Principles for Responsible Investment

PRI RESPONSE

IFRS SUSTAINABILITY DISCLOSURE STANDARDS – RWANDAN [DRAFT] ADOPTION ROADMAP

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to this consultation of the Steering Committee on IFRS Sustainability Standards Adoption (ISSBSC), on Rwanda's IFRS Sustainability Disclosure Roadmap (henceforth referred to as "the draft Roadmap").

ABOUT THIS CONSULTATION

The ISSBSC, chaired by the Institute of Certified Public Accountants of Rwanda (ICPAR), has launched a draft Roadmap outlining a phased approach for Rwandan legal entities to adopt the ISSB standards. The ISSB standards aim to deliver a global baseline of sustainability-related financial disclosures on an entity's sustainability-related risks and opportunities, that meet the information needs of the entity's investors, creditors and other lenders.

The draft Roadmap establishes a four-phase adoption strategy, progressively expanding the scope and extent of sustainability-related disclosures.

- **Initial Phase Reporting**, which includes requirements within IFRS S2 *Climate-related Disclosures* on governance, strategy, risk management, Scope 1 and 2 GHG emissions, other cross-industry metrics as it relates to own operations, and climate-related targets.
  - All metrics reporting is subject to a "comply-or-explain" override, where designated entities may state if certain required information is not available without undue cost or effort with appropriate justification. Further, entities benefit from reliefs for requirements related to comparative information, scenario analysis and materiality in this initial phase of reporting.
  - Components of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* that are necessary for compliance with IFRS S2 are also required. These include provisions on materiality, timing of reporting, comparative information, fair presentation, consistency of reporting, aggregation and disaggregation, use of judgment and estimates, and connectivity.
- **Intermediate Phase Reporting**, which includes the above requirements plus sector-specific information and how entities are implementing climate strategies and transitioning to a low-carbon economy. Provisions related to materiality and comparative information would no longer apply.

- **Full Reporting with Transition Reliefs** – entities report pursuant to IFRS S1 and S2, applying the ISSB's one-year transition provisions in areas like Scope 3 emissions and scenario analysis.
- **Full IFRS Reporting** – transition reliefs expire and entities fully comply with the ISSB standards.

The proposed implementation timeline follows a staggered approach across in-scope entities, as outlined below:

Reporting Year	Group 1 Entities		Group 2 Entities *Public Utility Companies, Tier and II & III FI entities*	Group 3 Entities *Other entities that prepare IFRS financial statements and Tier IV FI entities*	Group 4 Entities *Entities that prepare IFRS for SMEs financial statements*
	RSE Listed entities	Tier I FI entities			
2025	**Initial Phase** *CMA ESG Reporting*	*IFRS S2 with simplifications*			
2026	**Intermediate Phase** *IFRS S2 with simplify-cations*	*IFRS S2 with fewer simplifi-cations*	**Initial Phase** *IFRS S2 with simplifications*		
2027	**Adoption Phase** *IFRS with transition relief*		**Intermediate Phase** *IFRS S2 with fewer simplifications*	**Initial Phase** *IFRS S2 with simplifications*	
2028	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*		**Adoption Phase** *IFRS with transition relief*	**Intermediate Phase** *IFRS S2 with fewer simplifications*	**Initial Phase** *IFRS S2 with simplifications*
2029	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*		**Full adoption Phase** *IFRS Sustainability Disclosure Standards*	**Adoption Phase** *IFRS with transition relief*	**Intermediate Phase** *IFRS S2 with fewer simplifications*
2030	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*		**Full adoption Phase** *IFRS Sustainability Disclosure Standards*	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*	**Adoption Phase** *IFRS with transition relief*
2031	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*		**Full adoption Phase** *IFRS Sustainability Disclosure Standards*	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*	**Full adoption Phase** *IFRS Sustainability Disclosure Standards*

Source: IFRS Sustainability Disclosure Standards Rwandan (Draft) Adoption Roadmap, page 33

Finally, the Roadmap sets out roles and responsibilities of regulatory bodies and public sector authorities including the Institute of Certified Public Accountants Rwanda (ICPAR), National Bank of Rwanda (BNR), Capital Markets Authority (CMA) and Rwanda Stock Exchange (RSE).

