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SUSTAINABILITY REPORTING UNDER IFRS S1 AND S2 AND THE INTRODUCTION OF ESG REPORTING IN UZBEKISTAN: INTERNATIONAL EXPERIENCE AND COMPARATIVE ANALYSIS

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Abstract: This article analyses the content of sustainability reporting under IFRS S1 and IFRS S2 issued by the International Sustainability Standards Board (ISSB), the dynamics of their adoption worldwide, and Uzbekistan's experience in introducing ESG reporting. The study compares data of the IFRS Foundation and KPMG, Resolution No. 221 of the Cabinet of Ministers of the Republic of Uzbekistan dated 4 May 2026, and the findings of regional research. The results show that, as of February 2026, 40 jurisdictions had decided to use ISSB Standards or were taking steps to introduce them, while in Uzbekistan a phased transition programme has been set for 22 state-participated enterprises. The article identifies the features that distinguish Uzbekistan's approach from international requirements, in particular the double materiality principle and external assurance requirements, and proposes measures to improve implementation.
Keywords: sustainability reporting, IFRS S1, IFRS S2, ISSB, ESG reporting, double materiality, external assurance, Uzbekistan.

INTRODUCTION

In recent years, alongside financial statements, information about a company's risks and opportunities related to climate change, resource use, and social and governance factors has become an important basis for decision-making by investors, creditors and regulators. However, because indicators, methods and reporting formats differ, it has been difficult to compare companies' ESG (environmental, social and corporate governance) data. To address this problem, the International Sustainability Standards Board (ISSB) issued IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" in June 2023 [1]. The standards require a company to disclose information on sustainability matters in four areas — governance, strategy, risk management, and metrics and targets — while IFRS S2 additionally provides for the disclosure of greenhouse gas emissions, including indirect emissions in the value chain [1].

The international recognition of the standards is expanding rapidly. According to the IFRS Foundation, as of 26 February 2026, 40 jurisdictions had decided to introduce ISSB Standards into their legal or regulatory frameworks or were taking steps in that direction, and requirements were already in force in 19 jurisdictions [2]. In practice, too, sustainability reporting is becoming routine for large businesses: according to a 2024 KPMG study of 5,800 companies in 58 countries and jurisdictions, 96% of the world's 250 largest companies (G250) and 79% of the group of the 100 largest companies in each country (N100) publish sustainability reports [3]. In Uzbekistan, reforms in financial reporting under IFRS are continuing consistently, and the transition to sustainability reporting is now under way. Resolution No. 221 of the Cabinet of Ministers dated 4 May 2026 "On measures to introduce the principles of sustainable development and environmental, social and corporate governance (ESG)" approved the rules for preparing reports under the IFRS

Sustainability Disclosure Standards (IFRS SDS) and a transition programme for state-participated enterprises undergoing transformation; the resolution entered into force on 1 July 2026 [4]. Thus, in the country, the disclosure of ESG information has entered the stage of moving from a voluntary practice to a regulatory requirement. The aim of this article is to study international experience of sustainability reporting under IFRS S1 and S2, to comparatively analyse Uzbekistan's approach to introducing ESG reporting against international requirements, and to develop proposals for improving it.

LITERATURE REVIEW

The economic significance of sustainability disclosure has been widely studied in foreign literature. Dhaliwal, Li, Tsang and Yang (2011), studying companies that issued a stand-alone corporate social responsibility report for the first time, found that companies with strong social responsibility performance experienced a reduction in their cost of equity after the report was issued [5]. Cheng, Ioannou and Serafeim (2014) showed that companies with good social responsibility performance face fewer constraints in accessing finance. The authors explain this effect by lower agency costs and reduced information asymmetry with capital providers [6]. Khan, Serafeim and Yoon (2016) showed that sustainability issues need to be analysed taking their materiality into account: companies with high scores on financially material issues delivered higher returns than companies with low scores, while no such difference was observed for immaterial issues [7]. Christensen, Hail and Leuz (2021), reviewing the empirical research on mandatory ESG reporting, noted that mandatory requirements increase the volume of information disclosed, but that its economic benefits depend on the quality of standards, enforcement mechanisms and the reliability of data, and that the evidence on impact on society is still mixed [8].

Jalalov (2026), comparatively studying ESG disclosure practices in commercial banks of Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, found that the gap between Kazakhstan and the other three countries is widening [9]. Xalilov and Tursunova (2025), studying the practical opportunities and challenges of applying IFRS S1 and S2 in Uzbek enterprises, showed that the gradual alignment of state and private enterprises with international standards makes it possible to increase transparency, attract foreign investment and strengthen risk management[10].

