

Sustainability Reporting Practices of Corporations in African Countries (Nigeria and Rwanda)

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This study examined the level of awareness, adoption, and compliance with International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards—specifically IFRS S1 and IFRS S2—among corporations in Africa, with evidence from Nigeria and Rwanda. Using cross-sectional survey research techniques, data were collected from stakeholders across the financial reporting value chain. A total of 134 valid responses were analysed using descriptive statistics and Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings reveal a high level of general compliance with IFRS standards, reflecting the formal adoption of IFRS in both countries. The results further indicate that African companies are fairly compliant with IFRS sustainability standards, although sustainability reporting (IFRS S1) practices are more established than climate-specific disclosures (IFRS S2). Structural model results show that both sustainability reporting compliance and climate reporting compliance have significant positive effects on overall IFRS compliance, with sustainability reporting compliance exerting the stronger influence. The study also identifies several challenges to effective implementation, including reporting complexity, high compliance costs, data and information management issues among others. The study concludes that while IFRS sustainability standards adoption in Africa is progressing, targeted capacity-building initiatives, regulatory support, and infrastructural development are required to enhance compliance, particularly with climate-related disclosures.

Keywords: *africa; climate reporting; IFRS compliance; nigeria; rwanda sustainability reporting.*

INTRODUCTION

Over the past decades, sustainability reporting has evolved from a voluntary disclosure practice focusing on environmental issues into a mainstream component of corporate communication that encompasses environmental, social, and governance (ESG) dimensions. This transformation reflects the growing expectation that firms demonstrate accountability not only to stockholders but also other stakeholders, including regulators, civil society, and investors concerned with long-term value creation. Systematic reviews show that the field has expanded in both scope and theoretical grounding, aligning closely with global policy frameworks such as the United Nations Sustainable Development Goals (SDGs) and highlighting research gaps that continue to shape the agenda (Du Toit, 2024; Raman et al., 2023).

Despite the progresses as highlighted above, historical and comparative analyses indicated that sustainability reporting remains fragmented across jurisdictions and industries. The literature consistently points to unresolved challenges regarding harmonization of standards, the scope and independence of assurance, and the integration of reporting practices with firms' actual sustainability performance. These gaps underscore the importance of continued inquiry into how sustainability reporting can balance transparency, comparability, and relevance while meeting the dual expectations of accountability and long-term value creation. Addressing these challenges remains crucial for advancing both scholarly research and corporate practice in sustainability reporting.

As indicated above for developed countries it has also gained increasing relevance in developing countries, where firms are under pressure to demonstrate their social and environmental accountability alongside financial performance. In Africa, this practice has accelerated in recent years, though its depth and consistency remain uneven across jurisdictions. Broader regional analyses similarly reveal that sub-Saharan Africa lags behind global benchmarks in reporting frequency and quality, due in part to institutional weaknesses, limited enforcement, and resource constraints (State of business sustainability reporting in sub-Saharan Africa, 2019). Nevertheless, the expansion of disclosure practices demonstrates growing recognition of sustainability as a driver of legitimacy and competitiveness in emerging markets.

Empirical studies from these individual developing countries highlight both the determinants and challenges of adoption. In Uganda, for example, managerial perceptions play a crucial role in shaping disclosure practices: while lack of expertise and negative attitudes constrain adoption, training and supportive institutional environments encourage uptake (Taurigana, 2021a, 2021b). Evidence from Ghana further illustrates how firm characteristics influence disclosure. Larger, older, and industry-specific firms are more likely to provide environmental information, while listed companies increasingly align their reporting with the triple bottom line framework (Welbeck et al., 2017; Duodu, 2020). Comparative research finds that even multinationals do not necessarily outperform local firms in Africa, suggesting that institutional environments exert stronger influence than ownership structure (Penney et al., 2023). These findings demonstrate that adoption is shaped by a combination of organizational capabilities, regulatory settings, and stakeholder pressures unique to developing contexts.

Beyond adoption, recent work investigates the implications of sustainability reporting for firm outcomes. In the financial sector, disclosures by banks in Ghana, Nigeria, and Kenya have been shown to influence asset quality, highlighting the role of transparency in strengthening resilience and risk management (Sustainability reporting and assets quality of listed banks, 2023). Studies of listed Ghanaian firms further reveal positive associations between environmental, social, and governance (ESG) disclosures and market value, suggesting that investors in developing markets increasingly price sustainability into firm valuation (Boahen et al., 2025). Similarly, corporate governance mechanisms shape the extent to which firms align their disclosures with the UN Sustainable Development Goals, reflecting the importance of board oversight and leadership commitment in translating sustainability commitments into credible reports (Saeed et al., 2025). These evidence demonstrates that despite challenges, sustainability reporting is beginning to generate tangible benefits in Africa and other developing countries.

Very recently, International Accounting Standard Board (IASB) took over the Sustainability Accounting Standards Board (SASB), which is a body that is focused on sustainability from the point of view of investors. Consequently, the IASB issued two standards that are reflective of the standards issued by SASB and just like the other IASB standards are expected to guide the preparation and presentation of financial statement of companies that are public interest entities. “An entity may apply IFRS Sustainability Disclosure Standards irrespective of whether the entity’s related general purpose financial statements (referred to as ‘financial statements’) are prepared in accordance with IFRS Accounting Standards or other generally accepted accounting principles or practices (GAAP)” (IFRS Foundation, 2023).

The purpose of this study is to assess the level of awareness and adoption of the IASB sustainability standards among African countries, and specifically by Nigeria and Rwanda entities. This study is specifically unique for being on a trending issue because the Standards are very recent and the IFRS is the assured route of including African countries in sustainability. The remaining part of this paper is divided into three sections for literature review, methodology and result & conclusion.

LITERATURE REVIEW

Standardization Efforts and IFRS

A key challenge in sustainability reporting has been the lack of consistency in disclosure requirements across jurisdictions. Companies often face difficulties in aligning their reporting practices with multiple frameworks, leading to gaps and inconsistencies in ESG disclosures (Adams, 2022). The absence of a unified standard has resulted in a fragmented reporting landscape, where organizations must navigate diverse regulatory expectations and voluntary guidelines. This complexity increases compliance costs and creates barriers to the effective integration of sustainability-related financial disclosures.

One of the key features of IFRS sustainability standards is its alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The standard requires entities to disclose governance structures, strategies, risk management approaches, and key performance metrics related to sustainability. This align-

ment ensures that IFRS builds upon widely accepted reporting principles, facilitating a smoother transition for companies already adhering to TCFD guidelines (White & Green, 2024). Additionally, the emphasis on governance and risk management reinforces the accountability of corporate leadership in managing sustainability risks and opportunities.

The adoption of IFRS is expected to have significant implications for regulatory frameworks worldwide. Some jurisdictions, such as the European Union, have already incorporated sustainability disclosure requirements into their regulatory landscape through directives like the Corporate Sustainability Reporting Directive (CSRD). While the CSRD mandates more comprehensive sustainability disclosures, IFRS provides a globally applicable framework that regulators can use as a foundation for local adaptations (European Commission, 2023). The convergence of IFRS with regional regulatory initiatives enhances the potential for a more cohesive global reporting ecosystem.

