COMPREHENSIVE GUIDANCE

ON

ADOPTION OF SUSTAINABILITY PRINCIPLES

IN THE INSURANCE AND PENSION INDUSTRY

July 2026

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ABBREVIATIONS

ESG	Environmental, social, and governance
GRI	Global Reporting Initiative
GHG	Greenhouse Gas
ISSB	International Sustainability Standards Board
PAAB	Public Accountants and Auditors Board
PRI	Principles for Responsible Investment
PSI	Principles for Sustainable Insurance
SDGs	Sustainable Development Goals

EXECUTIVE SUMMARY

This guidance document provides a comprehensive framework for entities regulated by the Insurance and Pensions Commission (IPEC) to integrate sustainability principles into their operations, risk management, investment decisions and business strategies. Aligned with regional sustainability initiatives including the Nairobi Declaration on Sustainable Insurance, this document serves as a practical roadmap for transforming sustainability commitments into tangible operational practices.

The framework integrates two globally recognised standards: the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), providing a dual approach that addresses both the insurance and pension fund dimensions of Zimbabwe's financial sector. This comprehensive integration ensures that regulated entities can systematically embed environmental, social and governance (ESG) considerations across all aspects of their business operations.

To maintain a robust and globally aligned regulatory framework, the requirements of the Principles for Responsible Investment (PRI), the Principles for Sustainable Insurance (PSI) and the IFRS Sustainability Standards (including IFRS S1, IFRS S2 and any future standards issued by the International Sustainability Standards Board) are hereby ***incorporated by reference*** into this circular:

Entities are required to comply with the **full provisions of these frameworks, including all *future releases, amendments or updates*** issued by their respective governing bodies. This adoption by reference ensures that the insurance and Pension sector's obligations are not limited to the specific summaries contained within this circular but extend to the most current international requirements as they are published.

1. BACKGROUND AND REGULATORY CONTEXT

1.1 Circular 44 of 2022: Foundation for Sustainability

In 2022, the Insurance and Pensions Commission issued Circular 44, marking a pivotal moment in Zimbabwe's journey toward integrating sustainability into the financial sector. This circular established the foundational requirements for sustainability considerations within the insurance and pension industry, recognising that:

- Climate change and environmental degradation pose material risks to insurance portfolios and pension fund investments.
- Social factors including inequality, health and human rights directly impact the sustainability of business models.
- Governance practices form the backbone of responsible and sustainable business conduct.
- The insurance and pension industry has a unique dual role as both risk carriers and institutional investors, positioning them to drive positive change.

Circular 44 of 2022 encouraged all regulated entities to begin considering ESG factors in their operations and established the Commission's expectation that sustainability would transition from voluntary good practice to embedded business strategy.

1.2 Zimbabwe Sustainability Guidelines

Complementing Circular 44, Zimbabwe has developed various sustainability guidelines that provide a national framework and aligns with NDS2 for integrating ESG considerations across various sectors. These guidelines recognise that sustainability is not merely an environmental imperative but a comprehensive approach to ensuring long-term economic resilience, social equity and environmental stewardship.

The various frameworks emphasise:

- Climate Resilience - Addressing Zimbabwe's vulnerability to climate related risks including droughts, floods and temperature variations that impact agricultural productivity, water security and economic stability.
- Economic Diversification - Supporting sustainable economic growth that reduces dependence on extractive industries and promotes inclusive development.
- Social Development - Advancing gender equality, health outcomes, education access and decent work as fundamental components of sustainable development.
- Governance and Transparency - Strengthening institutional frameworks, combating corruption and ensuring accountability in both public and private sectors.

1.3 The Nairobi Declaration on Sustainable Insurance

The Nairobi Declaration on Sustainable Insurance represents a landmark regional commitment by African insurance regulators and industry stakeholders to advance sustainability within the insurance sector. Adopted by insurance supervisory authorities across Africa, the Declaration recognises the unique vulnerability of the African continent to climate change and the critical role of insurance in building resilience. The Nairobi Declaration on Sustainable Insurance (NDSI) is deeply interconnected with both the PSI and the PRI. The PSI, PRI and the NDSI exist to achieve the UN Sustainable Development Goals (UN SDGs).

