities for sustainability-related financial information and the Chief Sustainability officer (CSO) or other persons performing such functions will be required to certify the statement(s) including their ICPAU details if any. (A separate statement of directors' responsibility for sustainability information may also be required).

Specific Matter for Comment: Statement of compliance Any Comment?

6.4.5 Indexing or Referencing

Entities will be required to include an index or reference table within their annual report that displays sustainability-related financial information and the corresponding disclosure section and page number to enhance users' ability to navigate information.

Specific Matter for Comment: Indexing or Referencing Any Comment?

6.4.6 Publishing Requirement - All PiEs would be subject to the requirement of making their sustainability-related financial disclosures public. The ICPAU will publish further guidance as may be required in the reporting of sustainability-related financial information.

Specific Matter for Comment: Publishing Requirement Any Comment?

6.5 Assurance Approach

The importance of assuring sustainability-related financial disclosures cannot be overemphasized. Investors consider sustainability disclosures to make investment decisions. With sustainable practices influencing capital allocation, companies are incentivized to publish meaningful and impactful sustainability information. However, this trend also brings the risks of greenwashing,[12] leading to growing skepticism about the reliability of such information. In response to these challenges, external assurance plays a crucial role in addressing the reporting trust deficit, thereby maintaining confidence in capital markets.

Recognizing that the ecosystem for external assurance in Uganda is still evolving, the Council is seeking input to evaluate the practicality of shifting from the existing voluntary approach to mandatory external assurance. This shift aligns with the

[12] Greenwashing refers to the practice of conveying a false or misleading impression or perception about the environmental friendliness or sustainability efforts of a product, service, company, or practice. It involves presenting information, marketing, or branding in a way that exaggerates or misrepresents the actual environmental impact of a product or organisation.

objective of providing users of the information with the same level of trust and confidence as the audited financial statements.

Key considerations for external assurance include:

(a) Scope of assurance: this pertains to identifying the specific information requiring validation and confirmation. The selection of information for assurance is often derived from a company's materiality assessment, highlighting areas important to stakeholders. Conversely, the adoption of a standardized scope of assurance (e.g., greenhouse gas emissions) may enhance comparability and provide confidence to government and policymakers in tracking progress towards national commitments.

(b) Standard of assurance: refers to the benchmark or set criteria against which the information is verified and assured. This involves selecting internationally recognised standards or frameworks to ensure a robust and consistent approach to the assurance process. For example, this may include the forthcoming International Standard on Sustainability Assurance (ISSA) 5000.

(c) Type of assurance: encompasses the classification of assurance, distinguishing between limited and reasonable assurance methods applied to the information. The level of assurance impacts the level of review and scrutiny applied during the assurance process. Limited assurance is where the nature and extent of the assurance activities have been designed to provide a reduced level of assurance on historical data and information. Whereas reasonable assurance is where the nature and extent of the assurance activities have been designed to provide a high but not absolute level of assurance on historical data and information. Given the challenges for companies in assuring their sustainability data, a common method in undertaking assurance is by way of limited assurance, leaving reasonable assurance as a voluntary pursuit. This allows for the gradual enhancement of reporting systems, with the possibility of pursuing reasonable assurance after a certain period.

(d) Assurance provider: identifies the entity or professional organisation responsible for delivering the assurance services. An accredited assurance provider is recognised by a regulatory body and typically meets specific professional or ethical standards required for conducting assurance.

(e) Ethical considerations for assurance providers: This relates to the ethical principles *aimed to foster greater trust in all publicly communicated sustainability information through the application of a consistent ethical approach like t*he International Ethics Standards Board for Accountants (IESBA) issued the Exposure Draft on *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA).

The assurance roadmap herein below is designed in such a way that we progress from limited to reasonable assurance and from requiring assurance on some parts of the standard to requiring full assurance on all the standards. Entities that already obtain some form of assurance on their sustainability disclosures are encouraged to continue and ensure they do not deviate from the provisions of the assurance roadmap.

