

IFRS Sustainability Disclosure Standards: From Awareness to Implementation

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Glossary

AfDB	African Development Bank
ARWG	Adoption Readiness Working Group
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
FRC	Financial Reporting Council
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISSA	International Standard on Sustainability Assurance
ISSB	International Sustainability Standards Board
NGX	Nigerian Exchange Group
PIE	Public Interest Entity
IPSASB	International Public Sector Accounting Standards Board
RPG	Recommended Practice Guidance
SASB	Sustainability Accounting Standards Board
SMEs	Small and Medium-sized Entities
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UN SSE	United Nations Sustainable Stock Exchange

Foreword



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The investor-focused disclosure requirements - IFRS S1 and S2 standards have been adopted by various jurisdictions, with Nigeria being a front-runner in Africa. To drive this adoption, the Financial Reporting Council (FRC) of Nigeria established the Adoption Readiness Working Group (ARWG), a 40-member committee, in June 2023. Notably, KPMG Nigeria was part of this group. In March 2024, Nigeria unveiled its [IFRS adoption roadmap](#)¹, outlining the necessary steps for implementing these standards in the country.

Prior to this, we had released fact sheets on IFRS S1 and S2 and engaged with decision makers in the past year to create awareness on the standards, and in taking some initial steps. The resulting question from these engagements has been - how do we move from awareness to implementation?

Also, as most organisations draw up their implementation plans over the course of the year, it is imperative that they focus on driving strategic sustainability initiatives that help them meet the requirements of the standard, while harnessing opportunities that abound. This presents opportunities for corporates in Nigeria to position themselves as leaders in Africa, potentially attracting ESG-focused investment and propelling the country towards a more sustainable future.

In this publication, we aim to highlight some specifics of Nigeria's IFRS Sustainability Disclosure Standards Adoption Roadmap to move the conversation from awareness to implementation and value creation.

This publication outlines the progress made so far, the FRC's adoption roadmap, transition reliefs, opportunities, and benefits associated with adoption, and a high level Sample Implementation Roadmap for Voluntary Adopters. We aim to provide a clearer understanding of how to navigate this crucial transition to adopting IFRS S1 and S2, fostering transparency in sustainability reporting.

