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INTL Sustainability Journal

1 August 2025

Online at <https://mpra.ub.uni-muenchen.de/126553/>
MPRA Paper No. 126553, posted 10 Nov 2025 13:20 UTC

Jurisdiction's approval confusion on the adoption of IFRS S1 and S2 by Malawi's listed companies

By

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Abstract

Adoption of IFRS S1 and S2 became mandatory on 1st January 2024 and yet only 33 percent of Malawi's listed companies disclosed to have adopted the said new sustainability standards and purported no significant impact on the financial statements without producing the required reports as per the International Sustainability Standards Board. The board of directors of those listed companies which did not adopt IFRS S1 and S2 expressed ignorance and pushed the issue to the external auditors who incorrectly stated that prior approval was required as a jurisdictional matter. Some listed companies produced ESG and Sustainability Reports which to lesser extent mitigate the problem. Remedial actions are needed now.

Type of Paper: Research paper

Key words: Jurisdiction; Auditor, IFRS S1 and S2; Malawi

1.0 Introduction

This study was undertaken to evaluate the adoption rate of the IFRS S1 and S2 of Malawi's public companies which became effective on 1st January 2024. Kampanje (2023) had earlier noted that Malawi's public limited companies did not show keen interest to adopt the said standards and as such, much was required to be done. The study was greatly sharpened by the questions which were asked at the annual general meetings of the listed companies to get the direct insights from the preparers of the financial statements as well as their external auditors.

Three research objectives were pursued as follows:

- a) Assess the board of directors' perception on the IFRS S1 and S2.
- b) Examine the role of the external auditors in the adoption of the IFRS S1 and S2.
- c) Identify any connection with the Environmental Social and Governance Disclosures instituted by the Malawi Stock Exchange.

2.0 Literature review

2.1 Comply or explain on the IFRSs

Section 246 of the Malawi Companies Act 2013 stipulates that all the public limited companies in Malawi must adopt the International Financial Reporting Standards (IFRSs) - Kampanje (2023). All private companies shall either adopt IFRSs or IFRSs for SMEs. The adoption of the new accounting standards. Consequently, the public

limited companies have to comply with all the relevant IFRSs. This is well encapsulated by IFRS Foundation (2025):

[An entity whose financial statements comply with IFRS Standards must make an explicit and unreserved statement of such compliance in the notes. An entity must not describe financial statements as complying with IFRS Standards unless they comply with all the requirements of the Standards. The application of IFRS Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.].

KPMG (2023:31) argued that departure from any IFRS must be a rare case:

[In the extreme rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity departs from that requirement in the manner set out in IAS 1.20 if the relevant regulatory framework requires, or does not prohibit such a departure.

When the entity departs from a requirement of an IFRS under 1.19, disclose

- a) that management has concluded that financial statements fairly present the entity's financial position, financial performance and cash flows;
- b) that it has complied with applicable IFRSs except that it has departed from a particular requirement to achieve a presentation;

- c) the title of the IFRS from which it has departed, the nature of the departure including the treatment that the IFRS would require, the reason why that treatment would be so misleading if in the circumstances that it would conflict with the objective of financial statements set out in the *Framework* and the treatment adopted; and
- d) the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement for each period presented.]

IAS 1 - Presentation of Financial Statements will soon be replaced by IFRS 18 - Presentation and Disclosure in Financial Statements beginning or after 1st January 2027 - IFRS Foundation (2024). The departure principles from IFRS will be carried over from paragraphs 6e and 6f of IFRS 18 - IFRS Foundation (2024).

2.2 Synopsis of the IFRS S1 and S2

IFRS S1 and IFRS S2 became effective on 1st January 2024 - Osborn and Langemeier (2024), ICAEW Insights (2024) and Chomba and Jaffer (2025).