SN	Category	2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
	PiEs (Voluntary)	Limited assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans).	Reasonable assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans). Limited assurance of scope 3 emissions, scenario analysis and transition plans.		Reasonable assurance of all disclosures (full quantitative assurance).	
	PiEs (Mandatory)		Reasonable assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans). Limited assurance of scope 3 emissions, scenario analysis and transition plans.		Reasonable assurance all disclosures (full quantitative assurance).	
	Other entities (other than PiEs)			Limited assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans).	Reasonable assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans). Limited assurance of scope 3 emissions, scenario analysis and transition plans.	Reasonable assurance all disclosures (full quantitative assurance).
	Public Sector	The Assurance Roadmap to be considered together with the reporting roadmap				

Specific Matter for Comment 4: The Adoption Roadmap (Assurance Approach)

a) Has your company's sustainability statement been subjected to external assurance?
b) In your view, should external limited assurance be mandated? If yes, should greenhouse gas emissions be prioritized? Please state the reasons for your views
c) Assuming IFRS S2 comes into effect for climate disclosures in annual reports, should external limited assurance for Scope 1 and 2 greenhouse gas emissions be mandated 2 years after? If not, when? Please state the reasons for your views
d) In your view, when should external limited assurance be mandated for Scope 3 greenhouse gas emissions?
e) In your view, when should external reasonable assurance be mandated for Scope 1, Scope 2, and Scope 3 greenhouse gas emissions?
f) In your view, should external assurance be made mandatory for all other common sustainability matters? (e.g. diversity, energy management, health and safety, labour practices and standards, etc). Please state the reasons for your views.
g) In your view, should external assurance be made mandatory for sustainability matters that are of high priority as identified by the company? Please state the reasons for your views.

6.6 Assurance Standard

The standardisation of assurance standards is key to ensuring consistency and efficiency in the assurance process while promoting best practices. Currently, in Uganda practitioners refer to assurance standards such as the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance engagements other than audits or reviews of historical financial information among others for review of sustainability information.

The proposed International Standard on Sustainability Assurance (ISSA) 5000, G*eneral Requirements for Sustainability Assurance Engagements,* being developed by the International Auditing and Assurance Standards Board (IAASB), will serve as a comprehensive, standalone standard suitable for any sustainability assurance engagements. It will apply to sustainability information reported across any sustainability topic and prepared under multiple frameworks, including the IFRS Sustainability Disclosure Standards S1 and S2. In Uganda Sustainability Assurance will be based on ISSA 5000 to address both limited and reasonable assurance. The standard is expected to become available before the end of 2024.

Specific Matter for Comment 4: The Assurance Standard

a) In your view, should ISSA 5000 be used as the overarching standard for all external assurance engagement on sustainability information, except when a separate conclusion on the greenhouse gas statement is provided? Please state the reasons for your views.

b) Assuming external assurance for greenhouse gas emissions is made mandatory, which standards should be used to provide a conclusion on greenhouse gas emissions? Please state the reasons for your views

c) In your view, should assurance providers (engagement partners and assurance firms) be licensed – similar to that imposed on the financial assurance service providers? Please state the reasons for your view.

d) In your view, what are some enablers and forms of support needed to comply with mandatory external limited assurance?

6.7 Licensing of Sustainability Assurance Providers

Assurance is expected to be carried out by a qualified and experienced independent provider. Providers of assurance for sustainability-related disclosures would be required to be independent of the entity being audited. The assurance providers will be expected to possess requisite professional qualifications and knowledge of assurance processes as may be required by the ICPAU. Due to the technical and sophisticated nature of the assurance required, it will not be unusual to find professionals who may not possess the skills or technical expertise to assure certain elements of sustainability-related information. In this case, arrangements for delegation to third-party assurance providers will be permitted. All professionals involved in assuring sustainability-related financial disclosures will be required to be registered with the ICPAU.