IFRS sustainability standards also represent a shift towards a more structured and accountable approach to sustainability disclosures, aligning ESG considerations with financial performance. By establishing a global baseline for sustainability-related financial disclosures, IFRS sustainability standards lays the foundation for a more consistent and reliable reporting landscape. This is because IFRS is known to increase the influence of uncertainty of avoidance, long-term orientation, and indulgence (Ryoba & Chalu, 2023). Over time, the adoption of IFRS sustainability standards is expected to drive greater transparency, improve investor confidence, and contribute to the broader goal of sustainable development (World Economic Forum, 2023).

Key Highlights of IFRS Sustainability Standards

IFRS S1

IFRS S1 establishes a principles-based approach to sustainability disclosures, requiring companies to provide information that is material to investors and other stakeholders. The core principles outlined in the standard include materiality, connectivity with financial statements, consistency and comparability, and forward-looking information. These principles aim to enhance the quality and transparency of sustainability reporting, aligning sustainability risks and opportunities with financial performance and long-term value creation (IFRS Foundation, 2023).

Materiality is a foundational principle of IFRS S1, emphasizing that companies must disclose sustainability-related information that could influence investor decision-making. The standard adopts a financial materiality perspective, ensuring that disclosed information is relevant to the financial performance and risk assessment of an entity.

Connectivity with financial statements is another critical principle in IFRS S1, requiring sustainability disclosures to be integrated with financial reporting. This approach ensures that sustainability information is not presented in isolation but is linked to an entity's overall financial condition and strategic direction. Empirical studies suggest that greater connectivity between financial and sustainability reporting

improves investor confidence and facilitates more informed decision-making (Miller & Zhao, 2023).

Consistency and comparability are essential for enabling cross-industry and cross-border assessments of sustainability performance. IFRS S1 mandates standardized disclosure requirements to ensure that sustainability reports can be compared across different entities and jurisdictions. The absence of a globally consistent reporting framework has historically led to inconsistencies in sustainability disclosures, making it difficult to assess companies' sustainability-related financial risks and opportunities (Gibson, 2023).

Forward-looking information is a key component of IFRS S1, encouraging entities to disclose anticipated sustainability risks and opportunities alongside historical data. This requirement aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which emphasize the importance of scenario analysis and future-oriented reporting. It provides investors with insights into how sustainability factors may impact an entity's financial performance over time. However, challenges remain in ensuring the accuracy and reliability of forward-looking statements, as these disclosures often involve a degree of uncertainty and estimation (White & Green, 2024).

IFRS S2

The IFRS S2 standard aims to enhance companies' understanding of how climate risks and opportunities affect their financial results. This standard ensures that everyone consistently reports on sustainability by using four key topics based on the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). Organizations should share the governance processes, controls and procedures they have in place to manage and track climate-related risks and opportunities. The Strategy part considers how climate change factors influence the company's business model, strategic goals and financial planning. Risk management is used to identify, assess, and manage climate-related hazards. How these procedures are fitted into the overall risk management strategy of the organisation is also considered.

The last section, called Metrics and Targets, requires companies to disclose the metrics and targets they use to monitor and address major climate issues, particularly greenhouse gas (GHG) emissions. Besides calling for the disclosure of industry-specific data, IFRS S2 also refers to the standards set by the Sustainability Accounting Standards Board (SASB). Apart from this, it also provides scenario analysis, primarily focusing on transition and physical risks, as well as how business strategies can address different climate scenarios (IFRS Foundation, 2023b).

Challenges and Critiques Sustainability Standard Adoption

Despite the potential benefits, the implementation of IFRS sustainability standards poses several challenges for organizations. One major concern is the complexity of integrating sustainability information into financial reports, particularly for companies with diverse global operations. Differences in data availability, accounting treatments,

and sustainability metrics further complicate the process, leading to potential discrepancies in how companies interpret and apply IFRS sustainability standards.

Also, many companies lack standardized methodologies for measuring sustainability impacts, resulting in inconsistencies across disclosures. The absence of uniform measurement criteria for ESG factors such as carbon emissions, water usage, and social governance practices makes it difficult for investors to compare sustainability performance across industries and regions. Additionally, some organizations face difficulties in collecting reliable ESG data due to limitations in data infrastructure, reporting systems, and internal expertise (Gibson, 2023). The reliance on third-party ESG rating agencies introduces further complications, as different providers use varying methodologies, leading to discrepancies in ESG scores and assessments (Chen et al., 2023).

The alignment of IFRS sustainability standards with existing sustainability reporting frameworks also presents a challenge. Companies that already report under frameworks such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or the European Union's Corporate Sustainability Reporting Directive (CSRD) may face difficulties in adapting to the IFRS sustainability standards framework (European Commission, 2023). While IFRS sustainability standards seeks to establish a global baseline for sustainability reporting, its integration with regional and industry-specific standards remains a complex issue. Some critics argue that without clear guidance on how IFRS sustainability standards interacts with other reporting frameworks, companies may experience duplication in reporting efforts, increasing compliance costs (White & Green, 2024).

The implementation timeline for IFRS sustainability standards is another area of concern. Organizations require sufficient time to develop internal processes, train personnel, and establish data collection mechanisms to meet the reporting requirements. Accelerated adoption timelines could place additional strain on companies, particularly those with limited experience in sustainability reporting (Deloitte, 2023).

Technological challenges also play a role in the implementation of IFRS sustainability standards. Digital transformation is critical for improving the efficiency and accuracy of sustainability reporting, yet many companies face obstacles in integrating digital tools for ESG data management (PwC, 2023). The use of artificial intelligence, blockchain, and automated reporting systems has the potential to streamline sustainability disclosures, but the high costs of implementation and data security concerns remain barriers to adoption (Chen et al., 2023). Additionally, ensuring the interoperability of digital reporting platforms with existing financial systems is essential to achieving seamless connectivity between sustainability and financial disclosures (Grewal et al., 2023).

Cost implication especially for small businesses is another concern. For small and medium-sized enterprises (SMEs), the cost of adhering to IFRS S2 is a significant concern. Investment is required in data systems, consulting services, climate risk modelling, assurance and internal training to comply with regulations. For businesses with limited resources, these expenses may be too high, potentially leading to a

situation where large companies comply with the new rules correctly while others do not (OECD, 2022; World Bank, 2023). The expense involved in adopting IFRS S2 may prevent some places from choosing to use it, which would reduce global conformity.

Capacity building and reporting infrastructure is another concern. There is a significant hurdle to overcome due to the limited ability within institutions and professions to apply IFRS sustainability standards. Many countries face a shortage of trained professionals in sustainability accounting, environmental, social, and governance analysis, and climate science who can help with strong disclosures (ACCA, 2023). Not enough people are available to perform key roles in both the public and private sectors, such as preparing, auditing, regulating, and educating. Moreover, insufficient funds are being allocated to digital tools (for example, those used for environmental, social, and governance reporting and tracking emissions) to support their effective implementation. It is essential to ensure that IFRS sustainability standards is applied consistently and is credible across all global markets by strengthening institutional capacity (World Economic Forum, 2023).