Reinstein et al (2024) detailed the pioneer sustainability standards:

[While IFRS S1 sets reporting and disclosure requirements for sustainability-related risks and opportunities, IFRS S2 applies to climate-related risks and opportunities. These items include events to help general purpose financial report users make decisions about providing resources to the entity. The entity should thus disclose information about climate-related risks and

opportunities that could reasonably be expected to affect its cash flows, its access to financing or cost of capital over the short, medium or long term. However, in the absence of an IFRS Sustainability Disclosure Standard that applies to a sustainability-related risk or opportunity, an entity shall apply judgment to identify relevant information that faithfully represents its sustainability-related risks or opportunities. In making this judgment, the entity should refer to and consider the applicability of the disclosure topics in and the metrics associated with the disclosure topics included in the Sustainability Accounting Standards Board (SASB) Standards. They also may consider the Global Reporting Initiative Standards or European Sustainability Reporting Standards].

2.3 Reliefs on the adoption of IFRS S1 and S2

IFRS Foundation (2025b:1) avers:

[In response to concerns about data availability and preparers' readiness, the ISSB decided to provide transition reliefs in IFRS S1 and IFRS S2. A company is required to apply IFRS S1 and IFRS S2 together but paragraph E5 of IFRS S1 allows a company, in its first year of applying ISSB Standards, to disclose information on only its climate-related risks and opportunities (in accordance with IFRS S2)—the so-called 'climate-first' approach:

In the first annual reporting period in which an entity applies [IFRS S1], the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in [IFRS S1] only insofar as they relate to the disclosure of information

on climate-related risks and opportunities. If an entity uses this transition relief, it shall disclose that fact.].

2.4 Noncompliance with IFRSs

Noncompliance with the IFRSs can take many forms and shapes as noted by Nobes and Stadler (2024:1497/1498):

[PW explain that an EU Regulation requires the use of IFRS for the consolidated statements of firms listed on EU-regulated markets. PW examine EU-listed firms as included in the Worldscope database, and they find a high level of non-adoption of IFRS. Specifically: ‘We conclude that many EU firms do not use IFRS; that some firms exploited definitions, exemptions, and deferrals to avoid adopting IFRS while some firms simply failed to comply with the regulation’ (PW, p.1029)].

Kabwe et al (2021) noted that noncompliance with IFRSs was more prevalent in Africa in view of the weaknesses in the institutional and enforcement mechanisms. Kabwe et al (2021) further averred that most audit reports of the reporting entities were unqualified despite visible noncompliance with the IFRSs and bringing questions regarding the audit quality generally. Hellman et al (2017) argued that if the risk of litigation is low and there is absence of strong public enforcement, mechanisms related to the environment and incentives are expected to become more important. In a nutshell factors such as globalization can discourage non-compliance with IFRSs - Fanani et al (2024). Al Mazroui et (2023) had earlier postulated that adoption of IFRSs enhances foreign direct investment and

increases transparency and comparability of the listed companies attracting both foreign and local investors.

3.0 Methodology

This was a mixed methodology combining both quantitative and qualitative methodology. This provided an opportunity to remain focussed while soliciting as many answers from the data subjects which were the board of directors and that the external auditors in the annual general meetings of the Malawi's listed companies conducted between February 2025 and 5th August 2025. Data collection method was through formal questions addressed to the Board Chairs and the external auditors during the members' Questions and Answers Session. The respondents were not forewarned that the responses would be part of the study and that provided honest and candid feedback. Neither the details of the companies nor the identities of the respondents have been revealed in compliance with the research ethics.

4.0 Research findings and discussions

4.1 Raw data

Table 1 presents the list of fifteen listed companies on the Malawi Stock Exchange whose annual reports are uploaded on the local bourse's website. The sixteenth is excluded as there was no available data.

Table 1: Adoption of IFRS S1 and S2 on listed companies on the Malawi Stock Exchange

Malawi's listed companies on the adoption of IFRS S1 and S2

No	Firm	Auditor	2024	2023	industry
			Disclosure	Disclosure	
1	A	X	Yes	Yes	Conglomerate
2	B	Y	No	No	Conglomerate
3	C	Y	Yes	No	Conglomerate
4	D	Z	No	No	Banking
5	E	Y	No	No	Banking
6	F	Y	Yes	No	Banking
7	G	Y	No	No	Banking
8	H	X	No	No	Telecommunication
9	I	X	No	No	Telecommunication
10	J	Y	No	No	Manufacturing
11	K	X	No	Yes	Investment Property
12	L	X	Yes	Yes	Investment Property
13	M	X	No	Yes	Hospitality
14	N	X	Yes	No	Hospitality
15	O	L	No	No	Financial Investment

Auditors X and Y belong to the big four audit firms while Z is amongst the big eight and finally Auditor X is a local firm.