Specific Matter for Comment 4: Licensing of Sustainability Providers
In your view, should assurance providers (engagement partners and assurance firms) be licensed – similar to that imposed on the financial assurance service providers? Please state the reasons for your view.

6.8 Ethical Requirements for Sustainability Assurance Providers

The International Ethics Standards Board for Accountants (IESBA) issued the Exposure Draft on *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) and ethics standards for sustainability reporting which proposes a clear framework of expected behaviors and ethics provisions for use by all sustainability assurance practitioners regardless of their professional backgrounds, as well as professional accountants involved in sustainability reporting. *The Proposed standards aim to foster greater trust in all publicly communicated sustainability information through the application of a consistent ethical approach. ICPAU will guide on the application of the Ethics Standards for Sustainability Assurance once the work is concluded by the IESBA.*

Specific Matter for Comment 4: Ethics Requirements for Sustainability Providers

In your view, should assurance providers (engagement partners and assurance firms) be obligated to abide by ethical considerations to be developed and concluded by the IESBA? Please state the reasons for your view.

APPENDIX I: LAWS AND REGULATIONS ON SUSTAINABILITY - UGANDA

SN	Law, Regulation or Guidelines	Comment
	The United Nations Framework Convention on Climate Change (UNFCCC)	The ultimate objective of this International Convention is to achieve, the stabilization of greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.[13] The state parties to the convention acknowledge within he preamable that change in the earth's climate and its adverse effects are a "common concern of humankind,"[14] thus making the atmosphere a "common concern of humankind", to which all states have an interest and duty to protect it from serious harm. The Ugandan government signed and ratified the UNFCCC in 1992 and 1993 respectively.
	Kyoto Protocol to the United Nations Framework Convention on Climate Change	This protocol[15] sets binding numerical targets for the limitation and reduction of greenhouse gas emissions.[16] Parties included in Annex I, in achieving their quantified emission limitation and reduction commitments under Article 3, in order to promote sustainable development, are required to implement elaborate policies and measures in accordance with their national circumstances, such as enhancement of energy efficiency in relevant sectors of the national economy; protection and enhancement of sinks and reservoirs of greenhouse gases, promotion of sustainable forest management practices, afforestation and reforestation; research on, and promotion, development and increased use of, new and renewable forms of energy, of carbon dioxide sequestration technologies and of advanced and innovative environmentally sound technologies. Uganda although not part of the Annex I countries, it has nevertheless undertaken a number of projects which have the effect of mitigating the problem of climate change
	The Vienna Convention for the Protection of the Ozone Layer (1985	This Convention's objectives include the protection of human health and the environment against adverse effects resulting or likely to result from human activities which modify or are likely to modify the ozone layer (among

[13] Art 2 of the UNFCCC
[14] ibid art 1 Adverse effects of climate change means changes in the physical environment or biota resulting from climate change which have significant deleterious effects on the composition, resilience or productivity of natural and managed ecosystems or on the operation of socio-economic systems or on human health and welfare.
[15] Uganda ratified the Protocol in 2002.
[16] Kyoto Protocol - art 3 read together with Annex A.

