SUSTAINABILITY REPORTING – UPDATES FROM FIRE AWARDS

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THE CAPITAL MARKETS ACT

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THE CODE OF CORPORATE GOVERNANCE PRACTICES FOR ISSUERS OF SECURITIES TO THE PUBLIC 2015

"Sustainability" means conducting operations in a manner that meets existing needs without compromising future needs.

Promoting sustainability: The Board shall ensure that the company's strategies promote the **sustainability** of the company.

THE CODE (1)

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Guideline: The Board shall have formal strategies to promote **sustainability**. Attention shall be given to Environmental, Social and Governance (ESG) aspects of the business which underpin **sustainability**. Effective management of stakeholders will positively impact the company's achievement of its strategy and long-term growth.

THE CODE (2)

Stakeholders are considered to be any group who can affect, or be affected by the Company, its decision and its reputation. They include shareholders, customers, suppliers, employees, creditors, regulators, lenders, media, auditors and potential investors. The Corporate Governance framework should recognise the rights of stakeholders and encourage active co-operation between companies and stakeholders in creating wealth, and **sustainability** of financially sound enterprises.

THE CODE (3)

6.1.5 Recommendation: The Board shall continually work towards the introduction of integrated reporting.

Guideline

Integrated reporting is a process that brings together the material information about an organization's strategy, governance, performance and prospects in such a way that reflects its commercial, social and environmental context within which it operates.

THE CODE (4)

Integrated reporting provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated reporting combines the most material elements of information currently reported in separate reporting strands (financial, management guidelines, governance and remuneration, and **sustainability**) into a coherent whole.

THE CODE (5)

Principle: The Board shall promote timely and balanced disclosure of all material information concerning the company.

7.1.1 Recommendation: The Board shall ensure the company has appropriate corporate disclosure policies and procedures.

Guideline: Some key areas requiring disclosure and the recommended disclosure practices are as follows:

(p) Key company risks and **sustainability**;

THE CODE (6)

(q) Key stakeholder groups:
The Board shall disclose the key shareholders and the extent of their shareholding. In this regard, the following information should be disclosed:
(v) the key stakeholders who may have an influence on the company's performance and **sustainability.**

MWONGOZO

Mwongozo will ensure that sustainability, performance and excellence become the hallmark of the management of State Corporations.

Sustainability reporting: The Board should include a commentary on sustainability in the half yearly and annual report and disclose if the organization is a going concern based on the triple bottom line basis.

THE TRIPLE BOTTOM LINE (1)

Sustainability has been an often mentioned goal of businesses, nonprofits and governments in the past decade, yet measuring the degree to which an organization is being sustainable or pursuing sustainable growth can be difficult. John Elkington strove to measure sustainability during the mid-1990s by encompassing a new framework to measure performance in corporates.

THE TRIPLE BOTTOM LINE – TBL (2)

The TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement.

THE TRIPLE BOTTOM LINE – TBL (3)

The TBL dimensions are also commonly called the three “Ps”: people, planet and profits. Andrew Savitz: The TBL “captures the essence of sustainability by **measuring** the impact of an organization’s activities on the world … including both its profitability and shareholder values and its social, human and environmental capital.” How do you measure CSR?

THE TRIPLE BOTTOM LINE – TBL (4)

There is no universal standard method for calculating the TBL. Neither is there a universally accepted standard for the measures that comprise each of the three TBL categories. There are challenges to putting the TBL into practice. These challenges include measuring each of the three categories, finding applicable data and calculating a project or policy's contribution to sustainability. These challenges aside, the TBL framework allows organizations to evaluate the ramifications of their decisions from a truly long-run perspective.

INTEGRATED REPORTING

Integrated reporting (<IR>) brings together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear, concise representation of how an organisation demonstrates sustainability and creates value. The International Integrated Reporting Framework sets out the guiding principles and content elements of an integrated report.

INTEGRATED REPORTING

Effective integrated reporting requires integrated thinking and decision making based on an information set that is much broader, more inter-connected and more forward-looking than traditional financial analysis. The IIRC's goal is for integrated thinking to become a fundamental business practice in both the public and private sectors, facilitated by <IR> as the reporting norm. An integrated report should make the allocation of capital more efficient and productive through improvements in the quality of information available to providers of financial capital.