Consequences for adoption of IFRS S1 and S2

The five firms which disclosed adoption of the IFRS S1 and S2 simply stipulated that there was no significant

impact on the financial statements of the firm or the group wherever applicable. There were no disclosures or reporting requirements under IFRS S1 and there was no presentation of the information regarding related climatic risks and opportunities related to IFRS S2.

Listed companies which did not adopt IFRS S1 and S2 are presented in table 2 below.

4.1.1 Companies which did not adopt IFRS S1 and S2

Table 2: Listed companies which did not adopt IFRS S1 and S2.

Malawi's listed companies which did not adopt IFRS S1 and S2

No	Firm	Auditor	2024 Disclosure	2023 Disclosure	industry
2	B	Y	No	No	Conglomerate
4	D	Z	No	No	Banking
5	E	Y	No	No	Banking
7	G	Y	No	No	Banking
8	H	X	No	No	Telecommunication
9	I	X	No	No	Telecommunication
10	J	Y	No	No	Manufacturing
11	K	X	No	Yes	Investment Property
13	M	X	No	Yes	Hospitality
15	O	L	No	No	Financial Investment

Ten out of the fifteen companies listed on the Malawi

Stock Exchange did not adopt IFRS S1 and S2 in 2024 representing 66.67 percent of the data subjects.

Companies K and M had disclosed the impending IFRS S1 and S2 in their 2023 Annual Reports but the said accounting standards were conspicuously absent in the 2024 financial statements demonstrating lack of interest in the subject matter instead of being unaware of the requirements to adopt the said new sustainability standards. Both K and M were audited by a single audit firm which also audited two companies one in the hospitality industry and the other in property investment and those adopted the IFRS S1 and S2.

4.1.2 Directors response at the agms

The directors of the companies which did not adopt the IFRS S1 and S2 expressed ignorance of the mandatory requirement for the adoption of the sustainability standards and promised to explore the matter further with the external auditors as well as the Institute of Chartered Accountants in Malawi (ICAM). This showed lack of depth by the audit and finance committees subboard committees which are supposed to be conversant with the latest developments in the corporate reporting to reduce compliance risks.

4.1.3 External auditors response

The external auditors in several AGMs for the companies which did not adopt IFRS S1 and S2 stated that Malawi is

yet to adopt both IFRS S1 and S2 because prior jurisdictional approval is required. This argument is flawed because Malawi already fully adopted the IFRSs by embedding them into the Companies Act 2013 and there is no need for any additional approvals as noted by IFRS Foundation (2016:4) as there is no formal process for the endorsement or adoption of new or amended standards. The external auditors were quite aware of this but did not want to take responsibility for this issue.

4.2 Industry analysis

Industry or sectoral analysis provides a better evaluation methodology of analyzing materiality principles. This probably means that what is material in a particular industry might not be in another. This is different from traditional financial reporting as noted by EY (2024:2):

[Information is material if it could reasonably be expected to affect an entity's prospects by influencing the decisions that primary users (being investors, lenders or other creditors) make relating to providing resources to the entity.

In other sustainability standards such as ESRS and GRI, 'materiality' as a term is used more broadly as they refer to material matters or topics as well as the material information about those topics. The educational material explains that, "despite these differences in the application of the word 'material', when applying the concept of 'materiality' in ISSB Standards and 'financial materiality' in ESRS ... this difference is not in itself expected to result in different outcomes of the information reported." Hence, the ISSB Standards are interoperable with ESRS in relation to what information is

considered material for primary users. In addition to financial materiality, ESRS requires an assessment on impact materiality, which considers how an entity's activities impact people and the environment. This means that ESRS considers the information needs of other stakeholders beyond just primary users, unlike ISSB Standards.]