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KEY RECOMMENDATIONS

The PRI supports the introduction of sustainability disclosure requirements aligned with the ISSB standards, and welcomes the ISSBSC's draft Roadmap for ISSB adoption. This can provide investors with the comparable, high-quality[1] sustainability reporting they need (and currently lack) from portfolio companies for decision-making, enabling them to allocate capital more efficiently – accounting for sustainability-related risks and opportunities and addressing sustainability goals[2].

Last year we published a call to action for jurisdictions to commit to adopting both ISSB standards at pace. This was issued in collaboration with the London Stock Exchange Group, UN Sustainable Stock Exchanges initiative and World Business Council for Sustainable Development – and endorsed by 121 investors, companies, stock exchanges and other organisations.

Over 30 jurisdictions have now adopted the ISSB standards or are taking steps to do so. As we engage with local markets, we have consistently found that investors support the adoption of the ISSB standards by international and local standard setting and policymaking bodies.

Further, we support ISSBSC's proposal to not deviate from the content of the standards, but instead achieve proportionality by phasing-in certain disclosure requirements. This is preferable because full content alignment with the standards will provide investors with more comparable and better-quality reporting across portfolios. Similarly, we welcome the proposed approach to assurance, with phase-in of requirements to enable effective implementation

Finally, we support the application these requirements to listed companies, financial institutions, public utility companies, and other companies (including SMEs) that prepare IFRS Financial Statements – with phase-in where needed to manage initial reporting challenges. In our view this effectively balances investors' need for decision-useful sustainability reporting from investees across their portfolios – regardless of size and sector – and the needs of preparers earlier in their sustainability reporting journey.

We acknowledge that alongside relief provisions, capacity building will be needed to ensure effective implementation of the standards by preparers, particularly those less experienced with sustainability reporting. The PRI is a partner organisation to the ISSB's Partnership Framework for Capacity Building and stands ready to support these efforts.

The PRI's key recommendations are for the ISSBSC to shorten the proposed delays to the below reporting requirements upon entry into force, by one year for all groups of companies:

[1] The ISSB standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB) and build on the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, among other well established voluntary sustainability reporting frameworks. They have also been endorsed by the International Organization of Securities Commissions (IOSCO), which has recommended that its member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

[2] Investors around the world are increasingly committed to incorporating and pursuing sustainability outcomes such as those posed by the UN SDGs, Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Legal analysis from the A Legal Framework for Impact (LFI) project found that while there are differences across jurisdictions and investor groups, where investing for sustainability outcome approaches can be effective in achieving an investor's financial goals, the investor will likely be required to consider using them and act accordingly. The global LFI analysis and local LFI policy reports, such as the Japan Report, have consistently found that for investors to be able to pursue sustainability outcomes, market mechanisms such as mandatory sustainability disclosure are critical.

- Reporting on issues beyond climate under IFRS S1, as investors urgently need high-quality reporting on a wide range of sustainability topics where material to investment decisions..
- Reporting on transition plans, to provide investors with information on how companies will respond to their climate-related risks and opportunities and achieve climate targets.
- Reporting industry-based metrics, as these enable the disclosure of comparable information on material industry-specific risks and opportunities.
- Reporting Scope 3 GHG emissions, the most impactful emissions for some industries – leaving them out can mean that a large share of actual emissions are not accounted for.

It is also worth noting that all investors need sustainability-related financial information to inform their assessment of companies' risks and opportunities, but some investors also need information to assess and interpret a company's impacts and alignment with sustainability goals and thresholds. The ISSB Standards are expected to enable disclosure of some of this information, but it is unlikely they will provide investors with all the information they need on companies' impacts and dependencies.

Therefore, in line with the ISSB's "building blocks" approach, Rwandan authorities should eventually consider disclosure requirements additional to the ISSB standards that capture further information on companies' sustainability impacts and dependencies. These should build on the GRI Standards, similar to the approach of the European Sustainability Reporting Standards and Chinese Corporate Sustainability Disclosure Standards.

DETAILED RESPONSE

GENERAL APPLICABILITY

1. Regulatory and Institutional Framework

(a) Does the [draft] Roadmap sufficiently outline the roles and responsibilities of key regulatory bodies, public sector authorities and other select institutions (e.g., BNR, ICPAR, CMA, RSE)?

Yes, the draft Roadmap provides sufficient detail on the roles and responsibilities of key bodies, authorities and other institutions.

