



**MOIRA MUKUKA**

LEGAL PRACTITIONERS

# **AGM Season 2022: ESG Disclosure + Reporting**

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**It is AGM Season for Zambian listed Companies and 2020 annual reports have been issued. Browsing through the annual reports, one cannot help but notice the varying levels of sustainability reporting in the annual reports.**

## **SUSTAINABILITY REPORTING**

The LuSE Code of Corporate Governance (the “LuSE Code”) contains certain sustainability requirements that listed companies can comply with on a voluntary basis. While Compliance with the specific requirements of the LuSE Code concerning corporate governance is mandatory, compliance with the sustainability provisions of the Code is not.

The LuSE Listing Rules in turn require listed companies to report, in their annual reports, on compliance with the LuSE Code. In particular, they require listed companies to disclose in their annual reports how they have applied the principles in the LuSE Code and provide explanations to enable shareholders evaluate how the principles have been applied.

Additionally, listed companies are required to include, in the annual reports, a statement addressing the extent of compliance with the LuSE Code and the reasons for non-compliance with any principles in the LuSE Code. They are also required to specify whether or not the company has complied with all the provisions of the LuSE Code throughout the accounting period and what part of the period any non-compliance occurred.

## **COMPLIANCE, VOLUNTARY STANDARDS, AND LEGAL RISK**

For most of the listed companies, the standard of ESG disclosure leaves much to be desired. It is no doubt that organisational changes in business operations is driven by regulation. The fear of legal and regulatory risk in most cases drives compliance. Where compliance with regulation is voluntary, legal and regulatory risk is not given much importance.

The varying standards of ESG disclosure in the annual reports, can be attributed to the varying levels of compliance with the sustainability provisions in LuSE Code, because strict compliance with the sustainability

provisions of the LuSE Code is not mandatory.

## **DISCLOSURE TRENDS**

Although sustainability reporting in the annual reports has been a trend over the years, it is interesting to note that, the reporting is beginning to focus on ESG, albeit with varying standards of disclosure. Most listed companies now recognize the strategic need to have an ESG story, and some are leveraging ESG leadership as a key differentiator from competitors.

## **GLANCE INTO THE FUTURE**

As the world moves to a more standardised ESG disclosure and reporting regime, sustainability is no longer a tick the box , good to have phenomemon . The annual reports of listed companies will be of interest to investors, and financiers alike, as part of their ESG Due Diligence, as increased attention shifts to ESG.

The International Financial Reporting Standards (IFRS) Foundation, an organisation responsible for setting global accounting standards, launched the International Sustainability Standards Board (ISSB). The ISSB is working to establish a singular, global ESG disclosure framework for corporates. While the LuSE Listing Rules require compliance of the annual financial statements of listed companies with IFRS, it remains to be seen what standard the ISSB will adopt and whether the framework will be widely accepted and adopted.

Zambian listed Companies will do well to track the variety of ESG reporting developments, including charting the progress of the new International Sustainability Standards Board. Listed companies need not be laggards and can take the lead by beginning to embed ESG in their strategies and business operations.

We can guide you through the emerging ESG regulatory and policy landscape, and assist with embedding ESG risk compliance in your organisation.



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