TASK

The Actuarial Society of Kenya

THE TASK ACTUARIAL CONVENTION 2024

9

BEYOND EMERGING RISKS:

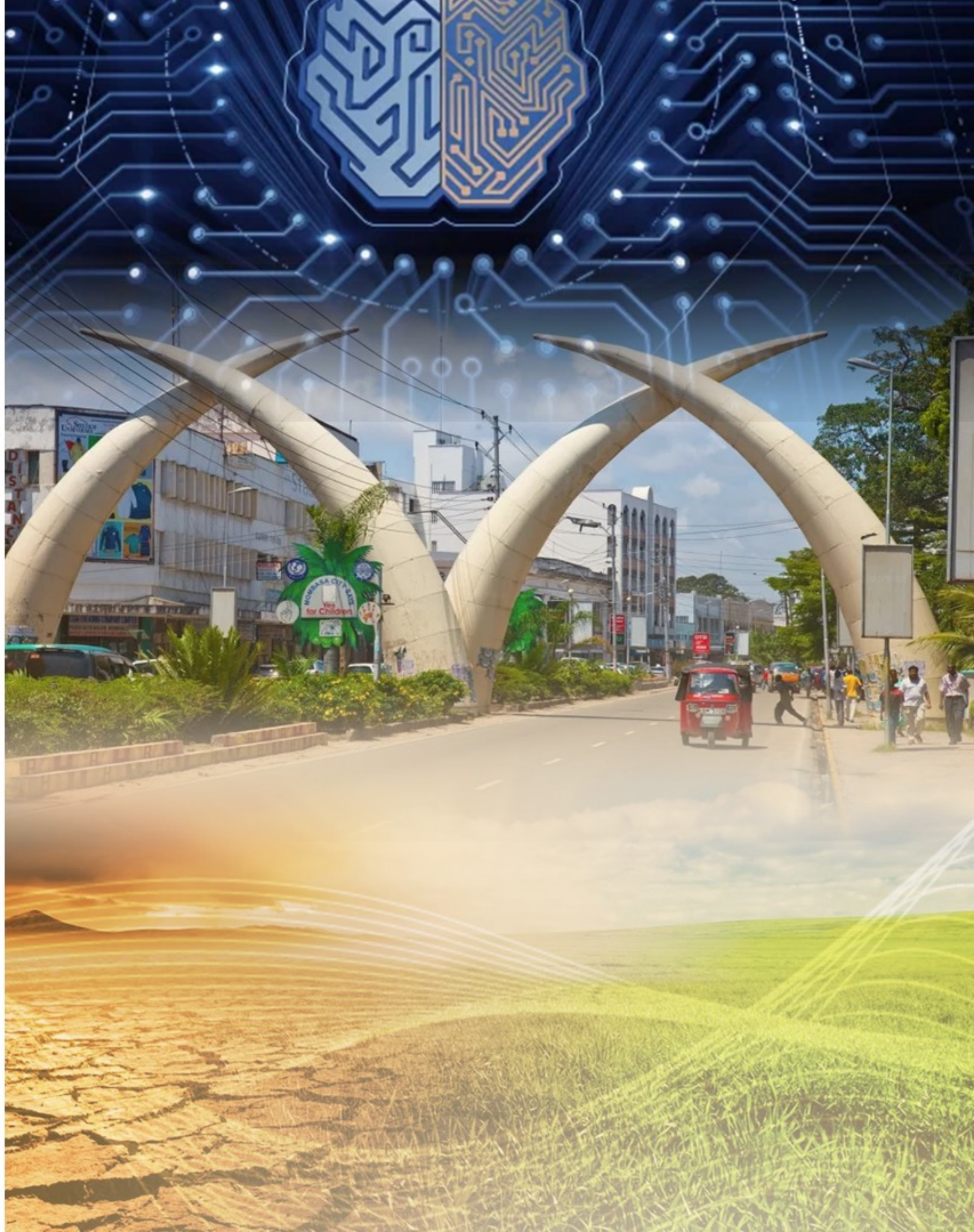
INNOVATING RESILIENCE AND ADAPTATION

13th to 15th Nov || Mombasa, Kenya

Sustainability Reporting Overview of IFRS S1 & S2

Ezekiel Macharia – Kenbright

2:00 – 2:45pm



Agenda

- Kenya NDC
- General Concepts
- IFRS S1
- IFRS S2
- Role of Actuaries

Kenya NDC

Nationally Determined Contributions (NDC)

KENYA : NDC

Kenya's first Nationally Determined Contributions (NDC) was submitted in Year 2016 and the Second NDC was submitted in Year 2020. The target is to reduce Green House Gases (GHG) by 30%.

