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Assessing the Factors Influencing the Implementation of Sustainability Reporting Standards IFRS S1 and S2 Among Listed Companies in Zambia

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Abstract

The increasing global demand for transparency on environmental, social, and governance (ESG) issues has led to the introduction of IFRS S1 and IFRS S2 by the International Sustainability Standards Board to standardise sustainability-related financial disclosures. While these standards present an opportunity to enhance comparability and accountability, their implementation in emerging economies remains uncertain. In Zambia, sustainability reporting is still developing, with limited empirical evidence on the extent of adoption and the factors influencing effective implementation. This creates a gap between regulatory expectations and organisational readiness, particularly among listed companies. This study aimed to assess the level of adoption of IFRS S1 and S2 and examine the organisational, technical, and institutional factors influencing their implementation among listed companies in Zambia. A mixed methods approach using a convergent parallel design was employed, combining quantitative data from 76 respondents with qualitative insights from 12 key informant interviews. Descriptive statistics and multiple regression analysis were used for quantitative data, while thematic analysis was applied to qualitative findings. The results indicate that adoption of IFRS S1 and S2 is moderate, with mean scores of 3.16 and 3.05 respectively, and weak integration into financial reporting (mean = 2.89). Awareness levels were high (mean = 4.39), but training was moderate (mean = 3.66), indicating a gap between knowledge and implementation. Regression analysis shows that organisational capacity ($\beta = 0.34$, $p < 0.001$), technical readiness ($\beta = 0.29$, $p = 0.001$), and institutional pressure ($\beta = 0.27$, $p = 0.002$) significantly influence implementation, with the model explaining 61.9% of the variance ($R^2 = 0.619$). The study contributes to Institutional Theory and the Resource-Based View by demonstrating that internal capabilities and external pressures jointly shape sustainability reporting practices in emerging economies. Practically, the findings highlight the need for capacity building, investment in ESG data systems, and stronger regulatory guidance to support effective implementation of IFRS S1 and S2 in Zambia.

1. Introduction

The worldwide economy has become increasingly subject to demands from stakeholders to produce information detailing the environmental social governance (ESG) practices within companies worldwide (Agbakwuru et al., 2024). This drive is due to global warming concerns, climate change risks, increasing inequality across and within the world's regions, increasing waste and dwindling natural resource usage (Fuadah et al., 2019). In line with this changing trend, international organisations and various stakeholders have created guidelines and standards of transparency.

To address the need for globally consistent sustainability reporting, the International Sustainability Standards Board (ISSB) was established in 2021 under the IFRS Foundation. In June 2023, the ISSB issued its first two sustainability disclosure standards: IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information and IFRS S2 Climate related Disclosures (IFRS, 2024). These standards aim to provide a global baseline for sustainability reporting, enhancing comparability, consistency, and reliability of ESG disclosures across jurisdictions (Wagner et al., 2024).

In Zambia, sustainability reporting is an emerging practice, particularly among companies listed on the Lusaka Securities Exchange (LuSE). The Zambia Institute of Chartered Accountants (ZICA) announced the mandatory adoption of IFRS S1 and S2 for all Publicly Accountable Entities through Circular No. 4 of 2023, with implementation effective from 1 January 2025 (ZICA, 2023; PwC Zambia, 2024). This regulatory development positions Zambia as a relevant and timely setting for examining the factors influencing sustainability reporting implementation in a developing economy context.

Zambia provides an appropriate study context due to its recent regulatory commitment to international sustainability standards and its position as an emerging market facing distinct environmental and social challenges. The country has experienced repeated environmental governance challenges, including water contamination in the Copperbelt region due to mining activities, which underscores the importance of structured sustainability disclosure frameworks (ZEMA, 2022; Matambo and Willima, 2025).

Despite regulatory progress, empirical evidence suggests that sustainability reporting practices in Zambia remain underdeveloped. Studies indicate that while the level of sustainability reporting among Zambian listed companies increased from 30 percent in 2012 to 91 percent in 2022, disclosure quality remains inconsistent and lacks standardisation (Chinyonga and Mwanza, 2024). Furthermore, only 56 percent of sustainability reports in Africa follow international best practices, compared to 74 percent in America and 82 percent in Europe (Lewa, Gatimbu and Kariuki, 2024).

The implementation of IFRS S1 and S2 in Zambia is influenced by multiple factors. Institutional Theory provides a useful lens for understanding how coercive pressures from regulatory bodies, normative pressures from professional standards, and mimetic pressures from peer organisations drive firms toward conformity and legitimacy (Berthod, 2018; Dong et al., 2020). Additionally, organisational capacity, technical readiness, and awareness of sustainability reporting requirements shape how firms interpret and implement these new standards (Pratama et al., 2024; Kusuma and Gani, 2024).