Key Commitments of the Nairobi Declaration:

- Risk Assessment and Management - Integrating climate and environmental risks into underwriting, product development and claims management.
- Responsible Investment - Aligning investment portfolios with sustainable development objectives and reducing exposure to high carbon and environmentally harmful assets.
- Inclusive Insurance - Developing products and services that enhance financial inclusion, particularly for vulnerable populations and sectors critical to sustainable development.
- Capacity Building - Investing in the knowledge and skills necessary to effectively integrate sustainability into insurance operations.
- Disclosure and Transparency - Enhancing reporting on sustainability related risks, opportunities and impacts to stakeholders.
- Collaboration and Knowledge Sharing - Fostering regional cooperation to share best practices, develop common approaches and amplify impact.

1.4 The necessity for Transformation

The convergence of global climate change, evolving stakeholder expectations, regulatory developments and the recognition of sustainability as a source of competitive advantage creates an imperative for the Zimbabwe insurance and pension industry to transform. This transformation requires moving beyond compliance focused approaches to deeply embedding sustainability principles into the following.

- Corporate Strategy - Aligning business objectives with sustainability outcomes.
- Risk Management - Systematically identifying, assessing and managing ESG related risks.

- Investment Decisions - Integrating ESG factors into asset allocation and investment selection.
- Product Development - Creating insurance products that incentivise sustainable behaviours and support climate adaptation.
- Underwriting Practices - Incorporating ESG considerations into risk assessment and pricing.
- Claims Management - Using claims data to drive sustainability improvements and support recovery that builds resilience.
- Stakeholder Engagement - Collaborating with policyholders, beneficiaries, investors and communities to advance shared sustainability objectives.

2. PRINCIPLES FOR SUSTAINABLE INSURANCE (PSI)

The Principles for Sustainable Insurance (PSI) were developed through a partnership between the United Nations Environment Programme Finance Initiative (UNEP FI) and the global insurance industry. The PSI provide a framework for the insurance industry to address environmental, social and governance risks and opportunities. For Zimbabwe's insurance sector, the PSI offer a structured approach to integrating sustainability into core business operations.

2.1 PSI Principle 1: Embed ESG Issues in Decision-Making

Principle Statement, "*We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.*"

Application to Zimbabwe's Insurance Industry:

- Risk Assessment and Underwriting - Insurance companies must integrate ESG factors into their underwriting processes. For example, when underwriting agricultural insurance, companies should assess climate vulnerability, water availability and sustainable farming practices. When underwriting property insurance, flood risk mapping considering climate change projections, building standards and location specific environmental risks should inform pricing and coverage decisions.
- Product Development - Develop insurance products that support Zimbabwe's sustainability objectives. This could include parametric insurance for smallholder farmers affected by drought, micro-insurance products for renewable energy installations, coverage that incentivises sustainable building practices through premium discounts, health insurance products that promote preventive care and wellness.

- Claims Management - Use claims processes to promote sustainable recovery. For instance, after climate related disasters, support policyholders to rebuild in ways that increase resilience, such as using flood resistant materials or relocating to lower risk areas.
- Internal Operations - Embed ESG considerations in procurement, accounting, actuarial, human resources and administration policies, energy use and waste management within insurance operations.

Implementation Steps:

1. Conduct ESG materiality assessment specific to the Zimbabwe context.
2. Develop ESG integration framework for underwriting, product development and other departments.
3. Train staff (underwriters, product developers etc) on ESG risk assessment.
4. Establish ESG criteria in vendor selection and procurement processes.
5. Create ESG Key Performance Indicators (KPIs) aligned with business objectives.

2.2 PSI Principle 2: Work with Clients and Business Partners

Principle Statement, "*We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.*"

Application to Zimbabwe's Insurance Industry:

- Client Engagement - Engage policyholders proactively on risk reduction. For agricultural clients, provide advisory services on climate smart farming. For corporate clients, share insights on emerging ESG risks and support their transition to sustainable practices.

