



Sustainability Reporting Guideline (SRG1) in Nigeria (2025)

Background and Key Observations – in accordance with Section 8 (2) of the Financial Reporting Council of Nigeria Act No. 6 2011 (as amended) and as part of resolve to ensuring the integrity of financial reporting and safeguarding public interest, the Financial Reporting Council of Nigeria is introducing this Guideline to clarify issues arising from the adoption and implementation of ISSB Sustainability Disclosure Standards in Nigeria for transparency and accountability.

This Guideline is hereby made as follows:

- 1. Adopted Sustainability Reporting Framework in Nigeria** – At COP 27 at Sharm El-Sheikh in Egypt, in November 2022, the Financial Reporting Council of Nigeria (FRC) declared its intention to adopt IFRS Sustainability Disclosure Standards (IFRS SDSs) issued by International Sustainability Standards Board (ISSB), being the global baseline for sustainability reporting. The adoption of IFRS SDS for the Nigerian jurisdiction was endorsed by President and Commander in Chief of Armed Forces, Federal Republic of Nigeria, President Bola Ahmed Tinubu, GCFR at Aso Rock during a visit by Mr. Emmanuel Faber, the Chair of ISSB and his team to Nigeria on March 21, 2024. Therefore, IFRS SDSs are the sustainability reporting framework that has been adopted in Nigeria in private sector. Commercial Public Sector Entities (CPSEs) – (formerly referred to as Government Business Entities (GBEs) must also adopt IFRS SDSs in their sustainability reporting. Similarly, sustainability disclosure standards issued by International Public Sector Accounting Standards Board (IPSASB) are the sustainability reporting framework that must be adopted by public sector entities.
- 2. Sustainability Disclosures as Identifiable Integral Part of Annual Report** - sustainability report should be an integral part of Annual Report with a beginning and an end, properly titled. It should be located as in the Adoption Roadmap immediately after Directors' Report but before the financial statements. Its beginning and end must be within this space. It should not be dispersed across the annual report to avoid obscuring information. It must contain a Statement of Compliance with the adopted sustainability disclosure standards.
- 3. Sources of Guidance** – in line with Paragraph 54 – 59 of IFRS S1, the sources of guidance for IFRS SDS shall be: **IFRS Sustainability Disclosure Standards.**

In the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgement to identify information that:

- (i) is relevant to the decision-making of users of general purpose financial reports; and
- (ii) faithfully represents that sustainability-related risk or opportunity and applies in the following order:

(a) an entity shall refer to and consider the applicability of the *disclosure topics* in the SASB Standards. An entity might conclude that the disclosure topics in the SASB Standards are not applicable in the entity's circumstances.

(b) an entity may refer to and consider the applicability of:

- (i) the CDSB Framework Application Guidance for Water-related Disclosures and the CDSB Framework Application Guidance for Biodiversity-related Disclosures (collectively referred to as 'CDSB Framework Application Guidance');

(ii) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports; and

(iii) the sustainability-related risks and opportunities identified by entities that operate in the same industry(s) or geographical region(s).

(c) or any other investor focused standard to the extent that these sources do not conflict with IFRS Sustainability Disclosure Standards.

In making that judgement, an entity may - to the extent that these sources assist the entity in meeting the objectives of the standards and do not conflict with IFRS SDSs - refer to and consider the applicability of:

- (a) The Global Reporting Initiatives (GRI) Standards
- (b) The European Sustainability Reporting Standards (ESRSs)

4. **Interoperability** – In this jurisdiction, interoperability refers to the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk and opportunity. In this situation, an entity shall refer to Sources of Guidance as listed in (3) above. Preparers must note that IFRS Sustainability Disclosure Standards are the primary reporting framework and interoperability does not mean interchangeability or willful optionality of standards of choice.