1.2 Problem Statement

While the mandatory adoption of IFRS S1 and S2 represents a significant step towards standardising sustainability disclosures in Zambia, the extent to which listed companies are prepared to implement these standards remains unclear. Preliminary evidence suggests that many firms face challenges related to inadequate technical capacity, lack of skilled personnel, weak data management systems, and high implementation costs (PwC Zambia, 2024; Pratama et al., 2024). These constraints may limit the ability of organisations to fully comply with emerging reporting requirements and to integrate sustainability considerations into strategic decision making.

Without effective implementation of IFRS S1 and S2, sustainability disclosures in Zambia may remain inconsistent, incomplete, or unreliable. This could undermine investor confidence, limit access to international capital markets, and weaken progress towards national development objectives such as the Sustainable Development Goals and the Eighth National Development Plan (MoF, 2022; United Nations, 2025). Consequently, there is an urgent need to assess the factors influencing the implementation of these standards among listed companies in Zambia.

The study addresses the gap in empirical evidence regarding how prepared and effective Zambian listed companies are in implementing the newly mandated IFRS S1 and S2 sustainability reporting standards. Most existing studies on sustainability reporting in Zambia were conducted before these standards became mandatory, leaving a lack of clarity on the internal and external factors shaping companies' ability to implement them effectively. (PwC Zambia, 2024; Chinyonga and Mwanza, 2024).

1.3 Research Objectives

- To assess the extent to which Zambian listed companies have adopted the sustainability disclosure requirements of IFRS S1 and S2.
- To identify the factors that facilitate successful adoption and compliance with the IFRS S1 and S2 sustainability disclosure standards among listed companies in Zambia.
- To propose practical strategies and initiatives to strengthen the implementation of IFRS S1 and

1.4 Research Hypotheses

Null Hypotheses (H_0):

- H_{01}: There is no statistically significant relationship between awareness of IFRS S1 and S2 and the level of implementation among listed companies in Zambia.
- H_{02}: There is no statistically significant relationship between organisational capacity and the level of implementation of IFRS S1 and S2 among listed companies in Zambia.
- H_{03}: There is no statistically significant relationship between institutional pressure and the level of implementation of IFRS S1 and S2 among listed companies in Zambia.
- H_{04}: There is no statistically significant relationship between technical readiness and the level of implementation of IFRS S1 and S2 among listed companies in Zambia.

Alternative Hypotheses (H_1):

- H_{11}: There is a statistically significant relationship between awareness of IFRS S1 and S2 and the level of implementation among listed companies in Zambia.
- H_{12}: There is a statistically significant relationship between organisational capacity and the level of implementation of IFRS S1 and S2 among listed companies in Zambia.
- H_{13}: There is a statistically significant relationship between institutional pressure and the level of implementation of IFRS S1 and S2 among listed companies in Zambia.
- H_{14}: There is a statistically significant relationship between technical readiness and the level of implementation of IFRS S1 and S2 among listed companies in Zambia.

2 Literature Review

2.1 Theoretical Review

The theoretical foundation of this study is anchored in a tripartite theoretical lens comprising Institutional Theory, the Resource-Based View (RBV), and Stakeholder Theory. Together, these theories provide a comprehensive explanatory lens for understanding why listed companies adopt sustainability reporting standards, how internal capabilities enable or constrain compliance, and why external stakeholder expectations drive corporate disclosure

behavior.

Institutional Theory serves as the primary theoretical anchor for this research. The theory posits that organizational behavior is profoundly shaped by external institutional pressures that compel firms toward conformity, legitimacy, and isomorphism within their operating environments (Berthod, 2018; Dong et al., 2020). In the context of sustainability reporting, Institutional Theory explains adoption through three distinct mechanisms: coercive, normative, and mimetic pressures. Coercive pressures stem from formal regulatory mandates, such as the Zambia Institute of Chartered Accountants (ZICA) mandating IFRS S1 and S2 for reporting periods commencing January 1, 2025. Normative pressures arise from professional bodies, industry associations, and global standard-setting bodies that establish best practices and professional norms. Mimetic pressures emerge when firms benchmark their practices against industry peers or global leaders to reduce uncertainty in an evolving regulatory landscape. In Zambia, where regulatory enforcement is still maturing, Institutional Theory explains how listed firms navigate the tension between regulatory compliance and operational readiness, often adopting a symbolic or transitional approach before achieving full substantive compliance.