- Broker and Agent Education- Equip insurance intermediaries with knowledge about sustainable insurance products and ESG risk factors so they can effectively advise clients.
- Value Chain Collaboration- Work with reinsurers to access global expertise on climate risk modelling and sustainable insurance practices. Collaborate with technology providers to develop innovative solutions for ESG data collection and analysis.
- Public Private Partnerships - Partner with government agencies, NGOs and development organisations on initiatives that build climate resilience and expand insurance penetration in underserved communities.

Implementation Steps:

6. Develop client education programs on climate adaptation and ESG risk management.
7. Consider creating incentive structures (premium discounts) for clients demonstrating ESG best practices.
8. Establish formal partnerships with sustainability focused organisations.
9. Launch broker and agent training modules on sustainable insurance.
10. Develop collaborative platforms for sharing ESG data and insights with business partners.

2.3 PSI Principle 3: Work with Governments and Regulators

Principle Statement: "We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues."

Application to Zimbabwe's Insurance Industry:

- Regulatory Dialogue - Engage constructively with IPEC, ZSE, PAAB and other regulators on the evolution of sustainability regulations, providing industry insights and feedback on implementation challenges and opportunities.
- Policy Advocacy - Support the development of national policies that create enabling environments for sustainable insurance, such as building codes that improve resilience, land use planning that reduces disaster risk and economic policies that support climate adaptation.
- Data Sharing - Share aggregated claims data and risk insights with government to inform national disaster risk reduction strategies and climate adaptation planning.
- Industry Coordination - Work through industry associations (ICZ ,ZAPF,LOA,ZARO,ZAFA ..) to develop common approaches to sustainability challenges and amplify the industry's collective voice in multi stakeholder dialogues.

Implementation Steps:

11. Participate actively in IPEC consultations on sustainability regulations.
12. Contribute to national climate adaptation and disaster risk reduction strategies.
13. Establish formal data sharing agreements with relevant government agencies.
14. Support capacity building initiatives for regulatory authorities on sustainable insurance.
15. Collaborate on public awareness campaigns about insurance's role in sustainability.

2.4 PSI Principle 4: Demonstrate Accountability and Transparency

Principle Statement: "*We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.*"

Application to Zimbabwe's Insurance Industry:

- Sustainability Reporting - Publish annual sustainability reports that transparently disclose ESG risks, strategies, performance and targets. This reporting should align with recognised frameworks (see Section 5 on Reporting Standards).
- Target Setting - Establish measurable sustainability targets, such as carbon footprint reduction goals, sustainable investment allocation targets and penetration targets for inclusive insurance products.
- Stakeholder Communication - Regularly communicate with stakeholders including policyholders, shareholders, employees and communities about sustainability initiatives, progress and challenges.
- Third Party Verification - Where feasible, seek external assurance on sustainability disclosures to enhance credibility and trust.

Implementation Steps:

16. Develop comprehensive sustainability reporting framework aligned with IFRS S1, S2 and related updates.
17. Set SMART (Specific, Measurable, Achievable, Relevant, Time-bound) sustainability targets.
18. Establish internal governance structures for sustainability oversight and reporting.
19. Implement data collection systems to track sustainability KPIs.
20. Engage external auditors to provide assurance on sustainability disclosures (subject to PAAB guidance and roadmap on sustainability assurance).

3. PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The Principles for Responsible Investment (PRI) were established in 2006 through a partnership between the United Nations and institutional investors. The PRI provide a framework for incorporating environmental, social and governance (ESG) factors into investment decision making and ownership practices. For Zimbabwe's pension funds and the investment operations of insurance companies, the PRI offer essential guidance on responsible stewardship of financial assets.

3.1 PRI Principle 1: Incorporate ESG Issues into Investment Analysis

Principle Statement: "*We will incorporate ESG issues into investment analysis and decision-making processes.*"

Application to Zimbabwe's Pension and Insurance Investment:

- ESG Integration in Asset Selection - Pension funds and insurance companies must systematically evaluate ESG factors when selecting investments. For equity investments in Zimbabwean companies, this means assessing corporate governance quality, environmental management practices, labour standards and community relations. For fixed income, evaluate the ESG practices of issuers and the sustainability impact of the use of proceeds.
- ESG Risk Assessment - Develop frameworks to assess how ESG factors may impact investment returns. For example evaluate how water scarcity might affect mining companies, how energy costs impact manufacturing firms or how non-compliance could lead to regulatory penalties or reputational damage.
- Investment Exclusions and Negative Screening - Consider excluding investments in activities that pose severe ESG risks or are inconsistent with

sustainability objectives, such as companies with poor environmental track records and severe labour violations.