		others). The convention requires parties to take appropriate measures in accordance with its provisions among others.
	National Adaptation Programmes of Action (NAPA)	The NAPA is regarded as the first national 'policy' that was fully dedicated to climate change adaptation.[17] The NAPA prioritized nine adaptation projects including: community tree growing; land degradation management; strengthening meteorological services; indigenous knowledge and natural resources management; and climate change and development planning among others. Although implementation of these projects has been criticized by some to be deficient,[18] the NAPA process stimulated the nation to plan for adaptation.
	National climate change policy (NCCP)	The goal of the NCCP is to ensure a harmonised and coordinated approach towards a climate-resilient and low-carbon development path for sustainable development in Uganda. The overarching objective of the policy is to ensure that all stakeholders address climate change impacts and their causes through appropriate measures while promoting sustainable development and a green economy.
	The National Environmental Action Plan (NEAP) and the National Environment Management Policy[19] (NEMP)	The National Environment Action Plan (NEAP) provided a framework for addressing gaps in environment management as well as a strategy for integrating environment into the national socio-economic development.[20] One of the outcomes of the NEAP was the formulation of the National Environment Management Policy (NEMP) of 1994. The overall Goal of the NEMP is sustainable social and economic development which maintains or enhances environmental quality and resource productivity on a long term-basis that meets the needs of the present generations to meet their own needs.
	National Oil and Gas Policy (NOGP)	NOGP enshrines 'Protection of the Environment and Conservation of Biodiversity' as one of its guiding principles. To operationalise this, the NOGP mentions, first, putting in place the right 'institutional and regulatory framework to address environment and biodiversity issues relevant to oil and gas activities' and, second, ensuring there is 'the necessary capacity and facilities to monitor the impact of oil and gas activities on the environment and biodiversity.'[21]
	The National Energy Policy, 2002	The Policy goal is to meet the energy needs of Uganda's population for social and economic development in an environmentally sustainable manner.[22] The energy policy

[17] Friis and others. Decentralization and Implementation of Climate Change Policy in Uganda (2013), (DIIS Working Paper 27).
[18] GoU,. National Development Plan I. (2010) (http://npa.ug/development-plans/ndp-201011-201415/. [12 March 2018]). Also see Orindi, V.A., 2013. Evaluation of the Status of NAPA/NAP in Ethiopia, Tanzania, Uganda and Kenya. Climate Change Agriculture and Food Security (CCAFS) (6 January2014). https://ccafs.cgiar.org/.
[19] GoU, the National Environment Management Policy for Uganda; Ministry of Water, Lands and Environment, 1994.
[20] National Environment Action Plan (NEAP) will be reviewed after every five years or less. *See* section 17(1) of the National Environment Act, Cap. 153, Laws of Uganda-2000 (Uganda Law Reform Commission).
[21] https://www.petroleum.go.ug/media/attachments/2021/07/13/nogp2008.pdf
[22] Gou, The Energy Policy for Uganda, Ministry of Energy and Mineral Development, (September, 2002).

		seeks: to establish the availability, potential and demand of the various energy resources in the country, increase access to modern, affordable and reliable energy services, improve energy governance and administration, stimulate economic development and manage energy-related environmental impacts.
	Uganda Forestry Policy 2002[23]	The objective of the Uganda Forest Policy is to establish an integrated forest sector that achieves sustainable increase in the economic, social and environmental benefits from forests and trees by the people of Uganda, especially the poor and vulnerable. The policy provides for the protection of Permanent Forest Estate (PRE) under government trusteeship and the development and sustainable management of natural forest on private land. Sustainable management of forests as advocated for by the policy is relevant to climate change mitigation because, as forests act as sinks; by removing the emitted carbon dioxide from the atmosphere that would otherwise cause climate change.
	The 1995 Constitution of Uganda	The 1995 Constitution has provisions for enhancing conservation and management of the environment and natural resources. The Constitution pronounces the public trust doctrine and a number of environmental duties. For instance, the state is enjoined to protect natural resources including land, water, wetlands, minerals, oils, fauna and flora on behalf of the people of Uganda.[24] The state is also under a duty to promote sustainable development and public awareness of the need to manage land, air and water resources in a balanced and sustainable manner for the present and future generations.[25] It further provides for a right to every Ugandan to a clean and healthy environment.[26]
	The National Environment Act (NEA)[27]	NEA provides for sustainable management of the environment, establishes an authority as a coordinating, monitoring and supervisory body for that purpose.[28] The Act[29] provides that every person has a right to a healthy environment and a duty to maintain and enhance the environment, including the duty to inform the authority or the local environment committee of all activities and phenomena that may affect the environment significantly. The Act establishes the National Environment Management Authority (NEMA), which is the principal agency in Uganda for the management of the environment and it coordinates,