The industry specific issues are important when determining the risks and opportunities and that can be very important for the comparability purposes as noted by IFRS Foundation (2024:8):

[... to identify such risks and opportunities, IFRS S1 requires entities to refer to and consider the SASB Standards, and IFRS S2 requires entities to refer to and consider the Industry-based Guidance on Implementing IFRS S2].

Below is the analysis of the industry sectors of Malawi's listed companies in reference to IFRS S2.

4.2.1 Conglomerates

Firm B as a conglomerate did not adopt IFRS S1 and S2 but it was rather queer because one of its subsidiaries also listed on the Malawi Stock Exchange had adopted the new accounting standards. This should not be possible under IFRS 10 - Consolidated Financial Statements because the consolidated financial statements must reflect the uniform accounting policies across the subsidiaries and the reporting entity such that if there is a difference, adjustments must be in the consolidated financial

statements - BDO (2022). There is a strong possibility that the consolidated financial statements of the conglomerate were materially misstated because they did not incorporate the principles of the IFRS S1 and S2 despite the fact that they did not have any significant impact on the subsidiary which had adopted them. Both the concerned conglomerate and the subsidiary were audited by the same audit firm.

4.2.2 Banking sector

The banking system appears to be less concerned with the adoption of IFRS S1 and S2 perhaps because the regulator did not provide specific directives in that regard. This is confirmed by the Reserve Bank of Malawi (2024:8). Banks have a major role in financing projects which have less carbon footprint and are environmentally friendly in many aspects. This is fundamentally different from UK Finance which is the collective voice for the banking and finance industry representing over 300 firms to enhance competitiveness, support customers, and facilitate innovation used its response to Basel Committee's climate risk Pillar 3 proposals to urge the Committee to back the ISSB standards to drive global consistency and comparability across all sectors in all jurisdictions to support the transition to a decarbonised economy - Deloitte (2024). There are proposals that IFRS S2 should be the global baseline framework of the Base Committee of Banking Supervision to become and continue to inform jurisdictional climate risk disclosure requirements, driving consistency, comparability and thereby support broader

sustainability disclosure objectives - Deloitte (2024). It is therefore envisaged that the adoption of IFRS S1 and S2 will very soon be embedded in the Financial Services Act and Banking Act through the directives from the Registrar of Financial Institutions who is the Governor of the Reserve Bank of Malawi.

There is already industry-based guidance for the commercial banks under the IFRS S2 as highlighted by IFRS Foundation (2023a:4):

[As financial intermediaries, commercial banks contribute to significant positive and negative environmental and social externalities through their lending practices. Environmental, social and governance (ESG) factors can have material implications for the underlying entities, assets and projects to which commercial banks lend across a range of industries. Therefore, entities increasingly must examine ESG factors when determining the quality of collateral. Commercial banks also may enable positive environmental and social externalities to generate significant revenue streams through their lending practices. Commercial banks that fail to address these risks and opportunities could face diminished returns and reduced value for shareholders. Commercial banks should subsequently disclose how ESG factors are integrated into lending processes and the current level of portfolio risk associated with specific sustainability trends. Specifically, investor and regulatory pressure is mounting for banks to disclose how they address climate change related risks.].

It might be argued that the adoption of the IFRS S1 and S2

by the Malawian banking sector does not require substantial resources as the format and guideline already exists.

4.2.3 Telecommunication sector

Malawi's telecommunication sector is governed by the Communications Act 2016 and provides protections of the environment as outlined in section 3 when a licensee undertakes works which disturbs the road or footpath. The pronouncements of the environmental protection are clearly spelt out under section 10 of the said Act as follows:

[A facilities service licensee shall do as little damage as possible to land and to the environment and shall pay reasonable compensation to all interested persons for any damage or loss sustained by them by reason of the exercise of the powers under paragraph 7.].

Telecommunication service providers are licensed by the Malawi Communications Regulatory Authority simply known as MACRA which issues out licences and spelt out the need to protect the environment as highlighted by the Government of Malawi (2022:894):

[Health and environmental concerns

29.1. The Licensee shall ensure the use of energy efficient, environmental friendly network equipment and also ensure proper safety and health hazard issues in the installation and

location of their network equipment including transceivers and other locations of installations.