THE INTEGRATED REPORT

- Identify and communicate the full range of financial and non-financial factors that materially affect the ability of an organisation to create value over the short, medium and long term.
- Recognise the importance of a broad range of capitals (financial; manufactured; intellectual; human; social and relationship; and natural) to a thorough understanding of the organisation's business model.
- Focus on the core concept of the business model to support integrated thinking and decision making with a view to sustainable value creation.

Integrated reporting helps a company create value

Value is created not only within the traditional boundaries of a company. The value creation process crosses organisational and geographical boundaries through connecting numerous value drivers, many of which are now intangible. This requires good information to inform good decision making and a clear strategy and business model – all of which rely on internal cohesion created through a clear understanding of what the organisation is seeking to achieve and how.

Long term value creation through integrated reporting

IFAC's policy position is that integrated reporting can bring about a more coherent corporate reporting system, which is currently largely fragmented, complex, and compliance-driven. Integrated reporting is an opportunity to focus on long-term value creation and ultimately encourage longer term behavior in the capital markets. The policy for the global profession sets out IFAC's strong support for the International Integrated Reporting Council (IIRC) and the adoption of the International <IR> Framework.

SUSTAINABLE DEVELOPMENT GOALS

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17 SDG GOALS

1: No poverty; 2: Zero hunger; 3: Good health and well being for people; 4: Quality education; 5: Gender equality; 6: Clean Water and Sanitation; 7: Affordable and Clean Energy; 8: Decent Work and Economic Growth; 9: Industry, Innovation and Infrastructure; 10: Reduced Inequalities; 11: Sustainable Cities and Communities; 12: Responsible Consumption and Production; 13: Climate Action; 14: Life Below Water; 15: Life on Land; 16: Peace, Justice and Strong Institutions; 17: Partnerships for the Goals.

IFAC 2016: The 2030 agenda for sustainable development

A Snapshot of the Accountancy Profession's Contribution: As we rapidly approach 8.5 billion people on Earth—expected by 2030—the challenges of inequality and our planet's limited resources pose an interconnected set of global sustainable development challenges and uncertainties. Being globally systemic, these risks cannot be managed by any one country, government, business, or stakeholder group. Consequently, there is a growing momentum for collaborative action toward achieving sustainable development, in the certain knowledge that the world's economic development ultimately depends on it.

IFAC 2016: The 2030 agenda for sustainable development

PwC's: *Make It Your Business: Engaging with the Sustainable Development Goals:* found that 71% of businesses say they are already planning how they will engage with the SDGs. Only 13% of businesses, however, have identified the tools needed to assess their impact against the SDGs.

IFAC 2016: The 2030 agenda for sustainable development

Integrated thinking extends the consideration by an organisation beyond only financial capital to all forms of capital that are integral to its future success, namely human, intellectual, manufactured, social and relationship, and environmental capital.

KCB: SUSTAINABILITY REVIEW (1)

As one of the leading financial service providers in Eastern Africa, we understand that our operations have a significant impact on the **economic**, **social** and **environmental** prospects of the region. We owe it to our stakeholders to be considerate of the impact this has not only to our profitability, but also on the society and the environment we operate in.

KCB: SUSTAINABILITY REVIEW (2)

Our vision is to grow our existing business competitively in the market place and in the process, deliver long lasting and impactful benefits to society. We view **sustainability** as a key driver of our corporate strategy and a means for creating value and a competitive advantage.

KCB: SUSTAINABILITY REVIEW (3)

Our **sustainability** framework formalizes our approach to **sustainability**. It provides guidelines for the introduction, development and maintenance of proactive social and environmental management processes and procedures. The framework has been integrated into our Group corporate strategy which is anchored on four key pillars of **financial**, **economic**, **social** and **environmental** stability. The framework contributes to the growth and maintenance of a stable society in line with our corporate values of simplifying your world to enable progress.

COMPANIES ACT 2015 (1)

A small company: S624(3) The qualifying conditions are satisfied by a company in a year in which it satisfies two or more of the following requirements: (a) it has a turnover of not more than fifty million shillings; (b) the value of its net assets as shown in its balance sheet as at the end of the year is not more than twenty million shillings; and (c) it does not have more than fifty employees.

COMPANIES ACT 2015 (2)

S655(1)&(3) Unless the company is subject to the small companies regime, the directors must include a business review: it must contain a fair review of the company's business, a description of the principal **risks** and uncertainties facing the company, and a balanced and comprehensive analysis of the **development** and **performance** of the business and the position of the company at the end of the year.