Despite these challenges, sustainability standards represent a significant step toward improving sustainability-related financial disclosures. The standards seek to address gaps in ESG reporting, enhance transparency, and provide investors with reliable information on sustainability risks and opportunities. However, its successful implementation will require ongoing collaboration among standard-setting bodies, regulatory agencies, industry stakeholders, and reporting entities (World Economic Forum, 2023). Addressing the identified challenges through targeted policy interventions, capacity-building initiatives, and technological advancements will be critical in ensuring the long-term effectiveness of the standards.

Theoretical Background

Institutional Theory

Institutional theory elucidates how organizations conform to societal norms and regulations to attain legitimacy and ensure survival. In the context of IFRS sustainability standards, institutional theory suggests that companies adopt standardized sustainability reporting practices to align with globally accepted norms and expectations. DiMaggio and Powell (1983) identify three mechanisms of institutional isomorphism—coercive, mimetic, and normative—that drive organizations toward homogeneity. Coercive isomorphism arises from formal pressures exerted by regulatory bodies and governments, compelling organizations to adhere to standardized reporting frameworks like IFRS sustainability standards to comply with legal mandates and avoid sanctions. Mimetic isomorphism occurs when organizations emulate peers that are perceived as successful or legitimate, leading to the widespread adoption of IFRS sustainability standards as companies seek to mirror industry leaders. Normative isomorphism stems from professional norms and education, where industry standards and professional bodies advocate for the adoption of IFRS sustainability standards, fostering a collective movement toward standardized sustainability disclosures (DiMaggio & Powell, 1983).

Stakeholder Theory

Freeman believes, according to stakeholder theory, that how companies relate to all their stakeholders, including investors, employees, consumers, regulators, and society, is more important for success than solely focusing on the preferences of shareholders (Freeman, 1984). Under this theory, organisations are advised to address environmental issues to maintain the trust and support of their stakeholders regarding climate disclosures. Making customers and investors aware of climate-related risks means companies are responsive to their concerns. It matters most when businesses are dealing with environmental concerns, future profits and fairness in running their organisations (Clarkson et al., 2008). IFRS sustainability standards matches this view by making it easy for stakeholders to get climate information that is the same and supports good choices.

Legitimacy Theory

The legitimacy theory suggests that organizations must make their actions appear proper or correct to the environment in which they belong (Suchman, 1995). The release of climate data enables organizations to enhance their image in the eyes of the public, officials, and investors. To respond to increased interest from institutional investors and environmental NGOs, companies demonstrate their adherence to social and environmental norms through sustainability disclosures (Deegan, 2002). IFRS sustainability standards helps companies earn a better reputation and meet the requirements for a "license to operate," particularly when their operations involve a significant amount of carbon.

Empirical Reviews

Wahyuni (2025) analyzed the role of IFRS S1 and S2 in improving transparency and accountability of Environmental, Social, and Governance (ESG) disclosures. The study reviewed 35 articles published in reputable international journals and concluded that IFRS S1 and S2 have the potential to enhance the quality of sustainability reporting by providing clear and standardized guidance. The implementation of these standards assists companies in disclosing relevant information regarding ESG policies and strategies, as well as related impacts and risks that may affect long-term business sustainability. However, the research also highlighted challenges such as differences in interpretation across countries, companies' unpreparedness to comply with regulations, and the lack of standardized data and methodologies.

Pratama et al. (2022) conducted a preliminary assessment of sustainability disclosures using IFRS S1 among Southeast Asian companies. The study analyzed 224 companies listed on ESG-related indexes in Thailand, Singapore, Indonesia, and Malaysia. The assessment utilized a disclosure quality matrix consisting of four criteria: Governance (GOV), Strategy (STR), Risk (RSK), and Target and Metrics (MTR). The results indicated that almost all companies fully disclosed GOV, STR, and RSK aspects but not MTR. Additionally, disparities were observed in the extent and quality of disclosures among countries and industries, suggesting the need for efforts to reduce these disparities and improve sustainability reporting.

Pratama et al. (2024) examined the implementation challenges and impacts of IFRS S1

and IFRS S2 on sustainability reporting quality from 2022 to 2024. The study found that larger mining companies showed progress in aligning their reports with the new standards, whereas medium and smaller enterprises faced barriers such as resource constraints and technical limitations. Improvements in governance and risk management were noted, driven by the comprehensive disclosure requirements of the standards. However, significant gaps persisted, particularly in quantitative metrics like scope 3 emissions reporting.

Furthermore, the adoption of IFRS sustainability standards in the financial sector has been met with both enthusiasm and skepticism. A study by Johnson & Lee (2024) found that banks and investment firms implementing IFRS S1 experienced improvements in transparency and risk assessment. However, the study also noted that smaller financial institutions faced challenges in aligning their data collection systems with the new reporting requirements, highlighting a need for regulatory support and capacity-building measures.

Empirical research also suggests that IFRS S1 has a significant impact on corporate governance. Mehta et al. (2023), it was found that firms with dedicated ESG committees and sustainability officers demonstrated higher compliance levels with IFRS S1. These organizations also reported improved investor confidence and stakeholder engagement as a result of enhanced transparency.

The role of regulatory bodies in enforcing IFRS S1 is another area of empirical investigation. Osei et al. (2024) examined how different jurisdictions are implementing IFRS S1 and found that countries with stricter regulatory oversight tend to have better compliance rates. However, the study also highlighted the risk of regulatory fragmentation, where variations in national approaches to sustainability reporting could undermine the comparability objective of IFRS S1.

Related to the above is Christopher, et al (2022) that studied the influence of board characteristics on sustainability disclosures. The study found out that board size has an inverted u-shaped relationship with disclosure whereas board diversity in terms of gender and board committee have a significant positive influence on disclosure. On the other hand, CEO power and board compensation have a significant negative influence, while board diversity, independence and meetings do not have a significant influence on disclosure.

According to Eduyush (2025) discusses key implementation challenges, including data collection and management, materiality assessment, resource allocation and expertise, integration with existing reporting frameworks, ensuring consistency and comparability, and communicating complex information. The post suggests solutions such as leveraging technology, building internal capacity, engaging stakeholders, adopting a phased implementation approach, and seeking external support to navigate these challenges effectively.

Overall, empirical studies indicate that while IFRS sustainability standards has the potential to enhance the quality and comparability of sustainability reporting, but its effective implementation requires addressing various challenges, including standardization of data, resource constraints, and the need for clear guidelines tailored to specific industries and regions.

According to Amel-Zadeh and Serafeim (2018), when companies provide clear climate information in line with frameworks such as TCFD (which IFRS S2 follows), they are more likely to include climate change in their strategic plans, which makes them more resilient and able to plan for the future. The IFRS S2 will help investors identify risks and opportunities and compare them across their investments. And have better access to capital and lower costs (Krueger, Sautner, and Starks', 2020).

Also with IFRS S2, businesses can reduce their risks from climate-related lawsuits, assets that cannot be used and penalties by admitting and reporting important risks because disclosures in line with IFRS S2 often leads companies to receive better RSG ratings which can help a company's market value, earn trust from stakeholders, and keep customers loyal (Fatemi, Glaum, and Kaiser, 2018).