5. **Obscuring Sustainability Information:** IFRS S1.62 and B.27 advise against obscuring Sustainability disclosures. Information is obscured if it is communicated in a way that would have a similar effect for primary users to omitting or misstating that information. Examples of circumstances that might result in material information being obscured include:

- (a) material information is not clearly distinguished from additional information that is not material;
- (b) material information is disclosed in the sustainability-related financial disclosures, but the language used is vague or unclear;
- (c) material information about a sustainability-related risk or opportunity is **scattered** throughout the sustainability-related financial disclosures;
- (d) items of information that are dissimilar are inappropriately aggregated;
- (e) items of information that are similar are inappropriately disaggregated; and
- (f) the understandability of the sustainability-related financial disclosures is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Other instances of information that are not requirements of the standards which can obscure sustainability information include the following:

- (i) disclosures of interviews of any type
- (ii) pictures of CSR activities
- (iii) pictures of awards
- (iv) content of disclosures under appendices listing provisions/paragraphs of standards and entity's responses

6. **Readiness Assessment Test** – it is mandatory that all entities must pass through the FRC Readiness Test in order to demonstrate their readiness to adopt the standards. This is to ensure that the adopting entity is fully prepared to implement the adoption journey. It is therefore important that before an entity embarks on the adoption journey, it should contact the Council for proper guidance.

7. **Identification of Industry Volumes:** Paragraph 59 (b) IFRS S1 requires an entity to identify the industry specified in the IFRS SDSs, the SASB Standards or other sources of guidance relating to a particular industry that the entity has applied in preparing its sustainability related financial disclosures including identifying applicable metrics. Consequently, the Council will expect adopting entities to specify the industry classifications, disclosure topics they belong to.

8. **Internal Carbon Price:** IFRS S2.29 (f) 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 (i) an explanation of whether and how the entity is applying a carbon price in decision making; (ii) the price for each metric tons of greenhouse gases emission the entity uses to access cost of its greenhouse gas emissions. Internal Carbon Price is a jurisdictional base. Currently, in Nigeria Internal Carbon Price mechanism does not exist because of institutional challenges within the jurisdiction. As such, some adopters find it difficult to disclose their internal carbon price in line with IFRS S2.29 (f). The non-existence of jurisdictional internal carbon price mechanism is not enough reason not to disclose internal carbon price in sustainability reports. Adopting entities are therefore advised to use internal carbon price applicable in similar jurisdiction with Nigeria to estimate their internal carbon price and disclose such jurisdiction.

9. **Transparency in Calculation of CO2 Emissions:** IFRS S2.29 (a) (ii) requires an entity to disclose the approach it uses to measure its greenhouse gas emission including: (i) the measurement approach, input and assumptions the entity uses to measure its greenhouse gas emissions; (ii) the reason why the entity has chosen the measurement approach, input and assumptions it uses to measure its greenhouse gas emissions. Consequently, the reporting entities are expected to disclose the approach adopted in measuring their greenhouse gas emissions.

for Scope 1 and Scope 2 greenhouse gas emissions, disaggregate emissions between:

(1) the consolidated accounting group (for example, for an entity applying IFRS Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and

(2) other investees excluded from paragraph 29(a)(iv)(1) (for example, for an entity applying IFRS Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries);

for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(2): disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions (see paragraphs B30-B31);

for Scope 3 greenhouse gas emissions: disclose:

(1) the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the *Scope 3 categories* described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and

(2) additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (*financed emissions*), if the entity's activities include asset management, commercial banking or insurance (see paragraphs B58-B63).

GHG Emission calculator: it is recommended that the entities use IPCC/UNFCCC GHG emission calculator with Nigeria emission factor considerations.

10. **Business Model and Value Chain:** IFRS S1.32 requires an entity to disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of sustainability-related risks and opportunities on the entity’s business model and value chain. The standard defines business model as: An entity’s system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity’s strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term. It also defines value chain as: “The full range of interactions, resources and relationships related to a reporting entity’s business model and the external environment in which it operates”. While the standard defines both business model and value chain and requires disclosures of current and anticipated effect of sustainability related risk and opportunities on them, it does not specify their disclosures. The Council is of the view that reporting entities should disclose their business model and value chain as this will make them understand the effect of sustainability related risks and opportunities. The business model and value chain should be disclosed immediately after the reporting entity under the sustainability reporting policies.

11. **Sustainability Disclosures Policy:** An entity is required to disclose its major sustainability disclosures policies, as in financial reporting.