Total Costs estimated at $62b (KES 8 trillion).

Developing IFRS S1 & S2 will help the Government of Kenya in monitoring its mitigation & adaptation strategy and helps it understand how it can self-finance its mitigation and adaptation plan which is current at 13% only.

KENYA : NDC

MINISTRY OF ENVIRONMENT AND FORESTRY

OFFICE OF THE CABINET SECRETARY

Telephone: 254-20-2730808/9
Website : www.environment.go.ke
Email:cs@environment.go.ke
When replying please quote:

N.H.I.F BUILDING
RAGATI ROAD
P. O. BOX 30126-00100
NAIROBI

Ref. ME&F/CS/249/2020

24th December, 2020

Ms. Patricia Espinosa
Executive Secretary
United Nations Framework Convention on
Climate Change (UNFCCC) Secretariat
P.O. Box 260 124. D-53153
BONN GERMANY

RE: SUBMISSION OF KENYA'S UPDATED NATIONALLY DETERMINED CONTRIBUTION

1. Kenya submitted her Nationally Determined Contribution (NDC) on 28th December 2016. The NDC sets out both adaptation and mitigation contribution based on conditional support. The mitigation contribution intended to abate greenhouse gas (GHG) emissions by **30% by 2030** relative to the business as usual (BAU) scenario.

2. Despite our first NDC being fully conditional to international support, most of the progress made in implementation to date is from domestic resources.

3. Compared to our first NDC target of **30 % emission reduction**, our updated NDC commits to Abate GHG emissions by **32% by 2030 relative** to the BAU scenario of 143 $MtCO_2eq$; and in line with our sustainable development agenda and national circumstances. The timeframe for implementation of the NDC is up to 2030, with milestone targets at 2025.

4. The total cost of implementing mitigation and adaptation actions in the Updated NDC **is estimated at USD 62 Billion.**

5. Compared to our first NDC which was fully conditional to support, Kenya commits to mobilize resources to meet **13%** of this budget, and will require international support for **87%** of the budget.

6. Kenya's Updated NDC is hereby attached, and formally submitted.

Keriako Tobiko, CBS, SC
Cabinet Secretary/National Focal Point
Ministry of Environment and Forestry
NAIROBI

Signature:....................

Date: 24/12/2020

Amb. Raychelle Omamo, SC, EGH
Cabinet Secretary
Ministry of Foreign Affairs
NAIROBI

Signature:....................

Date: 24/12/2020

Hon. Justice (Rtd) Paul Kihara Kariuki
Attorney General
Office of the Attorney General and
Department of Justice
State Law Office
NAIROBI

Signature:....................

