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Nigeria Strengthens Its Sustainability Disclosure Framework: *What you need to know and how it Applies to you.*



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What you need to know and how it Applies to you.

1. Introduction

Nigeria, has adopted the International Financial Reporting Standards Sustainability Disclosure Standards (the "IFRS Sustainability Disclosure Standards"), issued by the International Sustainability Standards Board ("ISSB"). The adoption is intended to establish a consistent framework for sustainability-related financial disclosures, improve the quality and comparability of corporate reporting and provide investors and other users of financial information with relevant information for informed decision-making.

In furtherance of this, the Financial Reporting Council of Nigeria (FRCN) pursuant to its powers under the Financial Reporting Council of Nigeria Act (the "FRCN Act")[1] has issued the Sustainability Reporting Guideline (SRG1)[2] and the Amended Roadmap Report.[3] In particular, SRG 1 provides operational guidance on the application of the standards, while the Amended Roadmap establishes the phased adoption timelines, readiness assessment procedures, professional requirements and assurance framework applicable to reporting entities.

[1] Section 8(2) of the Financial Reporting Council of Nigeria Act No. 6 of 2011 (as amended in 2023)

[2] The Sustainability Reporting Guideline (SRG1) in Nigeria (2026)

[3] The Roadmap Report for the Adoption of IFRS Sustainability Disclosure Standards in Nigeria (Amended 2026)

2. Categories Of Entities Covered

a. **Public Interest Entities (PIE):** The Financial Reporting Council Act 2011 defines PIE[4] to mean; governments and government organizations; listed entities on any recognised exchange in Nigeria; non- listed entities that are regulated; public limited companies; private companies that are holding companies of public or regulated entities; concession entities; privatized entities in which government retains an interest; entities engaged by any tier of government in public works with annual contract sum of N1 billion and above, and settled from public funds; licensees of government; and all other entities with an annual turnover of N30 billion and above. The Guideline also classifies Commercial Public Sector Entities ("CPSEs") under PIEs and requires that they also adopt and comply with the provisions of the Sustainability Reporting guidelines.

b. **Small and Medium-sized Enterprises ("SMEs"):** Another category of entities that must adopt the sustainability reporting guidelines is the Small and Medium-sized Enterprises ("SMEs"). According to the National Policy on SMEs issued by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)[5], these are entities with less than 199 employees, and having assets less than 500 million naira. Businesses within this category must comply with the provisions of the Sustainability Reporting guidelines.

3. Implementation Phase and Timelines for Adoption

There are 4 implementation phases, each with its timeline for the adoption. The dates and corresponding phases are in the table below:

[4] Financial Reporting Council of Nigeria Act, 2011 s 77

[5] Section 1.3 of the National Policy on Micro Small and Medium Enterprises

Phase 1: Early Adopters	Phase 2: Voluntary Adopters	Phase 3: Mandatory Adopters		Phase 4: Government & Government Organisations
December 31, 2023	(January 1st, 2024 to December 31st, 2027)	Effective January 1, 2028 all PIEs for the accounting period beginning on or after January 1, 2028;	SMEs: January 1st, 2030 Accounting period beginning on or after January 1, 2030	2028 (Early Adoption Encouraged)

4. Compliance Requirements

a. **Adopt IFRS Sustainability Disclosure Standards:** All affected entities are required to adopt, implement, and comply with the IFRS Sustainability Disclosure Standards (IFRS S1 and S2). Furthermore, public sector entities must adopt the sustainability disclosure standards issued by the International Public Sector Accounting Standards Board (IPSASB) as their sustainability reporting framework.[6]

b. **Include Sustainability Report in Annual Report[7]:** Sustainability disclosures are now a necessary part of the annual report. The disclosure must be identified and placed immediately after the Directors' Report and before the financial statements.

c. **Statement of Compliance[8]:** Sustainability disclosures must now contain a statement of compliance with the adopted sustainability disclosure standards.

d. Apply IFRS S1 Guidance on Sustainability Risks and Opportunities:

[6] Section 1 of the Sustainability Guideline (SGR1) 2026

[7] Section 2 Sustainability Reporting Guideline 1 (SRG1) in Nigeria (FRCN 2026)

[8] Sec 2 Sustainability Reporting Guideline 1 (SRG1) in Nigeria (FRCN 2026)

Affected entities are required to identify sustainability-related risks and opportunities using IFRS Sustainability Disclosure Standards and, where necessary, other permitted sources of guidance.[9]

e. Clear disclosure of sustainability Information:

Sustainability Disclosure must be communicated with clarity so that primary users do not omit or misstate that information. Therefore, the language used must not be vague or unclear.