METHODOLOGY

The research adopted the survey method, collecting cross-sectional data that is analyzed using descriptive and correlational methods of analysis. Data were collected from subjects that are active on the subject matter, thereby availing the study of first-hand information. The data were collected from various subjects at the same point in time and they were analyzed using means, standard deviations and graphs on the one side and using inferential regression on the other side.

Data were collected through questionnaire administration. The questionnaire was designed for stakeholders in the financial reporting value chain, which include shareholders, managers, employees, regulators, assurance and other services providers among others of listed and non-listed companies. The questionnaires were distributed in Nigeria and Rwanda. 170 questionnaires were distributed, but only 151 were returned. 17 out of the 151 were incorrectly filled and were therefore removed. The remaining 134 were used for analysis.

The responses were coded and tabulated accordingly. Statistics like percentage, mean and standard deviation were computed for relevant data and key data were further presented in graphical forms. The data were then analyzed using PLS-SEM.

Model

$$\text{IFRSC}_i = \alpha + \beta_1 \text{SRC}_i + \beta_2 \text{CRC}_i + \varepsilon_i$$

Where:

IFRSC : IFRS Compliance

α : Intercept/Constant

SRC : Sustainability Reporting Compliance (IFRS S1)

CRC : Climate Reporting Compliance (IFRS S2)

ε : Error term

Statement of Hypotheses

H1: African companies are yet compliant with IFSR Standards

H2 :African companies are yet compliant with IFSR Sustainability Standards

H3: There is no significant effect of IFRS Sustainability Reporting compliance on IFRS compliance in Africa

H3: There is no significant effect of IFRS Climate Reporting compliance on IFRS compliance in Africa

RESULT AND DISCUSSION

Descriptive Statistics and Charts

Descriptive Statistics

The descriptive statistics computed from data collected are presented below. The statistics are the computed means, medians, standard-deviations and modes.

Table 1: Computed Statistics

Questions	Count	Mean	Median	Std Dev	Mode
PQ4	134	3.1	2	2.19	2
Q1	134	4.39	5	0.79	5
Q2	134	4.43	5	1.01	5
Q3	134	4.27	5	1.16	5
Q4	134	4.38	5	1.11	5
Q5	134	4.29	5	1.17	5
Q6	134	4.25	5	1.11	5
Q7	134	4.2	5	1.16	5
Q8	134	4.05	4	1.17	5
Q9	134	4.17	5	1.17	5
Q10	134	4.13	4	1.11	5
Q11	134	4.19	5	1.14	5
Q12	134	3.9	4	1.24	5
Q13	134	4.01	4	1.13	5
Q14	134	3.92	4	1.33	5
Q15	134	3.95	4	1.16	5
Q16	134	3.87	4	1.22	5
Q17	134	3.94	4	1.21	4
Q18	134	5.72	6	2.58	9
Q19	134	3.52	4	1.36	4
Q20	134	3.61	4	1.33	4
Q21	134	3.4	4	1.32	4

Questions	Count	Mean	Median	Std Dev	Mode
Q22	134	3.49	4	1.33	4
Q23	134	3.58	4	1.34	4
Q24	134	3.48	4	1.3	4
Q25	134	3.4	4	1.38	4
Q26	134	3.6	4	1.36	4
Q27	134	3.45	4	1.31	4
Q28	134	3.37	4	1.31	4
Q29	134	3.45	4	1.37	4
Q30	134	3.43	4	1.37	4
Q31	134	3.43	4	1.21	4
Q32	134	3.39	3.5	1.3	3
Q33	134	6.75	7	1.82	7

Source: Field Survey. 2025

The responses, except for Q18 and 33, were collected on a Lickert scale of 1-5. Q1 to 5 are about general IFRS compliance and they score means higher than 4. Q6 to 17 are for sustainability reporting also with means around 4, while Q19 to 32, on climate related disclosure have means around 3.5.

Charts of Key Responses

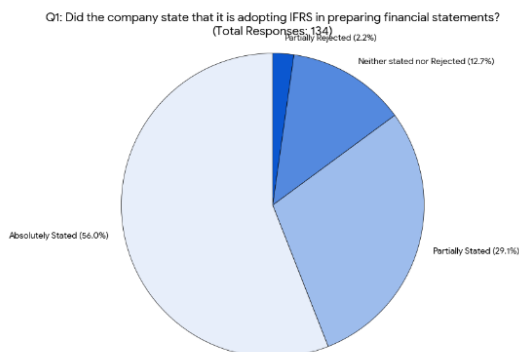


Figure 1: Statement of Compliance with IFRS

The most frequent response was Absolutely Stated with 56.0% of all responses. The distribution of responses is as follows: Absolutely Stated: 56.0%; Partially Stated: 29.1%; Neither stated nor Rejected: 12.7%; Partially Rejected: 2.2%. Absolutely Rejected: 0%

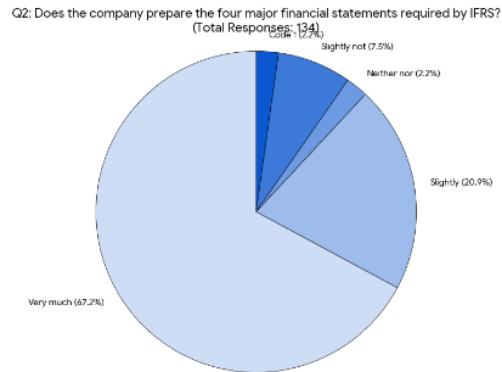


Figure 2: Preparation of the four Primary Financial Statements

The most frequent response was Very much with 67.2%. The distribution of responses is as follows: Very much Not: 2.2%; Slightly Not: 7.5%; Neither nor: 2.2%; Slightly: 20.9%; Very much: 67.2%.

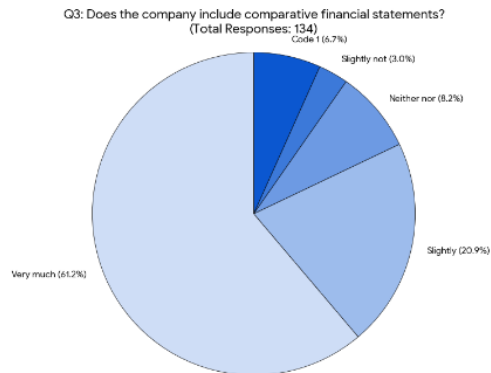


Figure 3: Preparation of Comparative Financial Statements

The most frequent response was Very much with 61.2%. The distribution of responses is as follows: Very much Not: 6.7%; Slightly Not: 3%; Neither nor: 8.2%; Slightly: 20.9%; Very much: 62.2%.

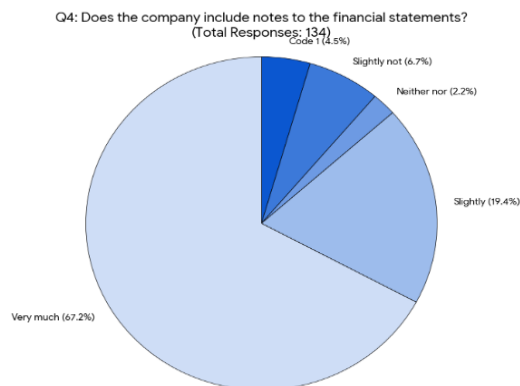


Figure 4: Inclusion of Notes to Financial Statements

The most frequent response was Very much with 67.2%. The distribution of responses is as follows: Very much Not: 4.5%; Slightly Not: 6.7%; Neither nor: 2.2%; Slightly: 19.4%; Very much: 67.2%.