Date: 24th December 2020

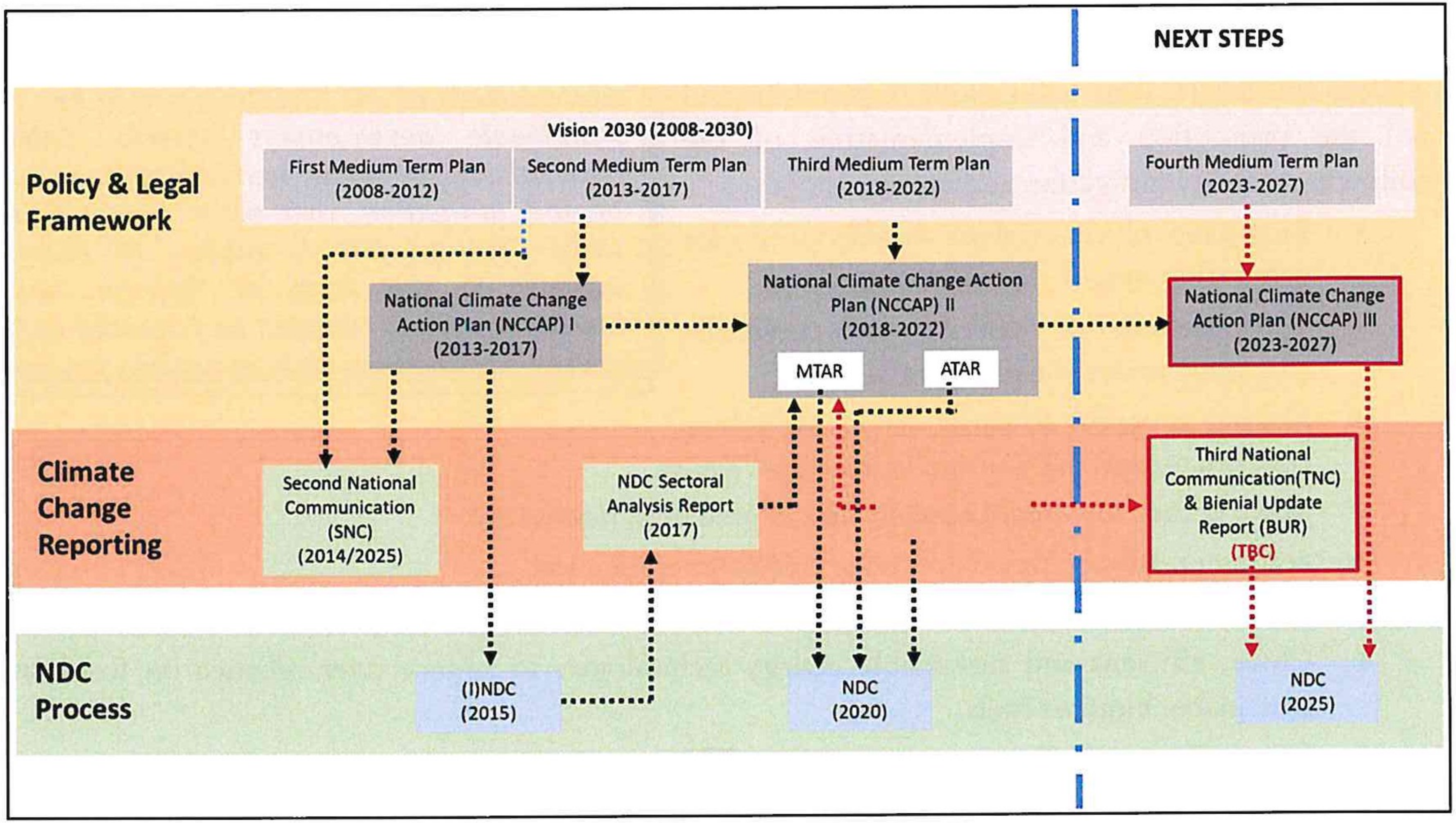
Hon. (Amb) Ukur Yattani, EGH
Cabinet Secretary
The National Treasury and Planning
NAIROBI

Signature:....................

Date: 27th December 2020

Source: https://unfccc.int/

KENYA : NDC



Source: https://unfccc.int/

General Concepts

IFRS S1 & S2

Why have a Standard

- IFRS S1/S2 were designed to help investors. Companies are expected to have an effective reporting date of 1 January 2024
- Risk Assessment : More effective evaluation of climate-related risks to companies, suppliers and competitors.
- Capital Allocation : Better informed decisions on where to deploy capital.
- Strategic Planning : Evaluation of Risks, exposures over short, medium and long term.