The Resource-Based View (RBV) complements Institutional Theory by shifting the analytical focus inward. RBV posits that a firm's ability to implement strategic initiatives depends on the availability, rarity, and inimitability of internal resources (Mailani et al., 2024). In the context of IFRS S1 and S2 implementation, organizational capacity (skilled personnel, financial resources, leadership commitment) and technical readiness (ESG data infrastructure, measurement capabilities, and IT systems) are treated as critical internal resources. RBV explains why, despite uniform regulatory mandates, implementation varies significantly across firms. Firms with robust internal capabilities, dedicated ESG personnel, and integrated data systems are better positioned to achieve compliance, whereas resource-constrained firms face significant implementation bottlenecks.

Finally, Stakeholder Theory (Mahajan et al., 2023) provides the normative and economic rationale for sustainability reporting. The theory argues that firms have fiduciary and ethical responsibilities beyond shareholders to a broad spectrum of stakeholders, including investors, regulators, employees, communities, and civil society. By disclosing material sustainability information, firms demonstrate accountability, build stakeholder trust, and secure long-term access to capital and social license to operate. In the Zambian context, where capital markets are increasingly integrating ESG criteria into investment decisions, Stakeholder Theory explains how investor expectations and community expectations act as catalysts for voluntary and mandatory disclosure. Collectively, this tripartite framework guides the study's conceptual model, where institutional pressures act as external triggers, organizational and technical capacities act as internal enablers, and stakeholder expectations act as value-creation drivers, collectively shaping the implementation level of IFRS S1 and S2.

2.2 Empirical review

The empirical landscape surrounding sustainability reporting has expanded significantly over the past decade, with a pronounced shift from voluntary, framework-driven disclosures toward mandatory, investor-focused standards. Global surveys consistently demonstrate high adoption rates among large multinational corporations. KPMG (2022) reported that 96 percent of the world's largest 250 companies publish sustainability reports, reflecting widespread recognition of environmental, social, and governance imperatives. However, adoption does not equate to compliance with emerging international standards. The issuance of IFRS S1 and IFRS S2 by the International Sustainability Standards Board (ISSB) has introduced a globally harmonized baseline that emphasizes financial materiality, forward-looking climate risk assessment, and integrated reporting practices. Early empirical assessments of readiness for these standards reveal substantial implementation gaps across diverse jurisdictions.

In developed and transitional economies, studies highlight uneven preparedness. Indyk (2022) examined Polish companies and found that data collection systems and quantification capabilities represent the primary barriers to IFRS S1 and S2 compliance. Similarly, Kusuma and Gani (2024) evaluated Indonesian firms and reported that while governance-related disclosures aligned reasonably well with IFRS S1 requirements, companies struggled significantly with strategy formulation, risk management frameworks, and metric-based targets. Milhem (2025) conducted a content analysis of Palestinian-listed companies and observed low levels of voluntary sustainability disclosure, particularly in quantitative climate metrics and scenario analysis. These findings underscore a global pattern where conceptual awareness of sustainability standards outpaces the operational and technical capacity required for full implementation.

The African context presents distinct challenges that warrant focused empirical attention. Igwe, Khatib and Bazhair (2023) conducted a systematic review of sustainability reporting across Africa and concluded that disclosure practices remain highly inconsistent, fragmented, and frequently symbolic rather than substantive. Their analysis revealed that many firms treat sustainability reporting as a public relations exercise rather than a strategic accountability mechanism. This observation aligns with Opute et al. (2020), who found that in several West African markets, ESG disclosures lack standardization and external verification, limiting their utility for investors and regulators. Lewa, Gatimbu and Kariuki (2024) quantified this regional disparity, noting that only 56 percent of sustainability reports in Africa adhere to international best practices, compared to 74 percent in the Americas and 82 percent in Europe. Owusu et al. (2022) further demonstrated that fewer than 40 percent of listed firms in West Africa provide meaningful ESG disclosures, attributing this shortfall to weak regulatory enforcement, limited professional capacity, and inadequate data infrastructure.

Within Zambia, empirical research on sustainability reporting has progressed but remains constrained by timing and scope. Chinyonga and Mwanza (2024) documented a notable increase in sustainability reporting among Lusaka Securities Exchange listed companies, rising from 30 percent in 2012 to 91 percent in 2022. Despite this quantitative growth, the authors emphasized that reporting quality remains underdeveloped, poorly standardized, and largely disconnected from financial statements. A 2024 assessment by PwC Zambia corroborated these findings, highlighting significant gaps in disclosure consistency, data verification, and external assurance. Importantly, both studies were conducted prior to the formal implementation of IFRS S1 and S2, leaving a critical empirical void regarding post-mandate adoption dynamics, organizational readiness, and compliance barriers in the Zambian market.