COMPANIES ACT 2015 (3)

S655(4) In a quoted company, the review must contain information about **environmental** matters (including the impact of the business of the company on the environment), the **employees** of the company, **social and community issues**, including information on any policies of the company in relation to those matters and the **effectiveness** of those policies, and information about persons with whom the company has contractual or other arrangements that are essential to the business of the company.

CBK: PRUDENTIAL GUIDELINES (1)

3.1.3 The board is responsible for considering the legitimate interests and expectations of the institution's **stakeholders** in its deliberations, decisions and actions. The following four ethical values underpin good corporate governance:

a) Responsibility: The board should assume responsibility for the assets and actions of the institution and be willing to take corrective actions to keep the institution on a strategic path that is ethical and **sustainable**.

CBK: PRUDENTIAL GUIDELINES (2)

b) Accountability: The board should be able to justify its decisions and actions to shareholders and other stakeholders.

c) Fairness: The board should ensure that it gives fair consideration to the legitimate interests and expectations of all stakeholders of the institution.

d) Transparency: The board should disclose information in a manner that enables stakeholders to make an informed analysis of the institution's performance and **sustainability.**

CBK: PRUDENTIAL GUIDELINES (3)

3.1.4 As a steward of the institution, each director should also discharge the following key moral duties: **b)** ***Inclusivity*** of stakeholders is essential to achieving **sustainability** and the legitimate interests and expectations of stakeholders must be taken into account in decision-making and strategy. ***e) Courage:*** A director should have the courage to take the risks associated with directing and controlling a successful, **sustainable** institution, and also the courage to act with integrity in all board decisions and activities.

CBK: PRUDENTIAL GUIDELINES (4)

3.9 Principle 9: *The board should ensure that the institution complies with applicable laws and considers adherence to the institution's rules, codes and standards.*

Compliance risk can be described as the risk of damage, arising from non-adherence to the law and regulations, to the institution's business model, objectives, reputation, going concern, stakeholder relationships or **sustainability.**

CBK: PRUDENTIAL GUIDELINES (5)

3.12 Principle 12 – Governance of Information Technology

3.12.4 The board should ensure that the IT strategy is integrated with the institut-ion's strategic and business processes. IT should be seen to add value by enabling the improvement of the institution's performance and **sustainability**.

Insurance Regulatory Authority (1)

4.2 Investment Functions

4.2.5 The Board shall also put in place an effective reporting system to ensure compliance with the policy set out by it apart from Internal / Concurrent Audit mechanisms for a **sustained** and on-going monitoring of Investment Operations.

Insurance Regulatory Authority (2)

Guideline on Risk Management and Internal Controls: **9.0 Compliance Function** 9.1 Insurers shall be required to have an effective compliance function capable of assisting the insurer to meet its legal and regulatory obligations and promote and **sustain** a corporate culture of compliance and integrity.

Insurance Regulatory Authority (3)

Guideline on Risk Management and Internal Controls:

9.6 The compliance function should establish, implement and maintain appropriate mechanisms and activities to:

9.6.1 Promote and **sustain** an ethical corporate culture that values responsible conduct and compliance with internal and external obligations.

IFAC: Professional accountancy organizations

1. MAINSTREAM THE SDGs:

- What is the role that PAOs play in the planning and preparation of SDG-based national development strategies?
- Once targets are prioritized and mainstreamed into national or local plans and budgets, how will sectors collaborate to achieve the SDGs?
- How can such targets be incorporated into business strategies and plans?
- How will the profession help governments improve existing budget systems to deliver the SDGs?

IFAC: Professional accountancy organizations

2. IMPLEMENT THE SDGs:

- What role do PAOs play in the implementation of interventions linked to the SDG targets?
- How will PAOs help boost accountability during the implementation process and not just post facto?

3. MONITOR THE SDGs:

- Which specific indicators may be useful when measuring and reporting a PAO's contribution to the SDGs?
- How can PAOs help support the collection and analysis of data?

12: Responsible Consumption and Production (1)

Goal 12 is particularly relevant to accountants in business. Integrating sustainability into business and corporate governance is key for seizing the most important business opportunities presented by the SDGs and reducing risk. For companies to seize the SDGs as business opportunities, they need to view sustainability goals as a part of the fabric of their organization—an integral part of financial, strategic, and operational goals.