(b) Are there additional regulatory or policy measures that could support compliance and enforcement of IFRS Sustainability Disclosure Standards?

The PRI supports the proposed approach to enforcement which appropriately involves the Institute of Certified Public Accountants of Rwanda (ICPAR), National Bank of Rwanda (BNR), Capital Markets Authority (CMA) and Rwanda Stock Exchange (RSE) for auditors and assurance providers, financial institutions, capital market participants and listed companies (respectively).

This coordinated approach will help to ensure that reporting across all sectors is of sufficient quality to inform investment decision-making. As such, the PRI has no further recommendations in this area.

2. General Approach to Adoption

a. Do you agree with the phased adoption approach outlined in the [draft] Roadmap? If not, what alternative approach would you suggest?

b. Are there any additional considerations that should be included to enable a smooth transition to IFRS Sustainability Disclosure Standards?

The PRI is supportive of the proposed adoption approach, as this will allow companies across sizes and sectors to be brought into the regime. As noted in our response to Question 3, this relatively large scope is beneficial to investors as reporting users. Our response to Question 4 contains recommendations on reducing the phase-in time of specific reporting requirements, which we believe would benefit investors further.

3. Reporting Groups

a. Do you agree with the reporting entities defined in each reporting group (e.g., Group 1: RSE-listed entities and Tier I financial institutions)?

b. Are there any reporting entities that should be added or removed from specific groups to better accommodate capacity and feasibility?

The PRI supports the proposal to apply these requirements to listed companies, financial institutions, public utility companies, and other companies (including SMEs) that prepare IFRS Financial Statements – with phase-in where needed to manage initial reporting challenges.

In our view this effectively balances investors' need for decision-useful sustainability reporting from investees across their portfolios – regardless of size and sector – and the need for capacity building among entities earlier in their sustainability reporting journey.

4. Transition of Reporting Content for each Phase

a. Do you agree with the proposed four stage progression of reporting content from Initial Phase Reporting to Full IFRS Reporting?

b. Are there any proposed disclosure requirements in earlier phases that should be delayed and only included in later phases?

c. Are there any proposed disclosure requirements in later phases that should be accelerated, i.e. included in earlier phases?

The PRI supports the general approach to phase-in, as this will enable full content alignment with the standards – providing investors with more comparable and better-quality reporting across portfolios.

However, we recommend that the ISSBSC shorten the proposed delays to the following reporting requirements upon entry into force, by one year for all groups of companies:

- **Reporting on issues beyond climate under IFRS S1.** While we understand the ISSBSC's proposal to focus initially on climate-related disclosures, investors urgently need high-quality reporting on a wide range of sustainability topics where material to investment decisions. As for climate, they benefit from material information on governance, strategy, risk management and metrics and targets related to these issues – to inform their assessment of entities' prospects.
- **Reporting on transition plans.** Investors need information on how companies will respond to their climate-related risks and opportunities and achieve climate targets.
- **Industry-based disclosures.** While sector-neutral metrics offer a crucial baseline of information, industry-based metrics are an additionally important element of sustainability reporting that enables the disclosure of comparable information on material industry-specific risks and opportunities. Provisions related to industry-based metrics in IFRS S1 and S2 enable entities to apply their own materiality assessment to these metrics, to identify metrics that are relevant and represent their risk exposure and management most appropriately.
- **Scope 3 GHG emissions.** While we understand that they can be difficult to report, the PRI supports their disclosure where material. Scope 3 emissions are important to investors because they are the most impactful kind of emissions for some industries. Leaving them out can mean that a large share of actual emissions is not accounted for by companies.

5. Scope and Timeline of Implementation

a. Does the proposed implementation timeline appropriately balance urgency and capacity building?

As noted in our response to Question 4, an accelerated implementation timeline for reporting on transition plans, non-climate ESG risks and opportunities pursuant to IFRS S1, industry-based metrics and Scope 3 GHG emissions would provide investors with much-needed information earlier on. This should be complemented with capacity building to support preparers, as recommended in our response to Question 7.

b. Do you foresee any insurmountable challenges in meeting the proposed timeline for your sector or organisation? If so, please specify.

The PRI is unable to respond as it is not a preparer.