Organizational capacity emerges as a recurrent theme in the empirical literature. Benvenuto, Aufiero and Viola (2023) synthesized findings from multiple jurisdictions and concluded that firms with dedicated sustainability teams, board-level oversight, and structured internal governance systems consistently produce higher-quality disclosures. Harahap et al. (2023) examined Indonesian banks and found that internal governance structures and management commitment significantly enhance reporting effectiveness. Al-Shaer and Zaman (2017) provided empirical evidence from the United Kingdom, demonstrating that strong audit committee oversight and executive accountability improve both the credibility and comprehensiveness of sustainability reports. Conversely, firms lacking skilled personnel, financial resources, or strategic alignment frequently exhibit partial compliance. Pratama et al. (2025) identified skills shortages and high implementation costs as dominant constraints for small and medium enterprises in emerging markets, noting that sustainability reporting requires multidisciplinary expertise in environmental science, climate risk modeling, and financial analysis. In the Zambian context, professionals report that leadership support remains compliance-driven rather than strategically embedded, further limiting the internal

resources allocated to reporting functions.

Technical readiness and data infrastructure represent another critical empirical focus. IFRS S1 and S2 mandate the disclosure of quantitative metrics, forward-looking scenario analyses, and value-chain emissions data, requirements that strain legacy financial reporting systems. Wahyuni (2025) emphasized that integrated digital platforms and standardized data collection tools are essential for meeting ISSB expectations. Empirical studies from developing economies consistently report reliance on manual data aggregation, fragmented departmental records, and inconsistent measurement methodologies (Komala and Murtanto, 2024). PwC Luxembourg (2024) found that 55 percent of companies globally cite data quality challenges as a primary obstacle to compliance with emerging sustainability regulations. In contexts where external assurance is limited, poor data infrastructure directly undermines the reliability, comparability, and auditability of sustainability disclosures. Professionals in Zambia consistently note that sustainability data is collected manually across siloed departments, resulting in verification gaps and increased reliance on estimates rather than audited figures.

Institutional pressures and regulatory environments significantly shape corporate reporting behavior. Ioannou and Serafeim (2017) demonstrated that mandatory reporting regimes improve disclosure quality by reducing voluntary adoption asymmetries and establishing clear compliance expectations. In emerging markets, however, regulatory mandates often outpace institutional support. Wagner et al. (2024) noted that successful implementation requires coordinated guidance from standard-setters, professional bodies, and financial regulators. Bhat and Abdullah (2023) found that company size and investor scrutiny act as powerful institutional drivers in Oman, with larger listed firms adopting comprehensive ESG practices to maintain international investor confidence. In Zambia, the Zambia Institute of Chartered Accountants Circular No. 4 of 2023 established a mandatory framework for IFRS S1 and S2 adoption. Empirical evidence indicates that regulatory pressure serves as the primary catalyst for initial engagement, yet firms frequently adopt a symbolic compliance approach when internal capacity and technical infrastructure remain underdeveloped. Peer benchmarking and media scrutiny further reinforce institutional pressures, particularly in high-impact sectors such as mining and financial services where stakeholder expectations are elevated.

Strategies to strengthen implementation have been explored across multiple studies. Harahap et al. (2023) recommended structured capacity-building programs, continuous professional development, and integration of sustainability standards into accounting curricula. Benvenuto et al. (2024) emphasized the importance of embedding sustainability into core business strategy rather than treating it as a compliance exercise. Wahyuni (2025) advocated for public-private partnerships between regulators, educational institutions, and professional bodies to develop practical implementation toolkits. Additionally, external assurance has been identified as a critical mechanism for enhancing disclosure credibility, though its adoption remains low in developing markets due to cost constraints and limited assurance frameworks (PwC Zambia, 2024). Professionals consistently call for step-by-step implementation guidance, collaborative stakeholder forums, and targeted training programs that address the specific interpretational and technical challenges of IFRS S1 and S2.

Despite this growing body of evidence, significant empirical gaps persist. First, most existing studies predate the mandatory implementation of IFRS S1 and S2, limiting their relevance to current compliance realities. Second, African and Zambian contexts remain underrepresented in firm-level empirical research, with much of the literature relying on content analysis of published reports rather than primary data from reporting professionals. Third, limited studies examine the simultaneous interaction of organizational capacity, technical readiness, and institutional pressures in shaping implementation outcomes. Finally, the gap between awareness and actual implementation in emerging markets has not been adequately quantified or contextualized. This study addresses these gaps by providing primary empirical evidence from listed companies in Zambia, utilizing a mixed-methods approach to assess adoption levels, identify implementation determinants, and evaluate capacity constraints in a post-mandate regulatory environment.