12. **Interim Sustainability Disclosures:** Entities required by the Capital Markets to submit interim financial statements are required to submit their interim sustainability disclosures as integral part of the interim financial statements. Such interim sustainability disclosure should include Introduction and the Four Contents comprising: Governance, Strategy, Risk Management and Metrics and Target.

13. Timelines for Reporting and Assurance have been adjusted as follows:

Reporting Timeline:

Phase 1: Early Adopters	Phase 2: Voluntary Adopters	Phase 3: Mandatory Adopters		Phase 4: Government & Govt. Organizations
(Dec, 31, 2023)	(2024 -2027)	All PIEs: 2028 (including CPSEs (formerly GBES)	SMEs: 2030 (Early Adoption Encouraged)	2028 (Early Adoption Encouraged)

Assurance Timeline

Fourth and Fifth Years after Reporting	Sixth Year After Reporting	Seventh Year After Reporting
<ul style="list-style-type: none">• Limited assurance/verification of S1 and S2 disclosures (excluding scope 3 emissions, scenario analysis and transition plans).	<ul style="list-style-type: none">• Reasonable assurance/verification of S1 and S2 disclosures (excluding scope 3 emissions, scenario analysis and transition plans).• Limited assurance/verification of scope 3 emissions, scenario analysis and transition plans.	<ul style="list-style-type: none">• Reasonable assurance/verification of all disclosures (full quantitative assurance).

Amended Readiness Test Assessment: Readiness test assessment will be conducted to ascertain the preparedness or otherwise of entities to adopt the IFRS sustainability disclosure standards. The following documents will be required to be submitted by reporting entities to the FRC for the assessment.

1st Stage

Three (3) months before the beginning of the reporting Date

- 1. Board resolution approving the adoption of the IFRS sustainability disclosure standards;**
- 2. GAP Analysis Report;**
- 3. Implementation plan**

2nd Stage

Not more than three (3) months after the beginning of the reporting date

- 1. IFRS Sustainability Disclosures Policies;**
- 2. Identification and application of transitional reliefs;**
- 3. Identification and materiality assessment of sustainability and climate-related risks and opportunities.**
- 4. Evidence of the establishment of a governance structure for sustainability reporting;**
- 5. Evidence of Board Approval of the IFRS Sustainability Policies;**
- 6. Evidence of Sustainability and ESG specific training for Board Members, Management, and Preparers by any reputable organizations which FRC has an MOU with;**

3rd Stage

Not more than six (6) months after the beginning of the reporting date

- 1. Evidence of registration of the entity and professionals engaged in the sustainability reporting process with the FRC;**
- 2. Description of Models used for scenario analysis;**
- 3. Enterprise and Sustainability Risk Management Framework;**
- 4. Evidence of Board-Approval of Enterprise and Sustainability Risk Management Framework;**

5. **Description of cross industry and Industry specific metrics and targets used to manage and measure sustainability and climate related risks and opportunities**
6. **Evidence of Board's Approval of metrics and Targets used to manage and measure sustainability and climate related risks and opportunities.**
7. **Internal Control Over Sustainability Reporting**

14. **Professionals that must sign Sustainability Reports:** preparation and presentation of ISSB SDS must be a team effort, however, for the purpose of annual reporting, Sustainability Disclosures must be signed by a member of Management Team who oversees sustainability reporting. Such a person must sign and append the FRC number.

15. **Internal Control over Sustainability Reporting (Interpretations)** – One of the documents required to be submitted to FRC is Internal Control over Sustainability Reporting (ICSR). This must not be interpreted as the same with Internal Control Over Financial Reporting (ICFR). For the purpose of sustainability, ICSR are the controls that ensure sustainability data can be trusted, defended, and independently verified and assured by relevant responsible officer.

Examples of these include, but not limited to the following:

1. Clear ownership of ESG data by responsible officer
2. Documented methodologies (e.g., GHG calculations)
3. Review and approval of assumptions and estimates
4. Data validation and reconciliation checks
5. Audit trails and evidence retention

16. **Application of Rule 14:** Rule 14 applies.