29.2. The Licensee shall as much as possible use green technology in its systems, and shall ensure that the technology constitutes at least 20% of its off- grid network equipment including transceivers within five (5) years from the effective date.

29.3. The Licensee shall ensure that deployment of its network equipment including transceivers conform to any applicable EMF radiation Guidelines issued by the Authority from time to time as well as other relevant guidelines or rules by recognized international bodies].

The IFRS S2 considerations for the telecommunication sector were formulated as annotated by IFRS Foundation (2023e:4):

[Individual telecommunication services entities consume substantial amounts of energy. Depending on the source of energy and generation efficiency, electricity consumption by telecom network infrastructure can contribute significantly to environmental externalities, such as climate change, creating sustainability risks for the industry. Although network equipment and data centres are becoming more energy efficient, their overall energy consumption is increasing with the expansion in telecommunications infrastructure and data traffic. How telecommunication services entities manage their overall energy efficiency or intensity, reliance on different types of energy, and how they access alternative sources of energy may become increasingly material as the global regulatory focus on climate change increases, creating incentives for energy efficiency and renewable energy as well as pricing of

greenhouse gas (GHG) emissions. Because energy expenditures may be significant in the industry, entities that improve operational energy efficiency may increase cost savings and profit margins.].

It could therefore be argued that the basic disclosure requirements for Malawi's telecommunication listed companies are already available as metrics for the risks and opportunities are clearly outlined in the IFRS Foundation (2023).

4.2.4 Hospitality sector

This sector is regulated by the newly enacted Tourism and Hotels Act 2025 which repealed the 1968 legislation - Mvona (2025). While the new regulations regarding the environment and social issues will be pronounced through the appropriate regulations, there are already considerations for restaurants in respect of energy management in the IFRS S2 as highlighted by IFRS Foundation (2023d:4):

[Restaurant operations have high energy intensity compared with other commercial building operations. Commercial kitchen appliances are energy intensive, and dining areas typically are temperature-controlled for customers. Fossil fuel-based energy production and consumption contribute to significant environmental impacts, including climate change and air pollution, which have the potential indirectly, yet materially, to affect restaurant operations. Regulations on greenhouse gas (GHG) emissions pricing or regulatory incentives for energy efficiency improvements and renewable energy affect

conventional and renewable energy prices. Entities that manage energy consumption at entity-owned and franchise locations can decrease operational costs through energy efficiency upgrades and limit exposure to GHG emissions regulations by using renewable energy resources.].

IFRS S2 for restaurants makes specific metrics for energy management, water management as well as supply chain management and food sourcing. Consequently, there is existing guidance for the concerned listed companies.

4.2.5 Investment property sector (real estate)

This sector is governed by the Real Estate Management Act 2024 which came into force on 13th January 2025. This is new legislation and therefore applicable regulations will be developed in due course. There are however existing metrics under the IFRS S2 as averred by IFRS Foundation (2023c:4):

[In the Real Estate Services industry, buildings owned or occupied by clients generally have significant sustainability impacts. Buildings, and the activities that take place within them, drive energy consumption, direct and indirect greenhouse gas (GHG) emissions, water consumption, waste generation and indoor environmental quality concerns that can impact occupant health. Entities have an opportunity to improve the sustainability impacts of buildings and their operations through sustainability- related services. These services may include utility data management, energy procurement, energy and water benchmarking, resource efficiency improvements, activities related to sustainability certifications, and sustainability consulting and training. Entities may impact building

sustainability further by arranging leases that incentivise both owners and tenants to improve sustainability performance, while yielding financial benefits for both parties. Providing these services may drive new revenue growth and increase client retention. Effective sustainability services may benefit owners or tenants through improved asset values, increased tenant demand, decreased operating costs and improved tenant experiences.].

There are various metrics regarding energy and sustainability services which can be disclosed for the relevant stakeholders.