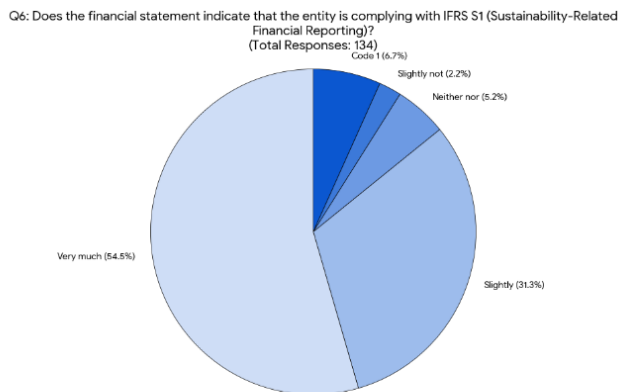


Figure 5: Statement of Compliance with Sustainability-Related Financial Information Standard

The most frequent response was Very much with 54.5%. The distribution of responses is as follows: Very much Not: 6.7%; Slightly Not: 2.2%; Neither nor: 5.2%; Slightly: 31.3%; Very much: 54.5%

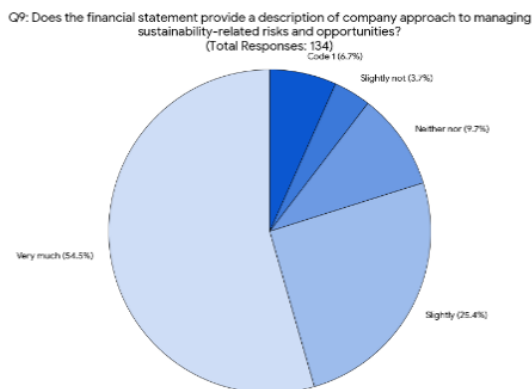


Figure 6: Description of Company's Approach to Managing Sustainability-Related Risks and Opportunities

The most frequent response in figure 6 was Very much with 54.5%. The distribution of responses is as follows: Very much Not: 6.7%; Slightly Not: 3.7%; Neither nor: 9.7%; Slightly: 25.4%; Very much: 54.5%.

The most frequent response in figure 7 was Very much with 45.5%. The distribution of responses is as follows: Very much Not: 6.7%; Slightly Not: 3.0%; Neither nor: 6.7%; Slightly: 38.1%; Very much: 45.5%.

Q10: Does the financial statement disclose the metrics and targets used to measure progress against sustainability-related goals?
(Total Responses: 134)

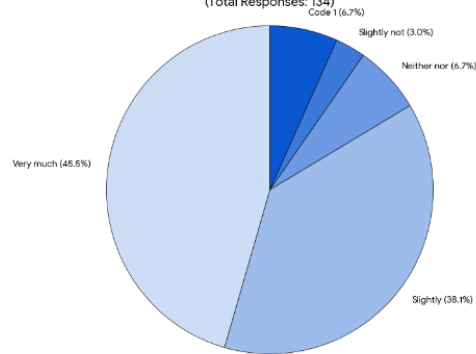


Figure 7: Disclosure of Metrics and Targets used to Measure Progress against Sustainability Goals

Q11: Does the company have a process in place for ensuring the accuracy and completeness of sustainability-related disclosures?
(Total Responses: 134)

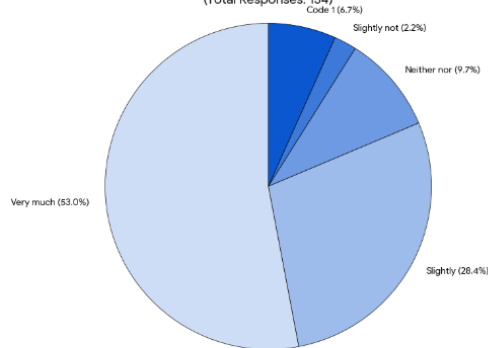


Figure 8: Accuracy and Completeness of Sustainability Related Disclosures

The most frequent response was Very much with 53.0%. The distribution of responses is as follows: Very much Not: 6.7%; Slightly Not: 2.2%; Neither nor: 9.2%; Slightly: 28.4%; Very much: 53.0%

Q18 What are the challenges of adopting IFRS S1

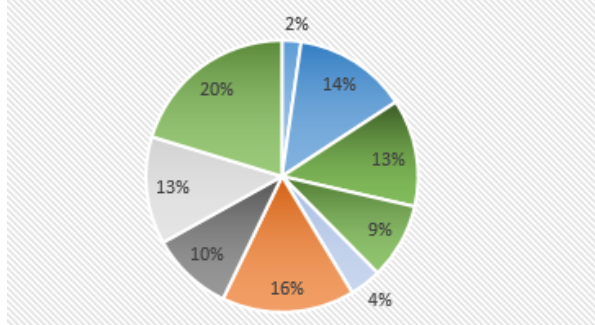


Figure 9: Challenges of Adopting Sustainability-Related Financial Information Standard

The most frequent response was 9 with 20.1% of all responses. The distribution of responses is as follows: 1: 2.2%; 2: 14%; 3: 12.7%; 4: 9.0%; 5: 3.7%; 6: 15.7%; 7: 9.7%; 8: 13.4%; 9: 20.1%.

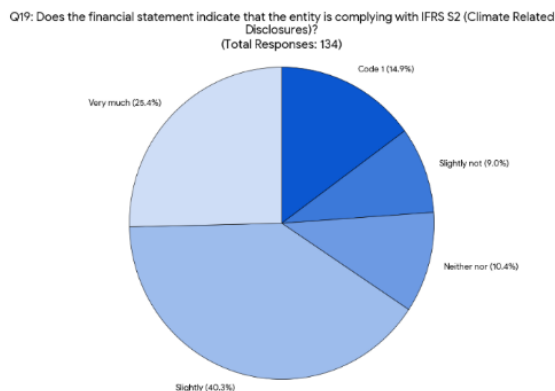


Figure 10: Statement of Compliance with Climate Reporting Standard

The most frequent response was Slightly with 40.3%. The distribution of responses is as follows: Very much Not: 14.9%; Slightly Not: 9.0%; Neither nor: 10.4%; Slightly: 40.3%; Very much: 25.4%.

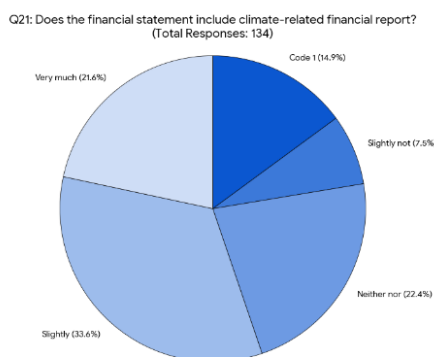


Figure 11: Inclusion of Climate Related Financial Report

The most frequent response in figure 11 was Slightly with 33.6%. The distribution of responses is as follows: Very much Not: 14.9%; Slightly Not: 7.5%; Neither nor: 22.4%; Slightly: 33.6%; Very much: 21.6%.