IASB vs ISSB

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IFRS®

International Accounting Standards Board (IASB)

IFRS Accounting Standards

IFRS17: Insurance Contracts

International Sustainability Standards Board (ISSB)

formed in late 2021

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

(issued June 2023)

IFRS S2 Climate-related Disclosures

(issued June 2023)

Source: https://www.adecesg.com/

Relationship of IFRS S1 with IFRS S2

IFRS S2: Climate-related Disclosures

IFRS S1: General Requirements for Disclosure of Sustainability Related Financial Information

IFRS S1 provides the foundation while IFRS S2 provides investor specific disclosures of material information about climate-related risks and opportunities

Alphabet Soup of IFRS S1/S2

Task Force on Climate Related Financial Disclosures (**TCFD**) – now disbanded in 2023– handed its activities to the IFRS Foundation.

Financial Sustainability Board (FSB) created the TCFD in 2015.

Sustainability Accounting Standards Board SASB (now absorbed by IFRS Foundation). Working on Global Reporting Tools such as XBRL (fancy CSVs).

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IFRS S1

General Requirements for Disclosure of Sustainability-related Financial Information

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

Disclosure of Information about sustainability-related risks and opportunities

Reasonably expected to affect a company's prospects – future cashflows, access to finance or affect cost of capital in short, medium & long-term

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

Materiality?

- If information is omitted, mis-stated or ignored may it be reasonably expected to influence the decision that an investor may make if they knew about it. If yes, it is material.

- IFRS S1 provides guidance on assessment of materiality.

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

Who is affected?

Society

You operate in

Stakeholders

You work with & serve

Natural Resources

You draw from

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IFRS S2

Climate Related Disclosures

IFRS S2: Climate Related Disclosures

- IFRS S2 needs to be applied with S1
- Incorporates TCFD structure (Governance, Strategy, Risk Management and Metrics & Targets).
- Disclose material information about climate-related risks and opportunities (including physical risks and transition risks)
- Requires industry-specific disclosures

IFRS S2: Climate Related Disclosures

GHG Emissions

Scope 1: Direct Emissions

Scope 2: Indirect Emissions from the Generation of Purchased Energy consumed by the Company

Scope 3: All Other Indirect Emissions that occur in the company's value chain [actuaries are needed here]

Measure in accordance with GHG Protocol Corporate Standard (https://ghgprotocol.org/corporate-standard)

IFRS S2: Climate Related Disclosures

Scope 3 GHG Emissions: Financed Emissions

Financed Emissions associated with investments

Applies to:-

- Commercial Banks (CBK)
- Insurance (IRA)
- Asset Management (RBA)

IFRS S2: Climate Related Disclosures

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Key Disclosures

Strategy :

- ❑ Strategy & Decision Making
- ❑ Current & Anticipated Financial Effects
- ❑ Climate Resilience

Metrics & Targets : [tuaries can assist here]

- ❑ Scope 1-3 (GHG Emissions)
- ❑ Industry Based Disclosures
- ❑ Climate Related Targets

IFRS S2: Climate Related Disclosures

Climate Resilience

Is the business model resilient to climate-related changes, development and uncertainties?

Key considerations include:

- Climate Resilience Assessment commensurate with the circumstances of the company
- Disclosure of Inputs & Key Assumptions used in the Scenario Analysis using reasonable information without undue cost and effort [actuaries can assist here].

Role of Actuaries

in sustainability matters

Role of Actuaries

Individuals

- Measuring Climate Risk (Frequency & Severity)
- Scenario Analysis to Assess Climate Resilience
- Measuring Scope 3 GHG

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- Industry Models
- General Assumptions and Metrics
- Custodian of Climate Actuarial Data
- Industry Specific Models
- Supporting items that would not be available without undue cost or effort

Next Steps

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TASK should take leadership in:-

- Giving inputs into Kenya Nationally Determined Contribution (NDCs) which are currently expected to cost Kenya KES 8 trillion. We have the right skill set to assist African Government.

- Providing support to IFRS S1/S2 disclosures expected to start this year from 1 Jan 2024. This affects all sectors and should help actuaries branch out from the finance sector.

- Provide more training to young actuaries to pursue a career in sustainability and climate change matters.

- Support calculations of **financed emissions (Scope 3),** development of industry-specific measurements and providing guidance on scenarios analysis for assessing climate resilience & setting climate-related targets.