4.2.6 Manufacturing sector

This is concerned with the processed food which currently falls under the Malawi Bureau of Standards Act which certifies food fit for human consumption. There are metrics for this sector which include energy management, water management and environmental and social impact of ingredient supply chain as well as ingredient sourcing. The main focus is on the energy management under the IFRS S2 as noted by IFRS Foundation (2023b:4):

[The Processed Foods industry is reliant on energy and fuel as primary inputs for value creation in manufacturing food products. Energy is needed to operate large manufacturing facilities for cooking, refrigeration and packaging. Energy production and consumption contributes to significant environmental impacts, including climate change and pollution, which have the potential indirectly, yet materially, to affect processed food entity operations. Energy efficiency in production and distribution can mitigate exposure to volatile

energy costs and limit an entity's contribution to direct and indirect greenhouse gas (GHG) emissions. Producers may be able to reduce the risk posed by volatile fossil fuel energy costs—particularly natural gas, which the industry uses heavily—by diversifying their energy portfolio across a range of sources. Decisions regarding alternative fuels use, renewable energy and on-site generation of electricity versus purchasing from the grid, may influence both the costs and reliability of the energy supply].

It can be ascertained that the industry lacks no guidance in complying with IFRS S2.

4.3 Intersection of ESG and IFRS S1 and S2

Environmental, Social and Governance Report (ESG) became mandatory for all the listed companies in Malawi from 2024 and have to be included in the financial statements since the Malawi Stock Exchange incorporated them on the Malawi Stock Exchange Listings Requirements 2023 - Times Online (2024). The ESG Reports are part of the continuous obligations and fall under section 7.42 such that listed companies are encouraged to apply Global Reporting Initiatives or Standards on ESG Reporting - Malawi Stock Exchange (2023). It however became evident that more training was required to fully understand the compliance requirements - Mtemang'ombe (2025).

Table 3: Adoption of ESG vs IFRS S1 and S2

Intersection of IFRS S1 and S2; ESG Reports and Sustainability Reports					
No	Firm	ESG 2024	Sustainability Report 2024	IFRS S1 & S2	industry
1	A	No	Yes	Yes	Holding Company
2	B	No	Yes	No	Holding Company
3	C	No	No	Yes	Holding Company
4	D	No	No	No	Banking
5	E	Yes	No	No	Banking
6	F	Yes	No	Yes	Banking
7	G	No	Yes*	No	Banking
8	H	No	No	No	Telecommunication
9	I	Yes	No	No	Telecommunication
10	J	Yes	Yes	No	Manufacturing
11	K	Yes	Yes	No	Investment Property
12	L	No	No	Yes	Investment Property
13	M	Yes	No	No	Hospitality
14	N	No	Yes	Yes	Hospitality
15	O	Yes	No	No	Financial Investment

Table 3 above indicates that only two firms neither adopted IFRS S1 and S2 nor Environmental, Social and Governance Reports. These were Firm D in the Banking Sector and Firm H in the telecommunication sector. It was rather surprising for Firm D as its parent company also listed on the Malawi Stock Exchange adopted both IFRS S1 and S2 as well as Sustainability Report. This brings serious doubt of the universal accounting policies amongst Malawi's group structure as required by IFRS 10 - Consolidated Financial Statements. Firm D is also very

peculiar because Malawi's financial institutions had to a greater extent well received the non-binding guidelines on the management and disclosure of climate-related and environmental financial risk for banks was well-received by the banking sector - Reserve Bank of Malawi (2024).

4.4 Sustainability reports vs IFRS S1 and S2 reports

It was noted that some listed firms opted for sustainability reports and not ESG reports. The sustainability reports contained all the elements of the ESG and it might be argued that the two reports might be interchangeably issued out and still comply with section 7.42 of the Malawi Stock Exchange Listings Requirements 2023. While there could be some crosscutting issues in both ESG Reports and the IFRS S1 as well as S2, these are mutually exclusive and serve different purposes. The IFRS S1 and S2 primarily focuses on the financial impact of the interaction between the reporting and its environment and how it influences or is influenced by it which have to be subject to the statutory audit while ESG or sustainability reports look at the broad measures to achieve good corporate citizens. This is perhaps better illustrated by the definitions of IFRS S1 by PricewaterhouseCoopers (2024:6):

[A sustainability report is referred to as 'sustainability-related financial disclosures' in IFRS S1. The definition of 'sustainability-related financial disclosures' is: 'A particular form of general purpose financial reports that provide information about the reporting entity's sustainability-related risks and opportunities that could reasonably be expected to

affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets'.].