The most frequent response in Figure 12 was Slightly with 33.6%. The distribution of responses is as follows: Very much Not: 14.9%; Slightly Not: 5.2%; Neither nor: 20.9%; Slightly: 33.6%; Very much: 25.4%.

Q22: Does the financial statement provide a description of company approach to managing climate-related risks and opportunities?
(Total Responses: 134)

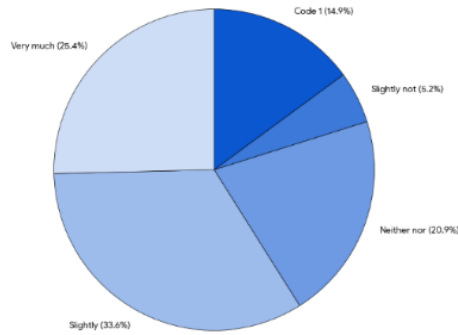


Figure 12: Description of Company's Approach to Managing Climate Related Risks and Opportunities

Q23: Does the financial statement disclose the metrics and targets used to measure progress against climate-related goals?
(Total Responses: 134)

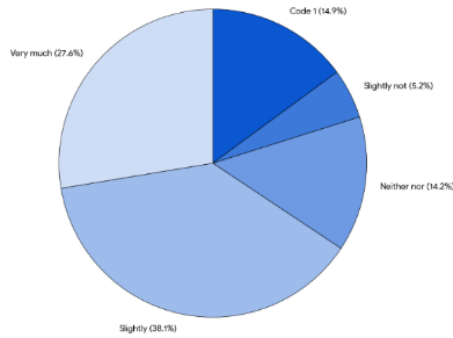


Figure 13: Disclosure of Metrics and Targets used to Measure Progress against Climate Goals

The most frequent response was Slightly with 38.1%. The distribution of responses is as follows: Very much Not: 14.9%; Slightly Not: 5.2%; Neither nor: 14.2%; Slightly: 38.1%; Very much: 27.6%.

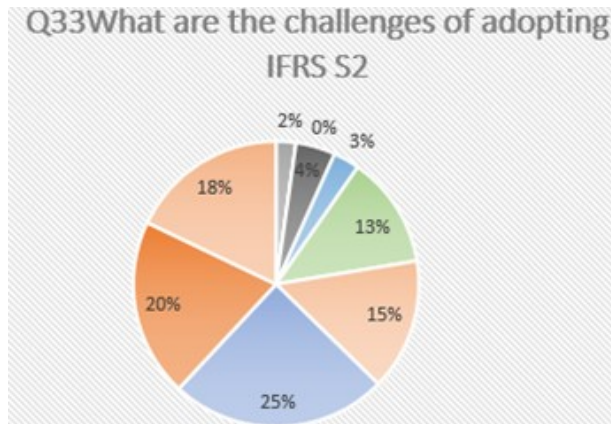


Figure 14: Challenges of Adopting Climate-Related Disclosure Standard

The most frequent response was 7 with 24.6% of all responses. The distribution of responses is as follows: 1: 2.2%; 2: 0.0%; 3: 4%; 4: 3.0%; 5: 12.7%; 6: 14.9%; 7: 24.6%; 8: 20%; 9: 17.9%.

The pie chart analyses above covered key responses that can provide the relevant information about general compliance with IFRS standards and about adoption and compliance with the IFRS sustainability standards, making them relevant to hypotheses 1 and 2 of these research.

Figures 1 to 4 presented responses related to compliance with IFRS accounting standards and by implication general adoption of IFRS. Figures 5 to 14 are for responses specific to IFRS Sustainability standards, all except figures 9 and 14, being about compliance. Figure 9 and 14 presented the challenges of complying with IFRS S1 and S2, respectively.

Figure 1 presented the key compliance information, which is to indicate if companies specifically stated that it is preparing its financial statements in line with IFRS standards. 85% of respondents indicated that their company made statement of compliance, with 56% out of it being absolutely stated. Only 2.2% indicated that their companies did not make the declaration. Figures 2, 3 and 4 presented responses that tested if the companies actually practically comply and on the average, 85.6% indicated that the companies comply with IFRS in financial statement preparation. This is a very high level of compliance going by the fact that non-listed SMEs that are yet mandated to comply are included in the study.

On the bases of the above we reject the null hypothesis 1 that African companies are yet compliant with IFRS standards. It is important to support this with the fact that the two countries have officially adopted IFRS.

Figure 5 presented the key response related to compliance with IFRS S1. The figure indicated if companies specifically stated that it is complying with IFRS Sustainability Reporting standard. 85.8% of respondents responded that companies stated that they are complying with IFRS S1. 54.5% of it claimed that it is very much stated. Figures 6 to 8 elicited responses around general compliance indicators. On the average, 81.6 affirmed that companies engaged in sustainability reporting practices.

Figure 10 presented the percentage of companies' declaring compliance to IFRS S2 at 65.7. Responses on indicators of compliance as presented in figures 10 to 13 scored an average of 60%. Out of the 60% only 25.1% confirmed that companies very well practically complied.

Overall, companies can be said to have fairly complied with the provisions of the two sustainability standards, judging by the fact that it is yet mandatory. It was also clear that IFRS S1 is the more adopted so far out of the two. On the bases of the above we reject the null hypothesis 2 that African companies are yet compliant with IFRS sustainability standards.

The study further sort to unravel the key challenges of compliance to the two standards. The key challenges with compliance with IFRS S1 include complexity

(20%); system and process changes (15.7%); cost (14%); regulation issues (13.4%) and errors and restatements (12.7%). On the other hand, IFRS S2 faced the following major compliance challenges. Data and information management (24.6%); cost (20%); complexity (17.9%); system and process changes (14.9%) and regulation issues (12.7%). Personnel and resources requirements were also mentioned.

Measurement Models Assessment

The measurement model depicts construct-indicator relationships. The indicators in this study were reflective, as such, indicator reliability, internal consistency, convergent validity, and discriminant validity were applied for the measurement model. The outcome was attained via a series of analytical techniques, namely factor loading, composite reliability, average variance extracted (AVE), and Heterotrait-monotrait ratio (HTMT) respectively. In comparison to the permitted limits of 0.60, 0.70, and 50%, the computed values of factor loading, composite reliability, and AVE, respectively were above those values (see Table 2 and Figure 1). In addition, discriminant validity was demonstrated with HTMT ratios less than the conservative and liberal threshold values (see Table 3) of 0.85 and 0.90 respectively (Hassan et al., 2021; Henseler et al., 2015). Thus, the distinctiveness of the latent constructs was established.

Table 2: Indicators, Factor Loadings, Composite Reliability and AVE

Construct	Indicators	Loadings	Composite Reliability	AVE
DV	Q1	0.793	0.921	0.701
	Q2	0.818		
	Q3	0.812		
	Q4	0.913		
	Q5	0.844		
IV1	Q6	0.888	0.973	0.749
	Q7	0.912		
	Q8	0.917		
	Q9	0.931		
	Q10	0.918		
	Q11	0.922		
	Q12	0.776		
	Q13	0.895		
	Q14	0.888		
	Q15	0.799		
	Q16	0.773		
	Q17	0.733		
IV2	Q19	0.907	0.984	0.816
	Q20	0.897		
	Q21	0.916		

Construct	Indicators	Loadings	Composite Reliability AVE
IV2	Q22	0.931	0.845
	Q23	0.933	
	Q24	0.920	
	Q25	0.907	
	Q26	0.890	
	Q27	0.886	
	Q28	0.934	
	Q29	0.925	
	Q30	0.889	
	Q31	0.864	
	Q32	0.845	

Source: Authors’ Computation (2025).