2.3 Conceptual Review

To operationalize the theoretical framework and guide empirical investigation, this study clarifies several key concepts that form the backbone of the conceptual framework.

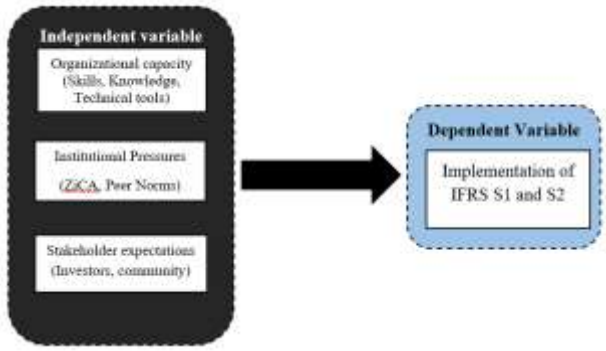
Sustainability Reporting is defined as the systematic, structured disclosure of an organization's environmental, social, and governance (ESG) impacts, risks, and opportunities. Unlike traditional financial reporting, which focuses on historical financial performance, sustainability reporting provides forward-looking, financially material information that enables investors and stakeholders to assess long-term value creation and resilience. In this study, sustainability reporting is operationalized through the lens of IFRS S1 and S2, which mandate disclosure across four interconnected pillars: governance, strategy, risk management, and metrics & targets.

IFRS S1 and S2 represent the foundational global sustainability disclosure standards. IFRS S1 establishes general requirements for disclosing sustainability-related financial information, emphasizing materiality, integration with financial statements, and value-chain considerations. IFRS S2 specifically mandates climate-related disclosures, requiring companies to disclose climate-related risks, opportunities, emissions data, and transition plans. Together, they establish a globally harmonized baseline that shifts sustainability reporting from a voluntary, stakeholder-wide exercise to a mandatory, investor-focused, financially material disclosure regime.

Organizational Capacity refers to a firm's internal readiness and capability to implement complex reporting standards. It encompasses human capital (skilled personnel with multidisciplinary expertise in accounting, environmental science, and data analytics), financial resources (budget allocation for training, consulting, and assurance), leadership commitment, and clear governance structures with defined roles and responsibilities. In the conceptual framework, organizational capacity is positioned as a critical internal enabler that determines whether external mandates translate into substantive implementation.

Technical Readiness refers to the technological and infrastructural readiness required to collect, validate, measure, and report sustainability data. It encompasses ESG data management systems, IT infrastructure, data validation protocols, and measurement capabilities for climate metrics, emissions tracking, and scenario analysis. Given the quantitative nature of IFRS S2, technical readiness is conceptualized as a critical bottleneck in emerging markets where legacy financial systems are not designed to capture non-financial, forward-looking, or value-chain data.

These concepts are integrated into a cohesive conceptual framework where Awareness and Institutional Pressures act as external drivers that initiate adoption, while Organizational Capacity and Technical Readiness act as internal filters that enable or constrain substantive implementation. The dependent variable, Implementation Level, captures the extent to which listed companies achieve compliance across the four IFRS pillars. This framework posits that while regulatory mandates and stakeholder expectations create the imperative to adopt, actual implementation is contingent upon internal organizational capacity and technical readiness. By operationalizing these concepts, the study provides a clear, testable framework for assessing how external pressures and internal capabilities interact to shape the implementation trajectory of IFRS S1 and S2 in Zambia's emerging capital market.



Source: Author, 2025

Figure 1: Conceptual framework

3 Methodology

3.1 Research Design

The study adopts a mixed-methods approach utilizing a convergent parallel design. Grounded in a pragmatist philosophical stance, this design enables the simultaneous collection, equal weighting, and independent analysis of both quantitative and qualitative data. The concurrent collection facilitates methodological triangulation, allowing the researcher to compare quantitative and qualitative findings to determine whether they converge, diverge, or complement each other, thereby strengthening the overall validity and credibility of the study. The research is theoretically underpinned by Institutional Theory, complemented by the Resource-Based View (RBV) and Stakeholder Theory.

3.2 Target Population

The target population comprises all 22 companies listed on the Lusaka Securities Exchange (LuSE) as of December 2024. The sampling frame specifically targets key personnel within these organizations who are directly involved in financial oversight and sustainability reporting, including Chief Financial Officers (CFOs), Finance Managers, Internal Auditors, and Compliance Officers. Additionally, external stakeholders with direct regulatory or professional oversight roles, such as officials from the Zambia Institute of Chartered Accountants (ZICA), are included in the qualitative component.