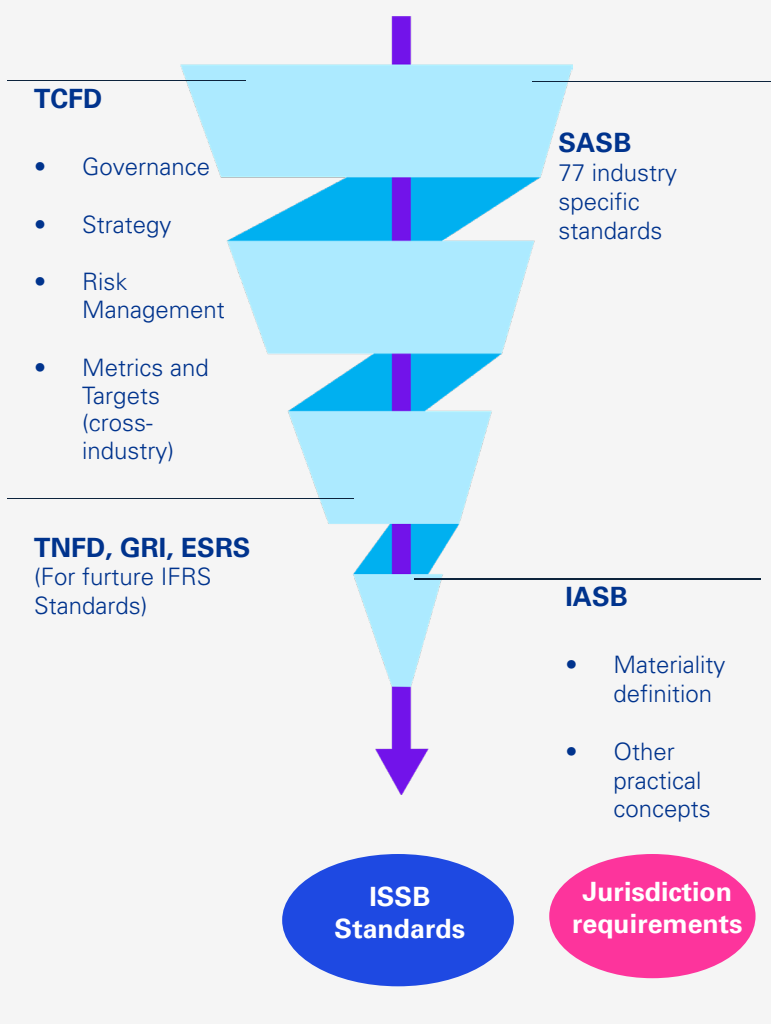
¹Financial Reporting Council of Nigeria

Introduction

Nigeria has taken center stage since the launch of the IFRS S1 & S2 standards, emerging the first African country to launch the IFRS Sustainability Standards, on 26th June 2023.

Noteworthy, the [Financial Reporting Council Act \(FRC Act\) of Nigeria 2011](#) was amended to ensure that the Act is robust and adequate in driving compliance with the ISSB Standards, and other regulations issued by the International Financial Reporting Standards (IFRS) Foundation. In addition to this, other awareness and stakeholder engagement sessions further signaled Nigeria’s commitment to driving sustainable practices across the jurisdiction and showcased its aspirations to tap into the potential benefits of the standards to grow its capital market.

The Building Blocks of the ISSB Standards



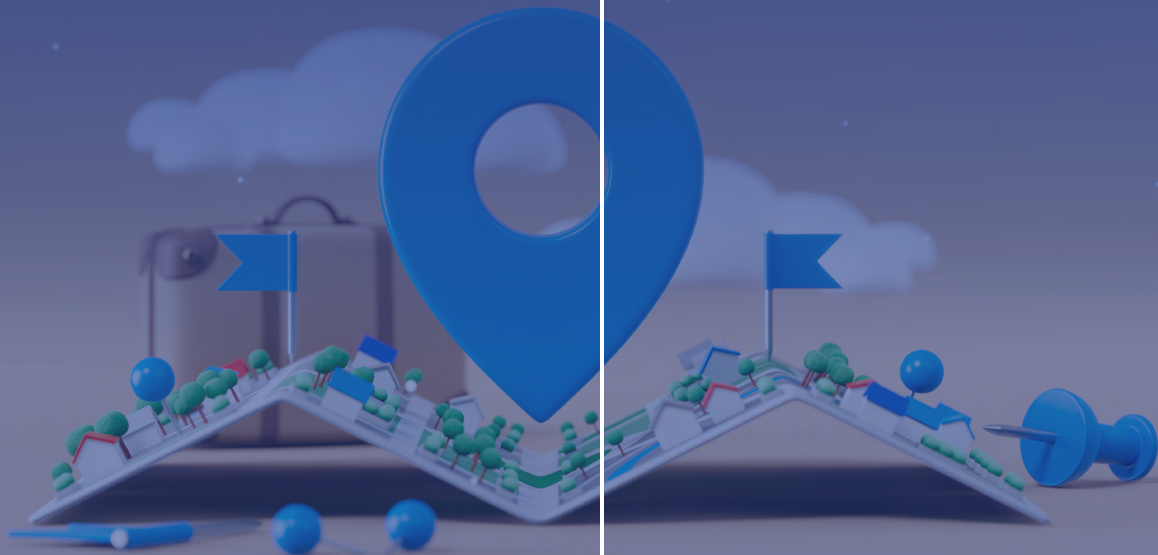
IFRS Sustainability Disclosure Standards Core Contents Areas

<p>Governance</p> <p>Processes, controls, and procedures that a company uses to monitor sustainability-related risks and opportunities</p>	<p>Strategy</p> <p>Sustainability-related matters that could enhance the business model and strategy covering the short medium and long term</p>
<p>Risk Management</p> <p>How sustainability-related risks are identified, assessed, and managed</p>	<p>Metrics and Targets</p> <p>Information to explain the company’s performance on sustainability-related matters over time</p>

Highlights of the Adoption Roadmap Report for IFRS S1 and S2 in Nigeria



The FRC through its Adoption Readiness Working Group (ARWG) has recommended an adoption roadmap for the IFRS Sustainability Disclosure Standards in Nigeria, which has been articulated into a 4-phased approach spanning from year ending December 2023 to 2030 (with the timeline of Government and Government organisations yet to be determined).