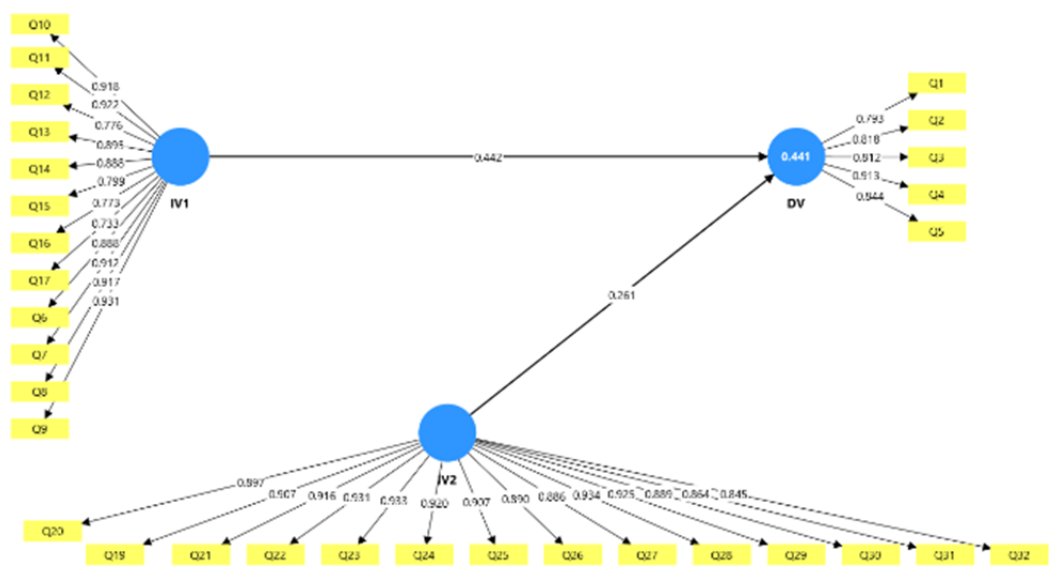


Figure 19: PLS Algorithms Results
(Source: Authors’ Analysis ,2025)

Table 3: Heterotrait-Monotrait (HTMT) Ratio

Constructs	DV	IV1	IV2
DV			
IV1	0.674		
IV2	0.624	0.783	

Source: Authors’ Computation (2025).

Structural Model

The structural model was assessed through the Variance Inflation Factor (VIF), the coefficient of determination (R^2), the effect size (f^2), predictive relevance (Q^2), and the path coefficients (β) to assess the strength and direction of associations among the constructs. Path coefficients and p-values were used to confirm or reject the hypotheses. The VIF values were 2.436 and 2.552, clearly below the threshold of 5 (see Table 4), showing that collinearity among the predictor constructs is not a critical issue in the structural model. The R^2 value was 0.441 for the outcome variable (see Table 5 and Figure 20), which revealed that independent latent constructs (sustainability reporting compliance IV1 and climate reporting compliance IV2) explained about 44.1% of the variance in DV. The effect size (f^2) also fell within the threshold of small and medium, implying that the impact of the independent latent constructs (IV1 and IV2) on the outcome variable (IFRS Compliance DV) was non-negligible. Similarly, the Q^2 value for the endogenous construct (DV) was 0.402, which is above the threshold of strong Q^2 , hence, the out-of-sample predictive relevance was established. Likewise, the values of the path coefficients were within the allowable range of +1 and -1 (see Figure 20 and Table 5).

Table 4: Explanatory Power

Predictors	Outcomes	R-Square	f-Square	Q-Square	Inner Model VIF
IV1	DV	0.441	0.144	0.402	2.436
IV2			0.050		2.552

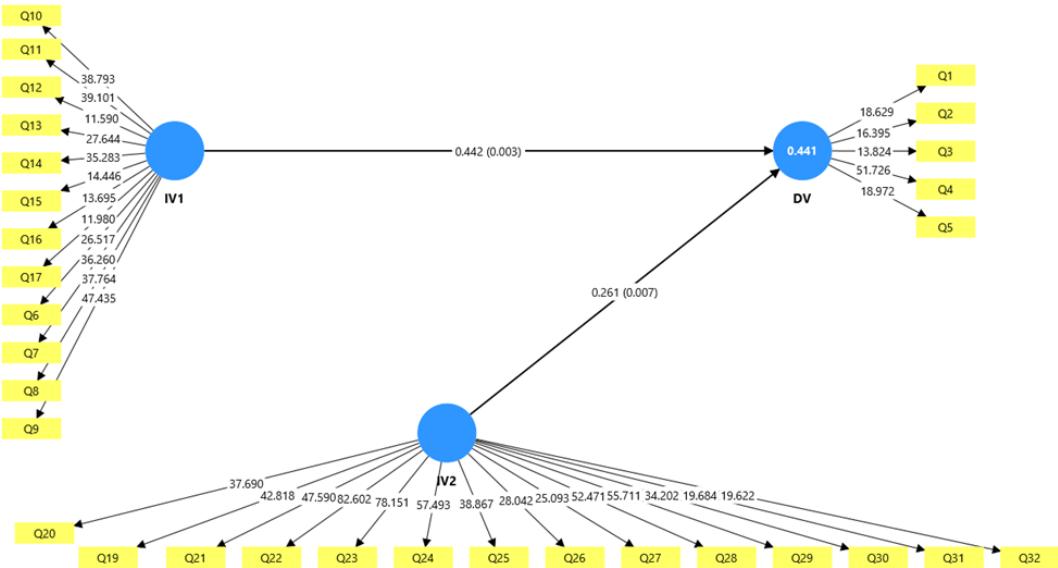


Figure 20: Bootstrapping Results
Source: Authors' Analysis (2025).

Table 5: Direct Effects

Hypothesized Paths	β	T-Statistics	P-value	Decision
H ₀₁ : IV1 -> DV	0.442	2.988	0.003	Rejected
H ₀₂ : IV2 -> DV	0.261	2.708	0.007	Rejected

Source: Authors' Computation (2025).

Table 4 above presents the explanatory and predictive capability of the structural (inner) model, as well as diagnostics for collinearity among the predictors. The coefficient of determination (R^2) for the dependent variable (DV) is 0.441, indicating that 44.1% of the variance in DV is jointly explained by IV1 and IV2. Within the context of PLS-SEM, this level of explanatory power is considered moderate, suggesting that the model reasonably explains the outcome variable. The effect size (f^2) values show the relative contribution of each predictor. IV1 has an f^2 value of 0.144, representing a medium effect size and indicating a meaningful contribution to DV. IV2 has an f^2 value of 0.050, which reflects a small effect size, suggesting a weaker but still relevant contribution. The Q-square (Q^2) value of 0.402 is well above zero, confirming that the model demonstrates strong predictive relevance for the dependent variable. The inner model VIF values for IV1 (2.436) and IV2 (2.552) are below the recommended thresholds, indicating that multicollinearity is not a concern in the model.