6. Alignment with Rwanda's Sustainability Goals

a. Is the [draft] Roadmap interoperable with Rwanda's existing sustainability initiatives, such as the Rwanda Green Taxonomy and the Prudential ESG Framework?

b. Are there additional national or regional sustainability priorities that should have been included under heading 1.4 Rwanda's Sustainability Context of the [draft] Roadmap, i.e. that should be considered in the [draft] Roadmap?

The PRI supports the proposals to integrate sustainability-related financial disclosures into the National Bank of Rwanda (BNR) prudential supervision framework, and to ensure appropriate linkages between company reporting under the ISSB standards and Rwanda Green Taxonomy. This will benefit investors by promoting a coherent sustainability reporting system, improving the relevance of the disclosures they receive.

7. Capacity Building and Support

a. What are the most critical capacity-building needs for your organisation to implement IFRS Sustainability Disclosure Standards effectively?

b. Are there specific training or technical assistance programs that would recommend for preparers, auditors, or regulators?

Alongside relief provisions, capacity building is needed to ensure effective implementation of the standards by preparers, particularly those less experienced with sustainability reporting. The PRI is a partner organisation to the ISSB's Partnership Framework for Capacity Building and stands ready to support these efforts.

An extensive and growing library of capacity building resources from the ISSB and third-party organisations can be found on the IFRS Sustainability Knowledge Hub. These are designed to support implementation of the ISSB standards by preparers at all stages in their sustainability reporting journey.

8. Data and Reporting Challenges

a. Do entities in your sector currently have access to sufficient data and systems to comply with the proposed disclosure requirements?

b. What specific data gaps or capacity constraints need to be addressed to facilitate effective reporting?

The PRI is unable to respond as it is not a preparer.

9. Assurance and Compliance

a. Do you agree with the proposed assurance approach for sustainability-related financial disclosures? If not, what alternative assurance mechanisms should be considered?

b. Are there specific enforcement mechanisms that should be strengthened to ensure compliance?

The PRI supports the proposed approach to enforcing compliance, with responsibility shared across the National Bank of Rwanda, Rwandan Stock Exchange and Capital Markets Authority.

We also support the proposal to initially focus assurance on a limited set of sustainability information (Scope 1 and 2 GHG emissions, energy use and efficiency and governance and risk management), before expanding the scope to cover a broader range of sustainability-related disclosures (Scope 3 GHG emissions, social and governance disclosures under IFRS S1, and alignment of company reporting with transition reliefs).

Sustainability information is financially material and used in investment decision-making. It should therefore be as reliable as financial information. Assurance can play an important role in upholding the quality of reporting, providing comfort to users that the standards used have been met.

However, capacity building among assurance providers and companies is needed for assurance of sustainability reporting to be effective. The phased approach proposed within the draft Roadmap strikes the right balance between the needs of reporting users and preparers.

10. Other Comments

a. Do you have any additional feedback or suggestions regarding the adoption of IFRS Sustainability Disclosure Standards in Rwanda?

Investors' data needs are shaped by the approach they take to responsible investment. Approaches can include a combination of: (i) focusing on incorporating ESG risks and opportunities; (ii) addressing the drivers of financially material sustainability risks; and (iii) actively pursuing sustainability outcomes beyond investment value. All three approaches exist within PRI's signatory base.

Therefore, while all investors need sustainability-related information to inform their assessment of companies' risks and opportunities, some investors also need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds. PRI's Legal Framework for Impact report demonstrates that as part of their responsibilities to clients and beneficiaries, investors may need to assess the sustainability outcomes which affect the system-level risks to which their portfolio is exposed, and therefore long-term returns. This is especially true for so-called universal owners, such as sovereign wealth funds who invest across entire economies. Many institutional investors now accept that, in acting in their clients' and beneficiaries' best financial interests, they should consider and respond to system-level risks that may affect long-term returns.

While the ISSB standards are expected to enable disclosure of some of this information, they are unlikely to provide investors with all the information they need on companies' impacts and dependencies. Therefore, in line with the IFRS Foundation's "building blocks" approach, the ISSBSC should eventually consider disclosure requirements additional to the ISSB standards, capturing more information on entities' sustainability impacts and dependencies. Similar to the approach of the European Sustainability Reporting Standards and Chinese Corporate Sustainability Disclosure Standards, such additions should build on the GRI standards given their widespread uptake in Rwanda – including through RSE ESG Reporting Guidelines – and globally.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support work to promote the application of sustainability-related disclosure requirements in Rwanda.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org