It has been observed that the ESG or sustainability reports of the reporting entities have been used to disclose the adherence of the Sustainable Development Goals (SDGs) of the United Nations which run from 2015 to 2030. The primary focus of the SDGs might force the reporting entities to change their focus after 2030 if the new development goals will not be ready or have to be substantially different from the current ones. There is also a comparability problem because each reporting entity can prioritise what it is good at substantially suppress the activities which are problematic mainly because there are no structured formats to report on. Meanwhile, the International Sustainability Standards Board has a minimum content standard as highlighted by PricewaterhouseCoopers (2024) which was not adhered to by all the listed companies in Malawi.

Firm G did not disclose the adoption of the IFRS S1 and S2 in its annual report but made substantial proclamations of the adoption of the same in the Sustainability Report. The sustainability report encapsulated some important aspects of the impact of lending such as green loans, climate smart farming, digitization (instead of paper-based forms), solar and micro irrigation uptake.

4.5 Takeaways in the ESG and sustainability reports

Some positive and influential disclosures in either the ESG or sustainability reports. Firm I which is a telecommunication player stated that its installed solar energy accounted for 36 percent which is above the 20 percent green energy threshold set by the regulator and also in line with the goal set by ITU for the ICT industry to reduce carbon emissions by 45 percent by 2030.

Both Firms M and N provided some insightful disclosures regarding methods to reduce food wastage and efficient energy usage. There were also disclosures regarding setting up gardens within the compounds to grow vegetables and herbs as means of adding beauty but also reduce the carbon footprint through sourcing from distant places. There are deliberate actions taken to reduce use of plastic water bottles in preference for reusable glass bottles.

5.0 Conclusions and recommendations

The study has revealed that only 33 percent of Malawi's listed companies adopted the IFRS S1 and S2 but stated that there was no significant impact on the financial statements of the reporting entities. There was however no entity which produced sustainability reports in line with IFRS S1 and S2 as outlined by the International Sustainability Standards Board. It would have been appropriate to elect to utilize the reliefs for the first adoption of the IFRS S1 by stating that more details will be presented in the future upon making further assessments.

The majority of the board of directors of the listed companies which did not adopt IFRS S1 and S2 demonstrated ignorance on the subject matter and pushed the matter to the external auditors during the annual general meetings. This could be a lack of interest or depth in the subject matter. The external auditors especially of the big four tried to spin the jurisdictional issue that Malawi must first of all approve the IFRS S1 and S2 when it is clear that the IFRSs and related requirements are embedded in the Malawi's Companies Act 2013. The confusion of the adoption of ESG Reporting Requirements under section 7.42 of the Malawi Stock Exchange Listings Requirements 2023 might have given the impression that ESG Reports took more prominence over the IFRS S1 and S2 which is not the case. There were however some positive disclosures noted in the ESG and Sustainability Reports which outlined some of the issues which are part of the IFRS 2 in Industry Specific Sectors. These were noted in one telecommunication company, the hospitality industry and one bank.

There is a lot which has to be done for Malawi's listed companies to comply with IFRS S1 and S2 and it is recommended as follows:

- a) The Malawi Stock Exchange Listings Requirements should be amended to include sustainability standards issued out by the International Sustainability Standards Board so that the ESG Reports demanded under Section 7.42 of the Malawi Stock Exchange

Listings Requirements should fall under the IFRS S1 and S2 as well as future sustainability standards.

- b) The Reserve Bank of Malawi to issue out appropriate directives for the commercial banks and financial institutions based on the IFRS S2 for Commercial Banks. There is no need to undertake more work.
- c) Industry regulators to specifically choose their relevant IFRS S2 guidelines and perhaps incorporate local issues to increase the accountability of the reporting entities.

The compliance costs are relatively low and this should not be a reason to defer or ignore the IFRS S1 and S2 in the short to long term in view of the standardised reporting structure with specific guidelines for each industry.

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