Bootstrapping Results

Figure 20 presents the bootstrapping results used to test the statistical significance of the hypothesized relationships in the structural model. The bootstrapping procedure generates t-statistics and p-values through repeated resampling, allowing for robust inference. The figure confirms that the paths from IV1 to DV and from IV2 to DV are statistically significant, as their t-statistics exceed the critical value of 1.96 at the 5% significance level.

Explanation of Direct Effects

Table 5 reports the standardized path coefficients, t-statistics, p-values, and hypothesis testing decisions. The relationship between IV1 and DV has a path coefficient of 0.442, indicating a positive and relatively strong effect. The t-statistic of 2.988 and p-value of 0.003 indicate statistical significance at the 1% level. Therefore, the null hypothesis (H₀₃) is rejected, confirming that IV1 significantly influences DV.

The relationship between IV2 and DV shows a path coefficient of 0.261, indicating a positive but weaker effect compared to IV1. The t-statistic of 2.708 and p-value of 0.007 also indicate statistical significance at the 1% level. Consequently, the null hypothesis (H₀₄) is rejected.

This suggests that the two conceptual drivers (sustainability-related reporting and climate-related disclosures) have measurable influence on the target outcome and that first construct is the primary driver of the outcome, while the second may have smaller direct influence. The model demonstrates moderate explanatory power, strong predictive relevance, and no multicollinearity concerns.

Discussion of Findings

Pratama et al. (2024) found that larger mining companies showed progress in aligning their reports with the new standards, just as Johnson & Lee (2024) found that banks and investment firms implementing IFRS S1 experienced improvements in transparency and risk assessment. These are in line with this study that showed that companies complying with the IFRS standards are equally complying with other IFRS standards to improve transparency of information for all stakeholders. Research by Osei et al. (2024) examined how different jurisdictions are implementing IFRS S1 and found that countries with stricter regulatory oversight tend to have better compliance rates. This study aligns with this study's findings by uncovering that compliance is high owing to the fact that the two countries have adopted and mandated adoption of IFRS standards. According to Eduyush (2025) discusses key implementation challenges, including data collection and management, materiality assessment, resource allocation and expertise, integration with existing reporting frameworks, ensuring consistency and comparability, and communicating complex information. Just like the above, this study uncovered the complexities, cost, data and information, system integration, resources and personnel are key challenges to compliance.

Compliance with adopted standards falls within the realm of organisational theory that elucidate how organizations conform to societal norms and regulations to attain legitimacy and ensure survival. The relevance of stakeholder theory lies in the fact that sustainability is about providing for both current and even future stakeholders of the resources available to us today. Legitimacy theory suggests that organisations must make their actions appear proper or correct to the environment in which they belong which is the basis for climate reporting. Companies must be climate conscious in order to protect the earth that will leave in.

CONCLUSION

The study concludes that companies in Africa (represented by Nigeria and Rwanda) are complying with IFRS standards generally and also fairly well complying with the sustainability standards issued by the IASB. Also that:

1. Compliance with both standards are however lower than the financial reporting standards, with climate reporting compliance being the lowest.
2. Both sustainability reporting compliance and climate reporting compliance have significant positive effects on the general IFRS compliance, but sustainability reporting compliance is the more influential predictor, as reflected in its higher path coefficient and larger effect size.

It could be said therefore that both sustainability reporting disclosures and climate reporting disclosure have strong and positive effects on IFRS reporting in the African countries under study, with sustainability reporting disclosures having slightly higher effect.

The study also confirmed the existence of numerous challenges to compliance to standards and recommend as follow:

1. The IASB should institute a special program to facilitate easy adoption of sustainability standards for the developing countries that are interested in adopting the standards.
2. The Financial Reporting Council, in case of Nigeria and Institute of Certified

3. Public Accountants in case of Rwanda, should work with SMEs in their countries on the compliance.
4. Governments should put the required infrastructure and other support mechanism in place.
5. The big 4 accounting firm should support the small practices to be able to help their clients.

Finding and recommendations of this study is expected to be generalized only to countries with similar characteristics with the two studied countries. The countries are also expected to have adopted the full IFRS.

On the final note, this study recommends further studies of Africa sustainability reporting environment to understand the effects of compliance and comparative studies with developing countries outside Africa.

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Appendix: All the Questions Analysed with Descriptive Statistics

PQ4	What is your role in/relationship with the Company/Organisation?
Q1	Did the company state that it is adopting IFRS in preparing financial statements?
Q2	Does the company prepare the four major financial statements required by IFRS?
Q3	Does the company include comparative financial statements?
Q4	Does the company include notes to the financial statements?
Q5	Does the note or any other part of the report include the basis of preparation, accounting policies and explanatory information?
Q6	Does the financial statement indicate that the entity is complying with IFRS S1 (Sustainability-Related Financial Reporting)?
Q7	Is the financial statement compliant with the requirements of IFRS S1?
Q8	Does the financial statement include sustainability-related financial report?
Q9	Does the financial statement provide a description of company approach to managing sustainability-related risks and opportunities?
Q10	Does the financial statement disclose the metrics and targets used to measure progress against sustainability-related goals?
Q11	Does the company have a process in place for ensuring the accuracy and completeness of sustainability-related disclosures?
Q12	Does the company obtain external assurance on sustainability-related disclosures?
Q13	Does the company determine the materiality of sustainability-related risks and opportunities?
Q14	Does the company disclose the sustainability-related risks and opportunities that are material to the organisation?
Q15	Does the company provide an explanation of how these risks and opportunities are managed?
Q16	Does the company make any industry-specific sustainability-related disclosures?
Q17	Does the company make any other voluntary sustainability-related disclosures?
Q18	What are the company's challenges with compliance with IFRS S 1
Q19	Does the financial statement indicate that the entity is complying with IFRS S2 (Climate Related Disclosures)?
Q20	Is the financial statement compliant with the requirements of IFRS S2?
Q21	Does the financial statement include climate-related financial report?
Q22	Does the financial statement provide a description of company approach to managing climate-related risks and opportunities?
Q23	Does the financial statement disclose the metrics and targets used to measure progress against climate-related goals?
Q24	Does the company's disclosures on metrics and targets enable users of general purpose financial reports to understand the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets that it is required to meet by law or regulation?
Q25	Does the financial statement disclose information on associated cost and the long run benefits of its of climate-related disclosures?
Q26	Does the company make any other voluntary sustainability-related disclosures?

Q27	Does the company incorporate current and anticipated effect climate-related disclosures on the entity's prospect?
Q28	Does the company set quantitative and qualitative climate-related targets to monitor progress towards achieving strategic goals on climate-related goals?
Q29	Does the company use scenario analysis to to provide information on climate-related risk management and strategic decision-making?
Q30	Does the company link executive management remuneration to climate-related considerations in order to achieve compliance with climate-related goals?
Q31	Does the company make any industry-specific climate-related disclosures?
Q32	Does the company make any other voluntary climate-related disclosures?