Adoption Roadmap				
Phase 1	Phase 2	Phase 3		Phase 4
Early Adoption	Voluntary Adoption	Mandatory Adoption		Government & Government Organisations
31st December 2023	2024-2027	2028	2030	To be determined
<ul style="list-style-type: none"> The early adoption category captured entities which reported their sustainability-related information for the accounting period ending on or before December 31, 2023, and passed the readiness test assessment presented by the FRC. Early adopters were commended by the FRC in August 2024. 	<ul style="list-style-type: none"> Voluntary adoption has commenced from the accounting period beginning on or after 1st January 2024 and will continue until the accounting period ending on or before 31st December 2027. Entities in Nigeria must undergo a readiness test assessment by the FRC to become voluntary adopters. After 2027, adoption will be mandatory. 	<ul style="list-style-type: none"> The mandatory adoption of these standards begins on or after January 1, 2028, for all entities except government and government organisations. Public Interest Entities (PIEs) will need to adopt the standards from this date while Small and Medium-sized Entities (SMEs) will have to adopt the standards from January 1, 2030. It is important to note that entities falling under the mandatory adopters' category will need to undergo a readiness test assessment before publishing their first IFRS ISSB-aligned sustainability report. 	<ul style="list-style-type: none"> According to the adoption roadmap, the FRC/ARWG will review the sustainability reporting standards for public sector entities developed by the International Public Sector Accounting Standards Board (IPSASB). Once the review is concluded, it will determine when these entities will be mandated to adopt the IFRS Sustainability Disclosure Standards. The FRC and IPSASB have a history of collaborating to enhance accountability and transparency in the Nigerian public sector. For example, the IPSASB released two (2) Recommended Practice Guidance (RPG) in 2023, and the FRC organised webinars to gather feedback and engage stakeholders in Nigeria. 	

Referenced from the FRC adoption roadmap²

²Roadmap report for adoption of IFRS sustainability disclosure standards in Nigeria

The FRC IFRS Sustainability Disclosure Standards Adoption Readiness Test

To help organisations implement the ISSB standards, the FRC has introduced a readiness test to assess their ability to adopt the IFRS sustainability disclosure standards. The test is designed to assist organisations in evaluating their preparedness, identify gaps, and develop strategies for improvement in various aspects of the business such as culture, governance, policies, risk management, internal controls, and technical capacity in adopting the IFRS S1 & S2 standards.

“

The FRC has requested the provision of seventeen (17) documents from organisations seeking to ascertain their preparedness towards adopting the standards within a pre-defined timeline. Please see page 18-19 of the [FRC's adoption roadmap report](#).

Support for Adopters

A-Reporting Reliefs

The ISSB has provided transition reliefs for adopters. These reliefs have also been adopted in Nigeria by the ARWG and are applicable to reporting entities in the first reporting year. These reliefs aim to ease the transition process and encourage widespread adoption by offering temporary exemptions, alternative compliance options, and phased implementation schedules. They cut across key reporting concerns such as reporting only climate-related disclosures, not disclosing scope 3 Greenhouse Gas (GHG) emissions, flexible timing of report, GHG methodology for measurement, and comparative information.