[23] GoU, The Uganda Forestry Policy, Ministry of Water, Land and Environment (2001)
[24] The Consititutionof the Republic of Uganda - Principle XIII.
[25] The Constitution (n 24) Principle XXVII.
[26] The Constitution (n 24) art 39
[27] National Environment Act, (NEA) Cap 153 Laws of Uganda (2000).
[28] NEA (n 27) the long title to the Act.
[29] NEA (n 27) s 3

		monitors and supervises all the activities in the field of environment.[30] The Act in Part IV makes provision for the establishment of environmental standards.
	The Electricity Act	The Electricity Act[31] provides for the establishment of the Electricity Regulatory Authority (ERA)[32] whose functions include: issuing licenses for the generation, transmission, distribution or sale of electricity; controlling activities in the electricity sector among others.[33] The Act[34] requires that before a license is issued; the developer shall provide NEMA the description of the impact of the project on electricity supply, socio-economics, cultural heritage, the environment, natural resources and wildlife. The Act further restricts constructing, owing or operation of a generation facility with a capacity of or exceeding 0.5 megawatts without a generation licence.
	National Environment (Management of Ozone Depleting Substances and Products) Regulations[35]	The object of these regulations is to regulate the production, trade and use of the controlled substances and products; provide a system of data collection that will facilitate compliance with the relevant reporting requirements under the protocol;[36] among others. The relevance of these Regulations to climate change mitigation lies in the fact, as observed earlier, that the depletion of the ozone layer is one of the causes of increased global warming and climate change.
	The National Forestry and Tree Planting Act, 2003	This provides for conservation, sustainable management and development of the forest for the benefit of the people of Uganda; provides for the declaration of forest reserves for purposes of protection and production of forests and forest produce; provides for the sustainable use of forest resources and the enhancement of the productive capacity of forests and provides for the promotion of tree planting.[37]
	National Environment (Waste Management) Regulations[38]	These Regulations apply to all categories of hazardous and non-hazardous wastes, to the disposal and storage of hazardous waste and their movement into and out of Uganda; and to all waste disposal facilities, landfills, sanitary fills and incinerators.[39] A person who owns and controls a facility or premises which generate waste shall minimize the waste generated by adopting cleaner production methods like; improvement of production process through- conserving raw

[30] NEA (n 27) S.4 and S.5
[31] Electricity Act, Cap 145 of the Laws of Uganda.
[32] ibid s 4.
[33] ibid s 10.
[34] ibid s 30
[35] Statutory Instrument No.63 of 2001
[36] ibid Reg 2, Protocol for purposes of these Regulations means the Montreal Protocol on Substance that Deplete the Ozone Layer adopted in 1987, as amended from time to time.
[37] National Forestry and Tree Planting Act, 2003, the long title of the Act.
[38] Statutory Instrument No. 52 of 1999.
[39] ibid Reg 3.

		materials and energy, eliminating the use of toxic raw materials ,
	The Environmental Impact Assessment Regulations[40]	The NEA requires that projects specified in the third schedule to the Act be subjected to environmental impact assessment before they are undertaken. NEMA is given powers, under section 19(8), in consultation with the lead agency, to adopt guidelines with respect to environmental impact studies, on their format and contents;
	The Uganda National Climate Change Act, 2021	The Act, is adopted to give the force of law, in Uganda, to the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement; to provide for climate change response measures; to provide for the participation in climate change mechanisms; to provide for the measuring of emissions, reporting and verification of information; to provide for the institutional arrangements for coordinating and implementing climate change response measures; to provide for the financing for climate change.
	The Companies Act, 2012	The Companies Act, requires public companies to mandatorily adopt Table F and private companies may choose to adopt or not. Article 15 of Table F provides for among others sustainability reporting.

[40] Statutory Instrument No.13 of 1998 made pursuant to the powers given to NEMA under section 107 of the National Environment Act.