- Positive Screening and Best in Class - Actively seek investments in companies demonstrating ESG leadership within their sectors, such as renewable energy projects, companies with strong gender diversity or enterprises advancing financial inclusion.
- Thematic and Impact Investing - Allocate capital to investments that generate measurable positive ESG outcomes alongside financial returns. Examples include green bonds financing renewable energy or water infrastructure, social bonds supporting affordable housing or healthcare, and direct investments in sustainable agriculture or clean technology.

Implementation Steps:

21. Develop ESG investment policy defining integration approach and exclusions.
22. Build internal capacity or partner with ESG research providers for data and analysis.
23. Integrate ESG criteria into investment mandates and manager selection processes.
24. Establish ESG scoring system for portfolio holdings.
25. Create thematic investment allocations aligned with Zimbabwe's sustainable development priorities.

3.2 PRI Principle 2: Active Ownership and Engagement

Principle Statement: "*We will be active owners and incorporate ESG issues into our ownership policies and practices.*"

Application to Zimbabwe's Pension and Insurance Investment:

- Shareholder Engagement - As significant institutional investors, pension funds and insurance companies have the responsibility and opportunity to engage with portfolio companies on ESG performance. This includes dialogue with management and boards on strategy, risk management, disclosure and specific ESG issues.
- Proxy Voting - Exercise voting rights on shareholder resolutions, including those related to ESG matters. Develop clear voting policies that reflect ESG considerations and disclose voting records to demonstrate accountability.
- Collaborative Engagement - Join forces with other institutional investors to engage companies on systemic ESG issues. Collective engagement can amplify impact and drive meaningful change on issues like climate transition, water stewardship or corporate governance reform.
- Stewardship in Zimbabwe Context - Given the concentrated nature of Zimbabwe's capital markets, institutional investors have significant influence. Use this position responsibly to promote best practices in corporate governance, environmental management and social responsibility among listed companies and private investments.

Implementation Steps:

26. Develop comprehensive stewardship policy outlining engagement approach.
27. Create ESG informed proxy voting guidelines.
28. Establish regular engagement calendar with portfolio companies.
29. Participate in investor coalitions focused on ESG issues.
30. Report publicly on engagement activities and voting records.

3.3 PRI Principle 3: Seek ESG Disclosure from Investee Companies

Principle Statement: "*We will seek appropriate disclosure on ESG issues by the entities in which we invest.*"

Application to Zimbabwe's Pension and Insurance Investment:

- Request Enhanced Disclosure - Systematically request ESG information from portfolio companies. This includes data on carbon emissions, water usage, waste management, labour practices, diversity metrics, board composition, executive compensation and stakeholder engagement.
- Support Standardised Reporting - Encourage investee companies to adopt recognised reporting frameworks, particularly IFRS S1 and S2 (see Section 5), to ensure comparability and decision usefulness of ESG disclosures.
- Due Diligence Integration - Incorporate ESG disclosure quality into investment due diligence processes. Companies with poor or non-existent ESG reporting may warrant additional scrutiny or risk premiums loading.
- Capacity Building - Recognise that ESG reporting capacity in Zimbabwe may be developing. Support portfolio companies through guidance, training and sharing of best practices to enhance their disclosure capabilities.

Implementation Steps:

31. Develop standardised ESG questionnaire for investee companies.
32. Incorporate ESG disclosure expectations in investment agreements.
33. Engage companies lagging in disclosure quality with constructive recommendations.
34. Support industry wide initiatives to improve ESG data availability.