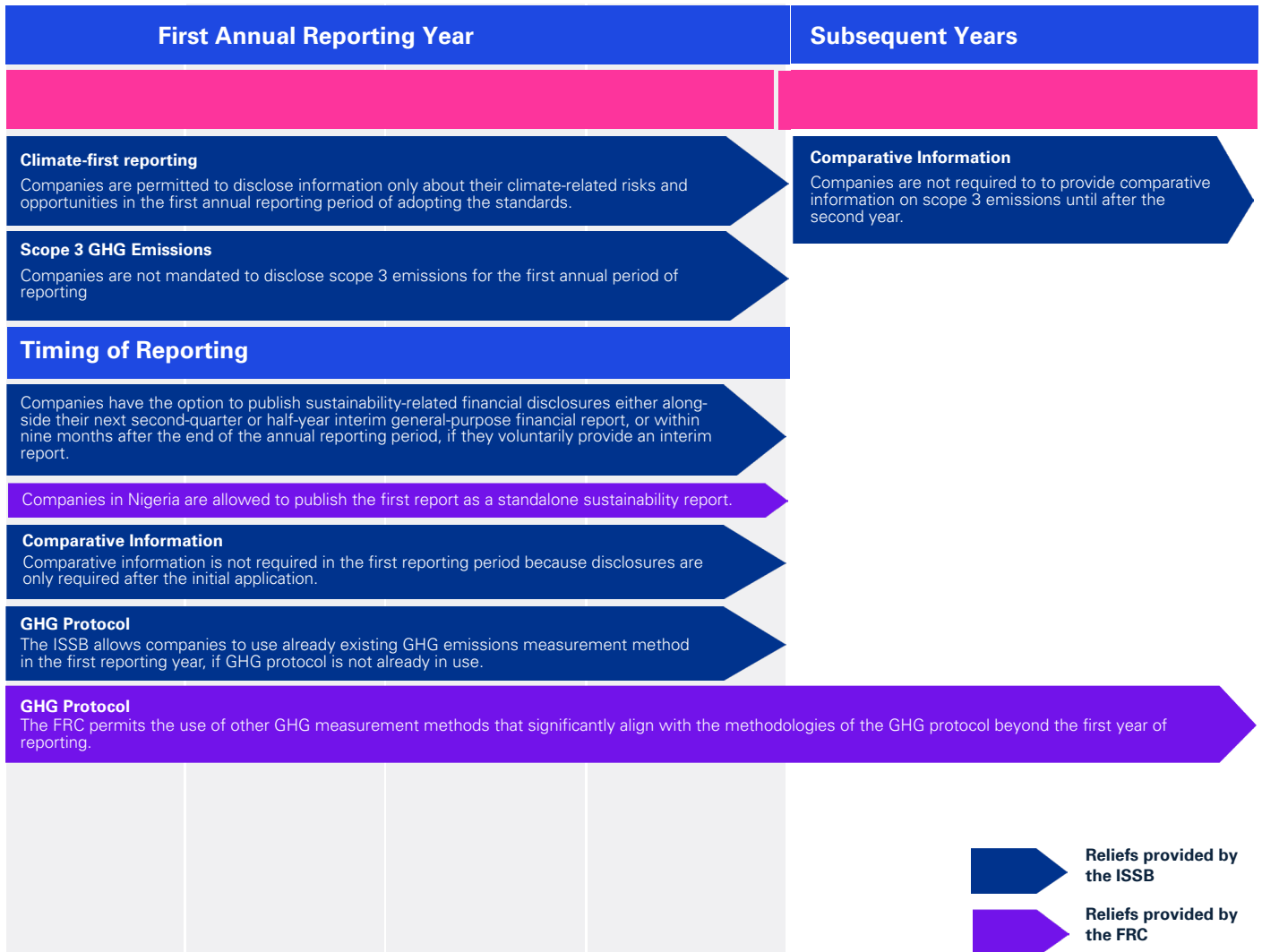


Figure 1: Transition Reliefs for Adopting Organisations in Nigeria



Assurance Reliefs

Assurance on sustainability and climate-related disclosures is crucial for building stakeholder trust and preventing greenwashing. The IAASB's recently approved ISSA 5000 standard will provide a framework for assuring such disclosures and streamline the process to enhance the credibility of sustainability reporting.

3rd & 4th year
post-reporting

A.) Limited assurance of IFRS S1 and IFRS S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans)

5th year
post-reporting

B.) Reasonable assurance of IFRS S1 & S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans) &

Limited assurance of Scope 3 emissions, scenario analysis and transition plans

6th year
post-reporting

C.) Reasonable assurance of all disclosures

Note - Government & Government Bodies: The assurance timeline for this will be considered in relation to the reporting roadmap.

Figure 2: FRC's Assurance Timeline



B-Other Support Provided for Adopters

In addition to the adoption relief provided by the ISSB and FRC, some other supports are indicated below.

1. **Proportionality and Scalability Mechanisms Concept:** This process will act as a medium to support adopters of the ISSB Standards by ensuring the standards fits their needs and can accommodate existing processes without major disruptions through concepts such as – reasonable and supportable information that is available at the reporting date without undue cost or effort; and ‘the skills, capabilities and resources available to the entity’.
2. **Adoption Guide :** The ISSB developed an [adoption guide](#)³ for regulators and other stakeholders, with objectives to promote global consistent and comparable sustainability-related disclosures for capital markets. This guide provides jurisdictions with helpful information to guide their journey and provides transparency to support capital markets, regulators, and other stakeholders.
3. **Capacity-building Programs and Knowledge Hub:** The ISSB has collaborated with several partners and industry stakeholders to assist organisations in building capacity for a more effective adoption process. Some of the key partners include Nigeria’s Financial Reporting Council (FRC), World Bank, United Nations Sustainable Stock Exchange (UN SSE), International Finance Corporation (IFC), African Development Bank (AfDB), among others. These key enabling partners have committed to providing support for businesses through the following means:

- **ISSB’s knowledge Hub:** The ISSB’s knowledge hub provides technical support on the interpretation and application of the ISSB standards to regulators, preparers, users and other stakeholders through the [IFRS Sustainability Knowledge Hub](#)⁴. KPMG also serves as a thought leader and knowledge hub to guide the adoption of the IFRS Sustainability Disclosure Standards.
- **FRC’s Capacity Building Workshops:** The Financial Reporting Council of Nigeria has held several events and trainings with key stakeholders such as the ISSB, SASB, NGX, etc, to create and improve awareness about the standards very early upon Nigeria’s announcement to be an early adopter. The FRC has held capacity building workshops more recently to equip preparers of sustainability reports, C-level officers, Board members, regulators and other key business stakeholders with the information required to commence their journey in adopting the standards.
- **World Bank and IFRS Foundation:** The World Bank Group and IFRS Foundation are expanding their partnership to support emerging markets and developing economies in adopting sustainability standards, with a focus on capacity building and knowledge sharing.
- **UN Sustainable Stock Exchange Trainings:** The UN SSE through a joint partnership with the IFRS Foundation, IFC and other UN SSE Partner Exchanges has provided free capacity building trainings across various jurisdictions.

³IFRS Foundation: Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards

⁴IFRS Sustainability knowledge hub



- **IFC’s ‘Beyond the Balance Sheet Platform’:** The ISSB and IFRS foundation signed a Memorandum of Understanding in June 2024 to forge a partnership to build capacity for businesses to adopt the standards. The IFC, through its [beyond the balance sheet toolkit](#)⁵ provides an online ecosystem which equips business stakeholders in emerging markets with the technical capacity to disclose their sustainability and climate related information. The platform’s first online training program on the application of the IFRS S1 and S2 standards was launched in collaboration with the UNSSE.
- **AfDB and ISSB Collaboration:** In May 2024, the AfDB signed a letter of intent with the ISSB to establish its commitment and support in contributing towards providing technical and capacity building support for financial institutions in Africa. The AfDB, given its experience in the African market intends to support businesses to align with the requirements of the ISSB standards to unlock climate finance, while taking into cognisance the local contextual realities in Africa. This strategic partnership will be driven through joint collaboration between the IFRS Foundation’s ISSB and the AfDB Group’s African Financial Alliance on Climate Change (AFAC).
- **KPMG ISSB Standards Thought Leadership:** KPMG’s [First Impressions – General and climate-related requirements](#)⁶ publication on the IFRS S1 and S2 standards provides detailed insight on the key impacts of the standards, using illustrative examples and includes how companies might apply them.

⁵IFC: Beyond the balancesheet

⁶KPMG’s First Impressions – General and climate-related requirements

Potential Challenges Associated with Adoption in Nigeria

In addition to the anticipated benefits of adopting new regulations - such as enhanced transparency, enhanced enterprise risk management capability, improved decision making for organisations and investors, enhanced public reputation and opportunities to unlock new financial pathways - challenges often surface during implementation of new standards. These challenges may emerge as a result of novelty, inadequate technical expertise, etc. Still, opportunities abound for organisations that embrace such regulatory changes. Highlighted below are some of the potential challenges and possible responses organisations may consider in positioning themselves to take full advantage of the benefits.

Current and Anticipated Challenges for Organisations Adopting the Standards

The adoption of the IFRS S1 and IFRS S2 presents organisations with a complex landscape of challenges that can impact their ability to provide high-quality sustainability disclosures. To successfully navigate this new reporting landscape, it is crucial to understand the possible challenges that lie ahead. This section examines the current and anticipated difficulties organisations may face in adopting the standards and proposes responses for reporting entities:

Financial Costs of Adoption

Organisations that have adopted other reporting standards in the past, may perceive the transition to the IFRS S1 and S2 standards as a challenge as it entails significant adjustments in their financial and non-financial reporting practices and systems. This may put pressure on available resources and require additional investments in re-training of accounting personnel, preparers of sustainability and annual reports among others as well as revamping procedures.

Response

Reporting organisations can channel investment into technology to aid effective implementation, and training courses to build their technical expertise to ensure they are rightly positioned to comply with these standards.