Material information about sustainability-related risk or opportunity is scattered throughout the sustainability-related financial disclosures, and the use of immaterial information to hide material information, amongst others[10].

f. Pass-through FRC readiness assessment test:

Affected entities are now required to pass through the Financial Reporting Council (FRC) readiness test before adopting the sustainability disclosure standards. This is necessary to demonstrate their readiness to adopt the standards and ensure that the adopting entity is fully prepared to implement the adoption journey. Activities that make up readiness assessment include implementation planning, gap assessment, materiality assessment, governance arrangements, sustainability policies, and risk management frameworks.

g. Identify Industry Classification and Metrics:

The FRC require adopting entities to specify the industry classifications they belong to, and/or disclosure topics applicable in line with similar provisions of the IFRS S1. Consequently, the FRC will expect adopting entities to specify the industry classifications they belong to, and/or disclosure topics applicable to them[11].

h. Disclosure of Internal Carbon Price & Greenhouse Gas Measurement Methodology:

The guideline requires an entity to disclose information relevant to the cross-industry metrics category of internal carbon price in which the entity is expected to disclose. An explanation of whether and how the entity is applying a carbon price in decision-making, and the price for each

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[9] Sustainability Reporting Guideline 1 (SRG1) in Nigeria (FRCN 2026) s3

[10] ***Sustainability Reporting Guideline 1 (SRG1) in Nigeria*** (FRCN 2026) s5

[11] ***Sustainability Reporting Guideline 1 (SRG1) in Nigeria*** (FRCN 2026) s7

metric tonne of greenhouse gas emissions the entity uses to assess the cost of its greenhouse gas emissions[12].

Furthermore, the non-existence of jurisdictional internal carbon price mechanisms is not enough reason not to disclose an internal carbon price in sustainability reports. Entities are directed to use an internal carbon price applicable in similar jurisdictions, and with the same characteristics as Nigeria.

Additionally, entities must disclose the characteristics used to estimate their internal carbon price, and clearly disclose the chosen jurisdiction[13]. Furthermore, affected entities should disclose the methodology, assumptions, inputs, and the reason why the entity has chosen the measurement approach. Further entities should disclose the inputs and assumptions it uses to measure greenhouse gas emissions[14].

i. Establish Governance Structures & Implementation Sustainability Risk Management:

Affected entities are required to implement sustainability governance arrangements, including board oversight and governance processes that align with IFRS S1 and IFRS S2. Also, entities should integrate sustainability risks and opportunities into their risk management framework[15].

j. Disclose Metrics and Targets:

Entities must establish and disclose sustainability-related metrics and targets, including climate-related metrics where applicable[16].

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[12] Financial Reporting Council of Nigeria, ***Sustainability Reporting Guideline 1 (SRG1) in Nigeria*** (FRCN 2026) s 8

[13] ***Sustainability Reporting Guideline 1 (SRG1) in Nigeria*** (FRCN 2026) s 9

[14] ***Sustainability Reporting Guideline 1 (SRG1) in Nigeria*** (FRCN 2026) s10

[15] ***Roadmap Report For the Adoption of IFRS Sustainability Disclosure Standards in Nigeria. (Amended 2026)*** para 7. 2; 7.4

[16] ***Roadmap Report For the Adoption of IFRS Sustainability Disclosure Standards in Nigeria. (Amended 2026)*** para 7.5; 7.5.1 and 7.5.2

4. Recommendations On Steps Affected Entities Should Take For Compliance.

To comply with the requirements of the SGR1 and the Amended Roadmap affected entities should ensure that they:

1. Establish a governance framework at the board level
2. Conduct a Readiness Gap Assessment in line with the provisions of the guideline
3. Develop a formal Sustainability Reporting Implementation Plan to include industry requirements.
4. Perform Materiality Assessments to identify and assess sustainability-related risks and opportunities that may reasonably affect enterprise value.
5. Establish dedicated sustainability reporting policies that cover reporting scope, data governance, materiality considerations, metrics selection, and Internal review and approval procedures.
6. Build company capacity through training talent and recruiting professionals that can engage in Sustainability Reporting where necessary.
7. Establish Internal Controls Over Sustainability Reporting.
8. Ensure the company's reporting format aligns with FRC requirements, including adding sustainability reporting immediately after the Directors' Report and before the financial statements of the affected entities.

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