35. Organise workshops for portfolio companies on ESG reporting best practices.

3.4 PRI Principle 4: Promote PRI Acceptance in the Investment Industry

Principle Statement: "*We will promote acceptance and implementation of the principles within the investment industry.*"

Application to Zimbabwe's Pension and Insurance Investment:

- Service Provider Selection - Incorporate ESG capabilities into the selection and monitoring of investment managers, consultants and advisors. Require that external managers demonstrate ESG integration in their investment processes.
- Industry Leadership -Lead by example in responsible investment practices. Share experiences, challenges and solutions with peers to accelerate the adoption of responsible investment across Zimbabwe's financial sector.
- Capacity Building for Service Providers - Support the development of ESG expertise among local investment managers, brokers and advisors through training, knowledge sharing and performance expectations.
- Market Development - Advocate for market infrastructure that supports responsible investment, such as ESG indices, green bond standards and sustainability linked financial instruments.

Implementation Steps:

36. Include ESG integration requirements in investment manager RFPs and contracts.
37. Establish ESG performance monitoring for external managers.
38. Participate in industry forums and working groups on responsible investment.

39. Share responsible investment case studies and lessons learned publicly.
40. Support development of local ESG research and rating capabilities.

3.5 PRI Principle 5: Collaborate to Enhance Effectiveness

Principle Statement: "*We will work together to enhance our effectiveness in implementing the principles.*"

Application to Zimbabwe's Pension and Insurance Investment:

- Collaborative Platforms - Establish or participate in forums where institutional investors can share ESG insights, coordinate engagement and develop common approaches to sustainability challenges.
- Regional Cooperation - Engage with responsible investment networks in Southern Africa and across the continent to access broader expertise, share costs of ESG research and coordinate on regional sustainability issues.
- Knowledge Sharing - Contribute to and benefit from collective learning on responsible investment implementation, including what works in the Zimbabwean insurance industry context, how to overcome data limitations and how to measure impact.
- Joint Initiatives - Collaborate on initiatives that no single investor can accomplish alone, such as developing Zimbabwe specific ESG benchmarks, creating sustainability themed investment vehicles or funding research on local ESG issues.

Implementation Steps:

41. Join or establish Zimbabwe Responsible Investment Forum.
42. Participate in regional responsible investment networks.
43. Organise regular peer learning sessions on ESG integration challenges and solutions.

44. Develop shared resources (templates, tools, research) to reduce duplication.

45. Coordinate on systemic issues requiring collective investor action.

3.6 PRI Principle 6: Report on Activities and Progress

Principle Statement: "*We will each report on our activities and progress towards implementing the principles.*"

Application to Zimbabwe's Pension and Insurance Investment:

- Annual Reporting - Publish annual reports on responsible investment activities, including ESG integration approaches, engagement activities, portfolio ESG performance and progress toward sustainability targets.
- Beneficiary Communication - For pension funds, provide clear communication to members about how their retirement savings are being managed responsibly and the long-term benefits of ESG integration.
- Policy Disclosure - Make responsible investment policies publicly available to demonstrate commitment and allow stakeholders to hold the institution accountable.
- Impact Measurement - Where engaging in impact investing or thematic sustainability investments, measure and report on the ESG outcomes generated alongside financial returns.

Implementation Steps:

46. Develop responsible investment reporting framework aligned with PRI Reporting Framework

47. Publish dedicated responsible investment report and integrate into annual financial statements.

48. Create member/beneficiary communication materials on ESG integration.

49. Disclose responsible investment policies on website and in annual reports.
50. Implement impact measurement frameworks for sustainability-themed investments.

3.7 Other Relevant Sustainability Frameworks

Entities may also consider other frameworks to enhance their sustainability Practice such as specific SDGs relevant to the business.

4. INTEGRATED IMPLEMENTATION FRAMEWORK

While PSI and PRI address different aspects of the insurance and pension industry, their successful implementation requires an integrated approach. This section provides guidance on building organisational capacity, governance structures and processes that enable comprehensive sustainability integration.

4.1 Governance and Organisational Structure

- Board Level Oversight - Establish board committee or assign existing committee responsibility for sustainability oversight. Ensure board members receive regular training on ESG risks and opportunities relevant to the business.
- Executive Accountability - Designate a senior executive with clear accountability for sustainability strategy implementation.
- Cross Functional Teams - Create sustainability working groups/Committee that bring together representatives/sustainability champions from underwriting, Claims, risk management, product development, procurement, operations, finance, HR and administration to ensure coordinated implementation.
- Integration with Existing Functions - Rather than creating parallel sustainability structures, integrate ESG considerations into existing processes like underwriting guidelines, investment policies, risk frameworks and product development protocols. This will ensure ESG issues becomes part of the organisational culture.

