



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

28 July 2021

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Sir/Madam

**EXPOSURE DRAFT AND COMMENT LETTERS: PROPOSED TARGETED AMENDMENTS TO THE
IFRS FOUNDATION CONSTITUTION TO ACCOMMODATE AN INTERNATIONAL SUSTAINABILITY
STANDARDS BOARD TO SET IFRS SUSTAINABILITY STANDARDS**

The Institute of Certified Public Accountants of Uganda (ICPAU) is pleased to share its comments on the above named exposure draft.

ICPAU strongly supports the proposal to develop a set of a unified global standards on sustainability by the International Sustainability Standards Board. As the regulator of the accountancy profession in Uganda, ICPAU supports local adoption of those standards once they have been issued—to enhance comparability and reliability of sustainability information across global capital markets.

Our detailed responses to the questions in the Exposure Draft are provided in **Appendix 1**.

For any inquiries relating to this comment letter, kindly contact CPA Charles Lutimba by email at clutimba@icpau.co.ug

Yours faithfully,

A handwritten signature in purple ink, appearing to be 'Mark Omona', enclosed within a circular purple stamp.

CPA Mark Omona
DIRECTOR STANDARDS AND REGULATION
For: **SECRETARY/CEO**

Encl (ICPAU's Responses to Exposure Draft and comment letters: Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards)

NNN/.....

Question 1

Do you agree that the amendments proportionately reflect the Trustees' strategic direction, considering in particular:

- (a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the *Constitution*, as set out in Appendix A; and
- (b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the *Constitution*, as set out in Appendix A?

Our Response

- i. Yes, ICPAU supports proposed amendments in section 2b of the Constitution and Appendix A. ICPAU supports expanding the objectives of the IFRS Foundation to include the development of a single set of high-quality sustainability standards that provide decision-useful information to help investors and other participants in the world's capital markets.

To succeed on this new path, ICPAU invites the Trustees of the IFRS Foundation to consider amending the objectives within the Constitution to allow for connectivity between the IASB and the ISSB. We note that the IASB's "*Management Commentary Practice Statement*" and educational material "*Effects of Climate-related Matters on the Financial Statements*" may interact with the work of the ISSB.

Therefore, we urge the Trustees to join such IASB projects, where possible, with the projects of the ISSB and clearly provide for who does what.

- ii. Yes, ICPAU supports amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43-56 of the Constitution, as set out in Appendix A.

We, however, note a difference in approval requirements of the IASB and the proposed ISSB. Paragraph 35 of the Constitution (requires the IASB to publish exposure drafts or standards based on a qualified majority) whereas Paragraph 54 of the Constitution (requires the ISSB to publish the same based on simple majority). The exposure draft is silent on whether this difference is intended as

Appendix 1

transitory measure, given the limited expertise in the area of sustainability reporting at present, or as a more permanent requirement.

We therefore propose that, overtime, the two paragraphs be aligned to both require a qualified majority.

- iii. ICPAU has not identified any other amendments necessary to reflect the Trustees' intended strategic direction.

Question 2
On the potential naming of the new board and its associated standards, do you agree that 'the International Sustainability Standards Board (ISSB)' setting 'IFRS sustainability standards' accurately describes the function of the new board and its associated standards?

Our Response

- i. ICPAU supports the adoption of "International Sustainability Standards Board (ISSB)" as this mirrors the existing "International Accounting Standards Board (IASB)".
- ii. ICPAU supports the adoption of "IFRS Sustainability Standards" to describe the function of the new board and its associated standards.
 - ICPAU believes "International Sustainability Reporting Standards (ISRS)" would more faithfully describe the function of the ISSB. However, this would require accompanying amendments to some statutes and regulations to accommodate the new set of standards.
 - On balance "IFRS Sustainability Standards" would be the most appropriate name for the time being.
- iii. ICPAU supports the existing governing structure of the IFRS Foundation to oversee the new ISSB. ICPAU believes that a change in name from the IFRS Foundation to another name may be warranted to adequately describe the expanded remit of the Foundation. While ICPAU does not propose a new name for the IFRS Foundation in this comment letter, we propose that in developing such a name, consideration is put to the relevance of the IASB and the ISSB to that new name.

Question 3
Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the <i>Constitution</i> , as set out in Appendix A?

Our Response

- i. Generally, ICPAU agrees with the proposed consequential amendments outlined in proposed new sections 60-61 of the Constitution, as set out in Appendix A.
- ii. Earlier in this comment letter, we propose the need for connectivity between the IASB and the ISSB. We believe that the trustees of the IFRS Foundation have a central role in achieving this objective. Therefore, we propose that appropriate mechanisms be put in place to enable connectivity between the IASB and the ISSB.

Question 4
Are there any other matters you would like to raise in relation to the proposed targeted amendments to the <i>Constitution</i> ?

Our Response

ICPAU has identified the following additional matters that need to be considered in developing Sustainability Reporting Standards:

- i. Creation of a new Board to operate alongside the IASB under the existing governance structure of the Foundation may require upskilling of the Board and technical staff particularly on matters of Environmental, Social and Governance reporting.
- ii. Aside from working with some of the existing frameworks as building blocks for Sustainability Reporting Standards, the Trustees may find it value-adding to engage other key stakeholders like players in global capital markets as well as national standard setters.

Every year, ICPAU, the regulator of the accountancy profession in Uganda, in partnership with: the Capital Markets Authority—the Regulator of capital

markets in Uganda; and two other partners holds the Financial Reporting (FiRe) Awards to encourage and reward adoption of best practices in non-financial reporting in Uganda. We would be pleased to share our experiences and thoughts about non-financial reporting in a middle income economy like Uganda's.

- iii. As preparers need to be informed well in advance on the Sustainability Reporting Standards in order to enable them prepare for data systems that may be needed to support adoption, we believe that strategic partnerships with relevant stakeholders would ensure smoother adoption and implementation of Sustainability Reporting Standards once issued.
- iv. We encourage the Trustees to identify and utilize all possible synergies from the existing structure to avoid unnecessary replication of the operations of the IASB in setting up the ISSB as this may have cost implications.

Lastly, we encourage the IFRS Foundation to make as much progress as possible in developing high-quality sustainability standards. In our view, the proposed amendments appropriately advance this goal.