3.3 Sampling Procedures

Quantitative Sampling

Slovin's formula ($n = N / (1 + Ne^2)$) was used to determine the sample size from a population of 132 professionals, using a 5% margin of error, resulting in a target sample of 99 respondents of which 76 were successfully completed, representing a response rate of 76.7%.

$$n = \frac{N}{1 + N(e)^2} = \frac{132}{1 + 132(0.05)^2} = 99.2 = 99 \text{ participants}$$

Systematic random sampling was applied to select participants from the sampling frame made of employees at the 22 listed companies in the LuSE, ensuring equal probability of selection, minimizing selection bias, and enhancing sample representativeness.

Qualitative Sampling

Purposive sampling was employed to select 15 key informants (including CFOs, compliance officers, auditors, and regulators) based on their direct expertise and involvement in IFRS S1 and S2 implementation. The sample size was guided by the principle of data saturation, meaning data collection continued until no new themes, patterns, or insights emerged from subsequent interviews.

3.4 Data Collection Methods

Quantitative Data:

A structured, self-administered online questionnaire with closed-ended questions was distributed to the 76 professionals via email and online survey platforms. The instrument captured measurable data on awareness levels, adoption levels, organizational capacity, technical readiness, and regulatory pressures.

Qualitative Data

Semi-structured interviews utilizing an open-ended interview guide were conducted with key informants. This format allowed participants to provide detailed explanations of their experiences, implementation challenges, and perceptions, capturing contextual nuances that closed-ended questions could not capture.

3.5 Data Analysis Techniques

Quantitative Analysis

Data were analysed using descriptive statistics (frequencies, percentages, means, and standard deviations) to summarize demographic characteristics and adoption variables. Inferential statistics, including Pearson correlation analysis and multiple logistic regression, were employed to identify patterns, test hypotheses, and examine relationships among organizational, technical, and institutional variables.

Qualitative Analysis

Interview transcripts were analyzed using thematic analysis. This involved systematically coding the data to identify, analyze, and report recurring patterns and themes related to implementation barriers, facilitators, and stakeholder experiences.

Integration & Triangulation

Consistent with the convergent parallel design, the quantitative and qualitative results were integrated during the interpretation phase. The findings were cross-referenced to assess convergence, divergence, or complementarity, ensuring a robust, multi-dimensional understanding of the factors influencing IFRS S1 and S2 implementation.

3.6 Ethical & Procedural Considerations

Ethical clearance was obtained prior to data collection. Participants received information sheets and consent forms detailing the study's objectives, voluntary participation, and strict confidentiality/anonymity measures. Follow-up reminders were sent to improve questionnaire response rates, and all completed surveys were screened for completeness prior to analysis.

4 Results and Discussion

This section presents the findings of the study and provides an integrated discussion in relation to the study objectives, existing literature, and the underlying theoretical frameworks. The results are presented in line with the three study objectives

4.1 Level of Adoption of IFRS S1 and S2

The findings indicate that the level of adoption of IFRS S1 and IFRS S2 among listed companies in Zambia is moderate. The mean score for IFRS S1 implementation was 3.16, while IFRS S2 recorded a mean of 3.05. However, integration of sustainability reporting with financial reporting systems was lower (mean = 2.89), suggesting limited alignment between ESG disclosures and core financial processes.

Table 1: Mean and Standard Deviation for Adoption Variables (n = 76)

5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Statement	Mean	Std. Dev	Interpretation
Implementation of IFRS S1 disclosures	3.16	1.07	Moderate
Implementation of IFRS S2 disclosures	3.05	1.12	Moderate
Integration with financial reporting	2.89	1.15	Moderate-Low
Internal sustainability reporting processes	3.01	1.10	Moderate

The qualitative findings confirm that organisations are still in a transition phase, with implementation largely exploratory and not yet institutionalised.

One participant stated:

"*We have started, but I would not say we are implementing them fully. It is more of a transition phase. What we are doing now is reviewing what we already disclose and trying to see how it fits into IFRS S1 and S2, but there are still many gaps.*"

Another respondent noted:

"*Preparedness is moderate. We have some structures in place, but when you look at the actual requirements, especially around data and measurement, we are not fully ready.*"

These responses reinforce the quantitative findings of partial adoption and weak integration.