4.2 Capacity Building and Training

- Technical Skills Development - Provide training for relevant staff on climate risk assessment, ESG analysis, sustainable product design and sustainability reporting. Partner with professional bodies or international organisations to access expertise.

- Awareness Building - Ensure all employees understand the organisation's sustainability commitments and how their roles contribute to achieving sustainability objectives.
- Leadership Development - Equip leaders with the strategic perspective necessary to drive sustainability transformation and navigate the business case for ESG integration.

4.3 Data and Technology Infrastructure

- ESG Data Collection - Develop systems to collect, store and analyse ESG data from multiple sources investee companies, underwriting activities, claims experience and internal operations.
- Climate Risk Modelling - Invest in or access climate risk models that can inform underwriting decisions, portfolio risk assessment and strategic planning. Consider Zimbabwe specific climate projections and vulnerability assessments.
- Reporting Systems - Implement technology solutions that facilitate sustainability reporting, ensuring data quality, consistency and audit trails.
- Data Partnerships - Collaborate with government agencies, research institutions and data providers to access climate, environmental and social data relevant to Zimbabwe.

4.4 Stakeholder Engagement

- Policyholders and Beneficiaries -Engage with customers to understand their sustainability preferences and concerns. Communicate how sustainable practices benefit them through better risk management and long-term value creation.
- Shareholders and Investors - Provide transparent communication about ESG risks, strategies and performance to meet growing investor expectations for sustainability disclosure.

- Regulators - Maintain constructive dialogue with IPEC and other regulatory authorities, providing feedback on emerging regulations and participating in consultations.
- Communities and Civil Society - Recognise the social license to operate and engage with communities affected by investment and insurance activities, particularly on environmental and social impacts.

4.5 Phased Implementation Approach

Recognising that comprehensive sustainability integration is a journey, entities can adopt a phased approach:

Phase 1: Foundation (Year 1)

- Establish governance structures and assign responsibilities.
- Conduct baseline ESG assessment and materiality analysis.
- Develop initial sustainability policy and strategy.
- Begin capacity building and awareness programs.

Phase 2: Integration (Years 2-3)

- Integrate ESG into core business processes (underwriting, investment, product development).
- Establish data collection processes.
- Launch sustainable products and services, consider utilisation of the IPEC regulatory sandbox.
- Implement ESG investment screening and stewardship practices.
- Set measurable sustainability targets.
- Enhance ESG data and analytics capabilities.
- Publish first sustainability report (voluntary reporting or as guided by PAAB Sustainability reporting roadmap.

Phase 3: Transformation (Years 4-5 and beyond)

- Embed sustainability across all business units and functions.
- Demonstrate measurable progress toward sustainability targets.
- Achieve external recognition (certifications, awards, inclusion in sustainability indices).
- Continuously refine approach based on emerging best practices and stakeholder feedback.

5. SUSTAINABILITY REPORTING FRAMEWORK

Transparent and consistent sustainability reporting is fundamental to accountability, stakeholder trust and effective capital allocation. This section outlines the reporting requirements and recommendations for entities regulated by IPEC.

5.1 IFRS Sustainability Disclosure standards

As a Baseline entities shall report on sustainability matters in accordance with the IFRS Sustainability Disclosure Standards (ISSB Standards) as prescribed by the Public Accountants and Auditors Board (PAAB). Entities need to proactively monitor and adopt any future updates of the Standards.

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

IFRS S1 establishes the overall framework for sustainability disclosure, requiring entities to disclose material information about sustainability related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term.

Key disclosure requirements under IFRS S1 include:

- Governance: The governance processes, controls and procedures used to monitor and manage sustainability related risks and opportunities.
- Strategy: How sustainability related risks and opportunities affect the entity's business model, strategy and financial position, performance and cash flows over the short, medium and long term.
- Risk Management: The processes used to identify, assess, prioritise and monitor sustainability related risks and opportunities.

- Metrics and Targets: Metrics used to measure and monitor sustainability related risks and opportunities and progress toward targets.