12: Responsible Consumption and Production (2)

Goal 12 will also place a new demand on corporate reporting, and require a new level of transparency that needs to demonstrate how corporate objectives and activities contribute to responsible consumption and production. The information and analysis that accountants in business provide to support decision making needs to include a more expansive understanding of the disparate sources and drivers of longer-term value to enable better strategy development and implementation through changes to the business model.

12: Responsible Consumption and Production (3)

Accountants in business need to build on their traditional role of optimizing business processes and avoiding waste and stay abreast of innovation and emerging technologies in their industry to make sure that they are supporting the development of products, services, and processes that are profitable and contribute directly or indirectly to the SDGs.

12: Responsible Consumption and Production (4)

Financial reports are critical but not sufficient in discharging a governing board's duty to be accountable. Integrated thinking and reporting provide the means and additional incentives for CFOs, and their finance teams, to focus on the information and the decisions that matter to a company and its potential success.

12: Responsible Consumption and Production (5)

The profession has a significant role in facilitating responsible organizations and markets that can better serve society and thrive over time. There is a long way to go before business and industry can make a full contribution to sustainable development wherever they operate, and accountants in business have significant scope to enhance their contribution to this process.

Safaricom: How sustainability fits into our strategy (1)

Our sustainability strategy stems from our commitment to responsible, ethical behaviour in everything that we do and our core values of 'speed', 'simplicity' and 'trust'. Our goal remains that of 'transforming lives' and this purpose statement permeates every decision made by the company, encouraging us to push beyond traditional commercial boundaries in order to have a positive impact on society as a whole and driving us towards an ever more sustainable and responsible way of doing business.

Safaricom: How sustainability fits into our strategy (2)

Our approach to sustainability is based on our determination to manage and grow a safe, efficient and profitable business. We recognise that our business practices today must be designed to create and shape a sustainable tomorrow. We are committed to responsibly managing the economic, social and environmental impact we have on the communities and landscapes that surround and support us.

Safaricom: How sustainability fits into our strategy (3)

We believe that each one of our three new strategic objectives — 'Customer First', 'Relevant Products' and 'Operational Excellence' — has the potential to deliver meaningful, sustainable socio-economic benefits to society in general, as well as to our customers. Ultimate accountability for sustainability within Safaricom lies with the Chief Executive Officer (CEO), Bob Collymore. He is the sustainability champion on the Board of Directors and presents all sustainability related considerations to the Board.

Safaricom: How sustainability fits into our strategy (4)

Our Director of Corporate Affairs reports directly to the CEO and provides him with regular updates on the sustainability process so he can feed these into updates to the Board. While sustainability is considered the responsibility of EXCO within Safaricom, the Director of Corporate Affairs is the focal point for the implementation of our sustainability strategy. EXCO is assisted by a team of Sustainability Champions. The Champions represent every division within the business and we have a total of around 30 colleagues who work with sustainability as one of their core tasks.

Safaricom: How sustainability fits into our strategy (5)

Sustainability is embedded within the daily operations of Safaricom using a 'top-down, bottom-up' co-creation approach. This approach was adopted because it is a flexible, inclusive one that draws on the strengths of both the managerial and operational levels within the company. EXCO and the team of Sustainability Champions work simultaneously and in parallel to articulate sustainability requirements in a way that makes sense and is relevant to each Division. This approach entails extensive, ongoing consultations and conversations at all levels and functions across the company, but ensures that colleagues at every level embrace, understand and take ownership for sustainability.

Safaricom: Message from the CEO (1)

Robert F Kennedy suggested that 'the purpose of life is to contribute in some way to making things better' and it's a sentiment that we share at Safaricom. We believe that having the right purpose is fundamental to making the right decisions. It is at the core of our ongoing mission to transform lives. It is why we reject the idea that business is about choosing between having a purpose or making a profit. We believe that business requires the 'Three Ps': Purpose, People and Profit. If we let our purpose of transforming lives guide our decision-making and put our people first, we know that the profit will follow. For us, it is a case of choosing 'people and purpose and profit'.

Safaricom: Message from the CEO (2)

Our belief in the ‘Three Ps’ made embracing the UN Sustainable Development Goals (SDGs) an easy decision for us to make. Society and community remain at the heart of everything we do. We know that our success is thanks to the support of the people of Kenya as much as it is to our own efforts and we take our responsibility to reciprocate that support very seriously. The SDGs are a daily reminder that we cannot grow alone and that our success is only sustainable if everyone benefits from it, especially the poorest 46 per cent of the population.

The CEO