Despite this, awareness of the standards was high, with a mean score of 4.39, while understanding of material sustainability information (mean = 4.30) and climate-related disclosures (mean = 4.21) also recorded high levels. Training, however, was only moderate (mean = 3.66), indicating a gap between awareness and practical implementation capacity.

Table 2: Mean and Standard Deviation for Awareness Variables (n = 76)

Statement	Mean	Std. Dev	Interpretation
Awareness of IFRS S1 and S2 requirements	4.39	0.74	High
Understanding of material sustainability information in IFRS S1	4.30	0.78	High
Understanding of climate-related disclosures in IFRS S2	4.21	0.82	High
Training on IFRS S1 and S2 received	3.66	0.96	Moderate

These findings suggest that organisations are in a transitional phase characterised by partial compliance and evolving reporting practices. This aligns with qualitative evidence, where participants described implementation as exploratory and not yet fully structured. The results are consistent with prior

studies in developing economies, which report moderate adoption levels and weak depth of sustainability disclosures (Kusuma and Gani, 2024; Milhem, 2025).

From a theoretical perspective, these findings support Institutional Theory, which suggests that organisations adopt new practices primarily in response to regulatory pressure rather than internal strategic alignment. The moderate adoption observed in this study reflects compliance-driven behaviour, where firms respond to the mandatory requirements introduced by regulatory bodies without fully integrating sustainability into their core operations.

4.2 Factors Influencing the Implementation of IFRS S1 and S2

The regression analysis revealed that organisational capacity, technical readiness, institutional pressure, and awareness significantly influence the implementation of IFRS S1 and IFRS S2. The model explained 61.9 percent of the variation in implementation (R^2 = 0.619), indicating strong explanatory power. The correlation results indicate that there are positive and statistically significant relationships between all independent variables and the implementation of IFRS S1 and S2

Table 3: Pearson Correlation Matrix

Variable	Adoption	Awareness	Org Capacity	Institutional Pressure	Technical Readiness
Adoption	1.000				
Awareness	0.52 (0.004) **	1.000			
Org Capacity	0.68 (0.001) **	0.49 (0.000) **	1.000		
Institutional Pressure	0.61 (0.007) *	0.44 (0.001) **	0.55 (0.000) **	1.000	
Technical Readiness	0.65 (0.006) **	0.46 (0.003) **	0.63 (0.001) **	0.52 (0.008) *	1.000

Note: Correlation is significant at the 0.01 level (2-tailed)

Table 4: Model Summary

Model	R	R^2	Adjusted R^2	Std. Error
1	0.79	0.619	0.60	0.48

Table 5: Regression Coefficients

Variable	Beta (β)	Std. Error	t-value	Sig.
Constant	0.85	0.32	2.65	0.010
Awareness	0.21	0.08	2.63	0.011
Organisational Capacity	0.34	0.09	3.78	0.000
Institutional Pressure	0.27	0.08	3.20	0.002
Technical Readiness	0.29	0.09	3.32	0.001

Organisational capacity emerged as the most significant predictor (β = 0.34, $p < 0.001$). The findings indicate that many firms face skills gaps, limited ESG expertise, and unclear internal structures for sustainability reporting. This is further supported by high mean scores for barriers such as lack of skilled personnel (mean = 4.39) and high implementation costs (mean = 4.32). These findings align with the Resource-Based View, which emphasises that internal capabilities are critical for implementing complex organisational practices. Firms lacking the necessary human and organisational resources are less likely to effectively implement IFRS S1 and S2.

Technical readiness was also a significant factor (β = 0.29, p = 0.001). The study found that many organisations lack integrated ESG data systems, with a low mean score for reliable data systems (mean = 2.76). Firms rely heavily on manual processes, which affects data quality and reporting accuracy. These findings are consistent with previous studies that identify data availability and system integration as major barriers to sustainability reporting (PwC Luxembourg, 2024; Pratama et al., 2024).

Institutional pressure was another significant determinant (β = 0.27, p = 0.002), reflecting the influence of regulatory requirements, investor expectations, and industry norms. This supports Institutional Theory, which posits that coercive pressures from regulators and normative pressures from professional bodies drive organisational behaviour. In this study, the mandatory adoption of IFRS S1 and S2 by Zambian regulatory authorities appears to be a key driver of adoption.

Although awareness was found to be statistically significant (β = 0.21, p = 0.011), its influence was weaker compared to other factors. This indicates that awareness alone is insufficient to drive implementation without the necessary organisational and technical capabilities. This finding is consistent with prior research, which shows that knowledge of sustainability standards does not automatically translate into effective implementation (Kusuma and Gani, 2024).