IFRS S2: Climate related Disclosures

IFRS S2 provides specific requirements for climate related disclosures, building on the structure established in IFRS S1. This standard is particularly relevant given climate change's materiality to both insurance risk and pension fund investments in Zimbabwe. The standard also provides Insurance Industry specific Guidance (Financial sector - Volume 17).

Key disclosure requirements under IFRS S2 include:

- Climate related Risks and Opportunities: Disclosure of physical risks (acute events like floods and chronic changes like temperature increases) and transition risks (policy, technology, market and reputational risks associated with climate change mitigation).
- Climate Resilience: Analysis of the resilience of the entity's strategy and business model to climate related changes, including scenario analysis where appropriate.
- Greenhouse Gas (GHG) Emissions: Disclosure of Scope 1, Scope 2 and Scope 3 GHG emissions in accordance with the GHG Protocol or equivalent methodology.
    - Scope 1: Direct emissions from owned or controlled sources.
    - Scope 2: Indirect emissions from purchased electricity, heat or steam.
    - Scope 3: All other indirect emissions in the value chain, including financed emissions from investment and underwriting portfolios.
- Climate related Targets: Any climate related targets set by the entity, including GHG emission reduction targets and information about progress toward those targets.

Application to Insurance and Pension Industry:

For insurers and pension funds, IFRS S2 requires particular attention to:

- Financed Emissions: GHG emissions associated with investment portfolios and for insurers, underwriting portfolios. This is often the largest component of an insurance or pension fund's carbon footprint.
- Physical Risk Exposure: For insurers, disclosure of exposure to climate related physical risks in underwriting portfolios, including geographic concentration in high risk areas, types of assets insured and risk mitigation strategies.
- Transition Risk in Investments: For both insurers and pension funds, analysis of investment portfolio exposure to transition risks, including holdings in carbon intensive sectors and strategies to manage this exposure.

5.2 Other Sustainability Standards

IFRS Sustainability standards provide the baseline reporting requirements with a focus on financially material sustainability information. While an entity may indirectly report on its impacts under IFRS Sustainability standards, it is not a substitute for a complete impacts report.

Entities on a voluntary basis can adopt additional reporting frameworks like the Global Reporting Initiative (GRI) Standards. The GRI Standards represent the world's most widely used framework for sustainability reporting, with a focus on reporting on an organisation's impacts on the economy, environment and society. GRI emphasises impact materiality, how the organisation affects stakeholders and sustainable development.

5.3 Reporting Timeline and Assurance

- Annual Reporting: Sustainability reports or sustainability sections within annual financial reports should be published annually, covering the same reporting period as financial statements.

- Progressive Implementation - Entities beginning sustainability reporting shall align implementation timelines with the national sustainability reporting roadmap issued by PAAB.
- External Assurance - Assurance requirements should align with professional standards applicable to PAAB registered practitioners and with the national sustainability reporting roadmap.
- Public Availability - Sustainability reports must be made publicly available through entity websites and filings with IPEC.

6. CONCLUSION

The adoption of the Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) aligned with the Nairobi Declaration and supported by robust sustainability reporting through IFRS S1, IFRS S2 and complementary frameworks like GRI, represents a transformative opportunity for Zimbabwe's insurance and pension industry.

By embedding these principles into decision making, operations and stakeholder engagement entities can:

- Better manage emerging risks, particularly those related to climate change and social dynamics.
- Identify and capture new business opportunities in sustainable products and responsible investment.
- Enhance long term financial performance and resilience.
- Meet the growing expectations of shareholders, regulators, investors, policyholders, employees and communities.
- Contribute meaningfully to Zimbabwe's sustainable development, climate resilience and UN Sustainable Development Goals (UN SDGs).

The journey toward full sustainability integration is ongoing and requires commitment, resources and continuous learning. However, the imperative is clear the insurance and pension industry must transform to remain relevant, resilient and responsible in the face of profound environmental and social changes.

The Insurance and Pensions Commission stands ready to support regulated entities in this transformation through ongoing dialogue, capacity building initiatives and the evolution of the regulatory framework. Together, we can build an insurance and pension industry that not only protects and grows financial wealth but also safeguards Zimbabwe's environmental and social future for generations to come.