Interpretation and Application

Interpretation and application of the standards may be a major challenge for several organisations due to the intricate nature of the standards. Poor interpretation and application of the standards may cause organisations to struggle, leading to potential errors in annual reporting especially in the early year(s) of adoption.

Response

Reporting organisations can mitigate against this challenge by building their internal capacity to adequately interpret and apply the requirements of these standards in their disclosures. They can also consult as necessary.

Interpretation and Application

Despite the ARWG and FRC putting transition reliefs in place for organisations, the adoption of these standards may further expose gaps in data availability and quality related challenges being faced by some enterprises in Nigeria.

Response

Organisations can invest in adequate data management system(s) to address data gaps as this is essential in ensuring the reliability, transparency, and relevance of their IFRS S1 and S2 related disclosures.

Adaptability Challenge

With other IFRS topical standards still being developed, organisations may struggle to keep up with the requirements of the upcoming standards, while still experiencing adaptability challenge with IFRS S1 and S2.

Response

Reporting organisations in Nigeria need to embrace the changes brought about by the new standards and look beyond compliance. Identification of opportunities can help keep up the required enthusiasm and support internally.

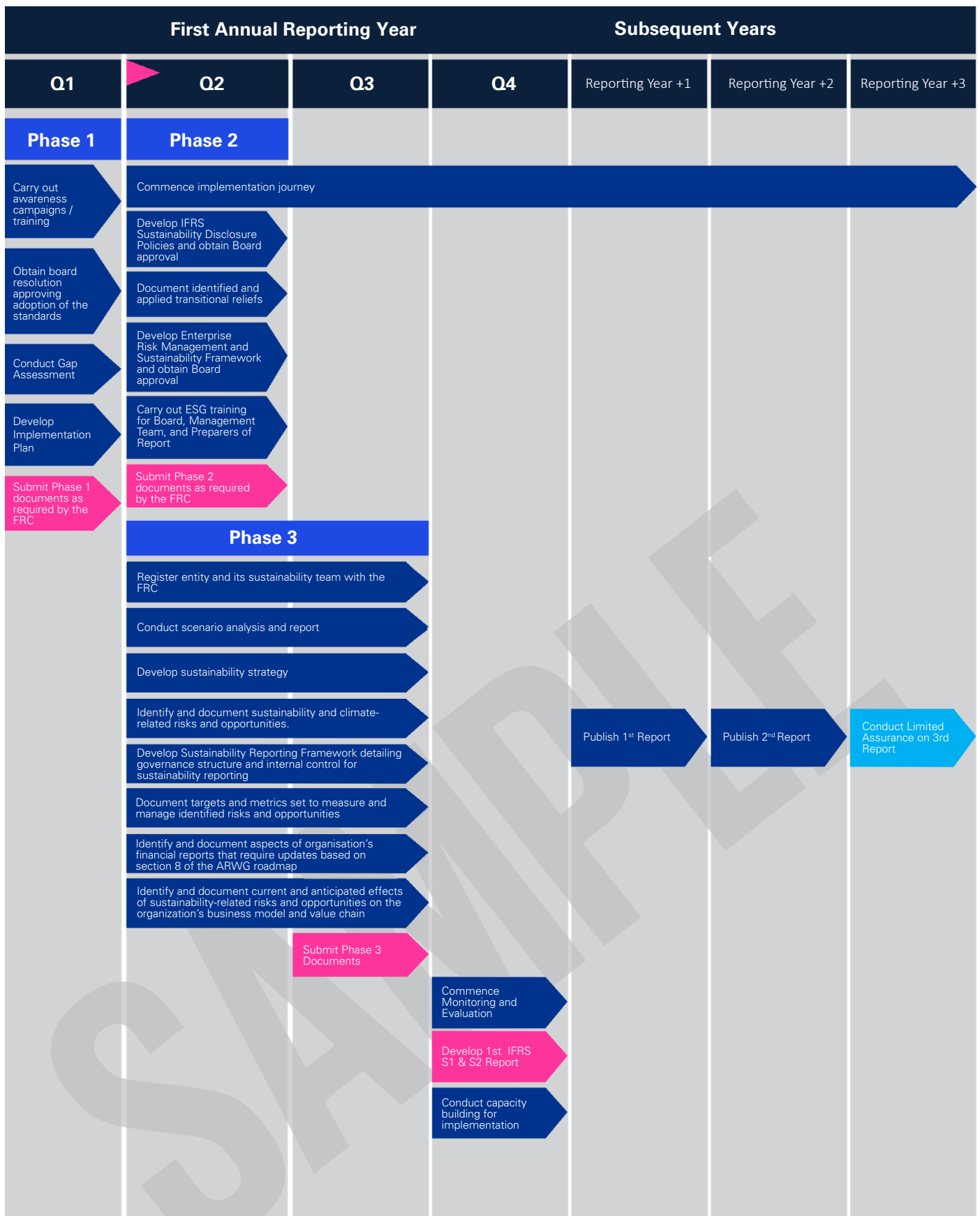
Stakeholders' Resistance

Ultimately, stakeholders and organisational resistance in transitioning to these standards may present challenges especially during the early adoption phase of IFRS S1 and S2 as some stakeholders may be accustomed to the different existing disclosure practices and hesitant to embrace the changes associated with the standards.


Response

Organisations can be required to put effective change management strategies, as well as effective stakeholder engagement and education in place to drive buy-in and support for the standards' adoption process.

Sample and High Level Implementation Roadmap for Voluntary Adopters



Legend

-  **Beginning of reporting date**
-  **Phase 1** Activities to be carried out at least three(3) months before the beginning of the reporting date
-  **Phase 2** Activities to be carried out no more than three (3) months after the beginning of the reporting date
-  **Phase 3** Activities to be carried out no more than six (6) months after the beginning of the reporting date

Please note that the journey will vary depending on an entity's context, progress in their sustainability journey and other relevant factors

How KPMG can Support

Service Offerings