The qualitative data highlight that skills gaps and system limitations are major constraints.

A participant explained:

"*The biggest challenge is capacity. We do not have enough people who fully understand ESG reporting, so we rely a lot on consultants.*"

Another respondent stated:

"*Most of our data is still collected manually, and that makes it difficult to ensure accuracy and consistency.*"

On institutional pressure, one participant noted:

"*Regulators are pushing for compliance, but many companies are still trying to understand what exactly is required.*"

Overall, the findings suggest that the implementation of IFRS S1 and S2 is primarily constrained by internal capacity limitations and technical challenges, despite strong external pressure.

4.3 Strategies to Strengthen Implementation

The findings identify several strategies that can enhance the implementation of IFRS S1 and IFRS S2 among listed companies in Zambia. Key strategies include capacity building, investment in ESG data systems, and strengthening regulatory guidance.

One respondent stated:

"*There is a strong need for training. Many professionals are still learning what IFRS S1 and S2 actually require.*"

Another added:

"*If companies invest in proper ESG systems, it will make reporting much easier and more reliable.*"

On regulation:

"*Clear guidance from ZICA would help companies move from understanding to actual implementation.*"

Qualitative findings highlight the need for targeted training programs to address skills gaps in sustainability reporting. This aligns with existing literature, which emphasises the importance of professional training and education in improving sustainability reporting practices (Wahyuni, 2025). Additionally, firms need to invest in integrated ESG data management systems to improve data quality, reduce reliance on manual processes, and enhance reporting efficiency.

Regulatory and institutional support also emerged as critical facilitators. Clear implementation guidelines and technical support from professional bodies such as ZICA can help firms interpret and apply IFRS S1 and S2 requirements effectively. This is consistent with studies that highlight the role of regulatory frameworks and professional guidance in improving compliance (Wagner et al., 2024).

Furthermore, the findings suggest that organisations should integrate sustainability reporting into their strategic decision-making processes rather than treating it as a compliance exercise. Firms that embed sustainability into their core business strategies are more likely to achieve meaningful and consistent implementation.

5 Conclusion and Recommendations

5.1 Conclusion

This study assessed the level of adoption of IFRS S1 and IFRS S2 and examined the factors influencing their implementation among listed companies in Zambia. The findings reveal that while awareness and general understanding of the standards are high, the level of actual implementation remains moderate. Organisations are largely in a transitional phase characterised by partial compliance, weak integration of sustainability disclosures with financial reporting, and reliance on exploratory approaches.

The study further established that organisational capacity, technical readiness, and institutional pressure are significant determinants of implementation. Among these, organisational capacity emerged as the most influential factor, highlighting the importance of skilled personnel, internal structures, and governance systems in driving effective sustainability reporting. Technical challenges, particularly the lack of integrated ESG data systems and reliance on manual processes, were found to limit the quality and consistency of disclosures. Although regulatory pressure plays a critical role in driving adoption, it has not yet translated into full institutionalisation of IFRS S1 and S2 practices.

The findings contribute to the understanding of sustainability reporting in emerging economies by demonstrating that implementation is shaped by both internal capabilities and external pressures. The study supports the Resource-Based View by emphasising the importance of internal organisational resources, and Institutional Theory by illustrating how regulatory forces drive compliance-oriented behaviour. Overall, the study concludes that while Zambia has made progress in introducing IFRS S1 and S2, effective implementation requires deeper organisational transformation beyond regulatory compliance.

5.2 Recommendations

Based on the findings of the study, recommendations are proposed to enhance the implementation of IFRS S1 and IFRS S2 among listed companies in Zambia. Organisations should invest in targeted training programs to develop internal expertise in sustainability reporting. Professional bodies and academic institutions should collaborate to provide structured training on IFRS S1 and S2 to address the identified skills gaps.

Firms should adopt integrated ESG data management systems to improve data collection, accuracy, and reporting efficiency. This will reduce reliance on manual processes and enhance the reliability of sustainability disclosures. Regulatory bodies such as ZICA should provide clear, practical implementation guidelines and technical support to assist organisations in interpreting and applying IFRS S1 and S2 requirements effectively.

Organisations should move beyond compliance-driven approaches and integrate sustainability reporting into their strategic and operational decision-making processes. This will promote more meaningful and consistent implementation. Companies should actively engage with investors, regulators, and other stakeholders to understand evolving expectations and improve the quality of sustainability disclosures.

Future studies should explore longitudinal changes in IFRS S1 and S2 implementation and expand the scope to include non-listed firms and other

sectors to provide broader insights into sustainability reporting practices in Zambia.

Declaration of Competing Interests

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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