At KPMG, we help our clients develop responsible and sustainable strategies, business models, operations, and investments. We combine ESG proficiency with technical accounting and reporting competence. We identify and implement innovative approaches to meet your challenges and respond to opportunities. Below are tangible ways we can help in your IFRS S1 and S2 implementation journey.

- **Awareness & Sensitisation Workshop** – Facilitate workshop sessions to enhance the understanding of clients and prospective clients in fully understanding the scope, objectives, and requirements of the standards.
- **Gap Assessment** – Analyse existing processes and compare them against requirements of IFRS S1 & S2 standards and map identified areas of improvement with applicable improvement opportunities.
- **Implementation & Integration** – Support in the identification of areas of integration of IFRS S1 & S2 within the business, design of actionable roadmap and implementation advisory bespoke to client's industrial scope, evaluation of the impact of climate risk and opportunities on business operations, development of decarbonisation strategy and net zero roadmap, resourcing and budgeting for inhouse sustainability resource.
- **IFRS S1 and S2 reporting compliance plan** - Prepare IFRS S1 and S2 reporting compliance plan to detail a checklist which helps keep track of their level of compliance with the standards as they progress with their reporting journey.
- **Monitoring and Evaluation** - Monitor key ESG metrics/indicators periodically, evaluating the effectiveness of ESG policies and procedure, while providing insights to the next line of action.
- **IFRS S1 and S2 Reporting** - Development of annual report in line with the requirements of IFRS S1 and IFRS S2 to increase transparency and drive economic growth.
- **Assurance Readiness** - Conduct an independent assessment or audit of various aspects of organisation's sustainability performance or reporting. This will prepare an organisation to undergo an assurance process.
- **Reporting Assurance** - Provide limited assurance on reported sustainability-related information to enhance its reliability, credibility and instil stakeholder confidence.
- **IFRS S1 & S2 Advisory and Training Programmes for Board/Management/Process Owners and Preparers of Reports** - Facilitate advisory and training programmes to help board members, management team, and report preparers understand and interpret the IFRS S1 & S2 standards to inform a smooth implementation and integration process.
- **Sustainability Data Management** - Through our new Sustainability Data Management Tool (SDMT), in addition to other technology-based solutions we, provide a platform with streamlined datapoints drawn from the IFRS sustainability disclosure standards as well as other relevant reporting standards (such as GRI and ESRS) for ease of disclosure. This tool is user-friendly and allows seamless capture and management of applicable sustainability data.

Contacts



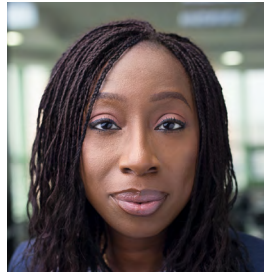
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