RESEARCH METHODOLOGY

The study has a qualitative-quantitative design based on document analysis, comparative analysis and descriptive statistics methods. The content of IFRS S1 and S2 [1] and Resolution No. 221 of the Cabinet of Ministers and its annexes [4] was examined by document analysis. Secondary statistical data on the dynamics of international adoption of ISSB Standards [2] and the practice of large companies [3] were analysed using descriptive statistics (growth rates, shares). To assess Uzbekistan's regional position, the ESG disclosure index of Central Asian banks [9] was comparatively analysed.

ANALYSIS AND RESULTS

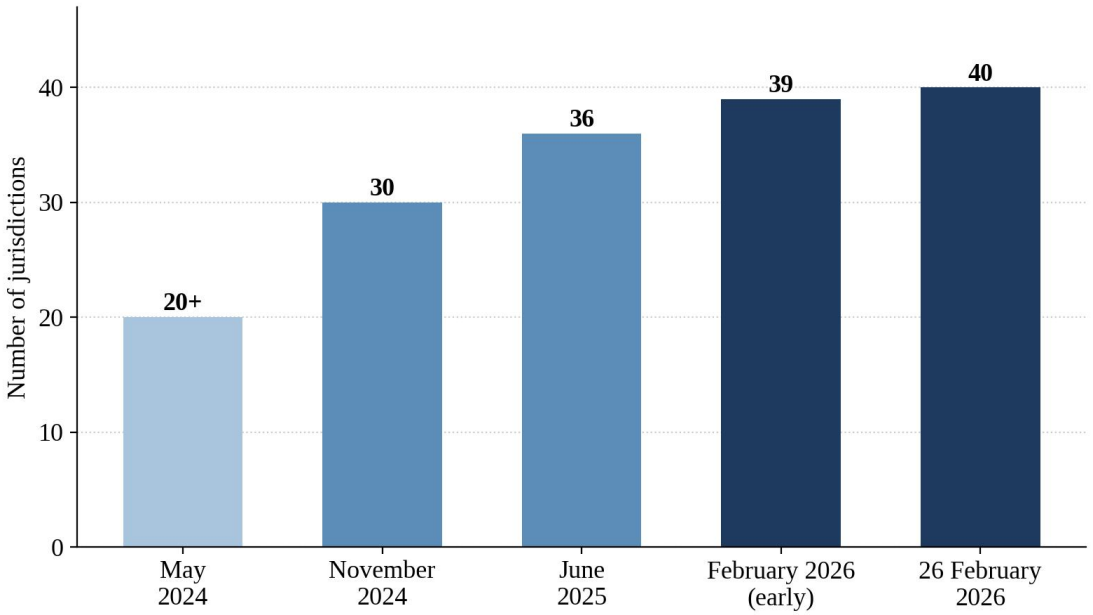
Table 2 and Figure 1 show the number of jurisdictions that have applied ISSB Standards or taken steps towards introducing them. In May 2024 there were more than 20 such jurisdictions, and by the end of February 2026 their number had reached 40, that is, it increased at least twofold (calculated against the lower bound of 20). From November 2024 to February 2026 the increase was 10 jurisdictions, or 33.3%, and in the eight months after June 2025 it was 4 jurisdictions (11.1%). Although the growth rate has slowed, the positive trend continues.

Table 1. Jurisdictions that have taken steps to adopt or introduce ISSB Standards

Date	Number of jurisdictions	Additional information provided by the IFRS Foundation
May 2024	More than 20	Jurisdictions representing more than half of global gross domestic product
November 2024	30	57% of global GDP, over 40% of market capitalisation and more than half of greenhouse gas emissions
June 2025	36	The first 17 jurisdiction profiles were published: 14 aim for full adoption, 2 for climate-related requirements only, 1 for partial adoption
February 2026 (early)	39	Requirements are already in force in 19 jurisdictions
26 February 2026	40	Data as of 26 February 2026

Source: Prepared by the author based on IFRS Foundation data [2].

Figure 1. Number of jurisdictions that have taken steps to adopt or introduce ISSB Standards (the first column means "more than 20")



Source: Prepared by the author based on the data in Table 1 [2].

Resolution No. 221 of the Cabinet of Ministers creates the legal basis for ESG reporting. The Rules apply on a mandatory basis to state-participated enterprises undergoing transformation (except organisations of the banking and financial sector) and to business entities in whose charter capital the state share exceeds 50%; for other enterprises they are voluntary [4]. Under the Rules, enterprises must disclose information annually in accordance with the IFRS Sustainability Disclosure Standards (IFRS SDS), publish it on their official website, avoid cases of

"greenwashing", and assess the conformity of their activities with the National "Green" Economy Taxonomy [4].

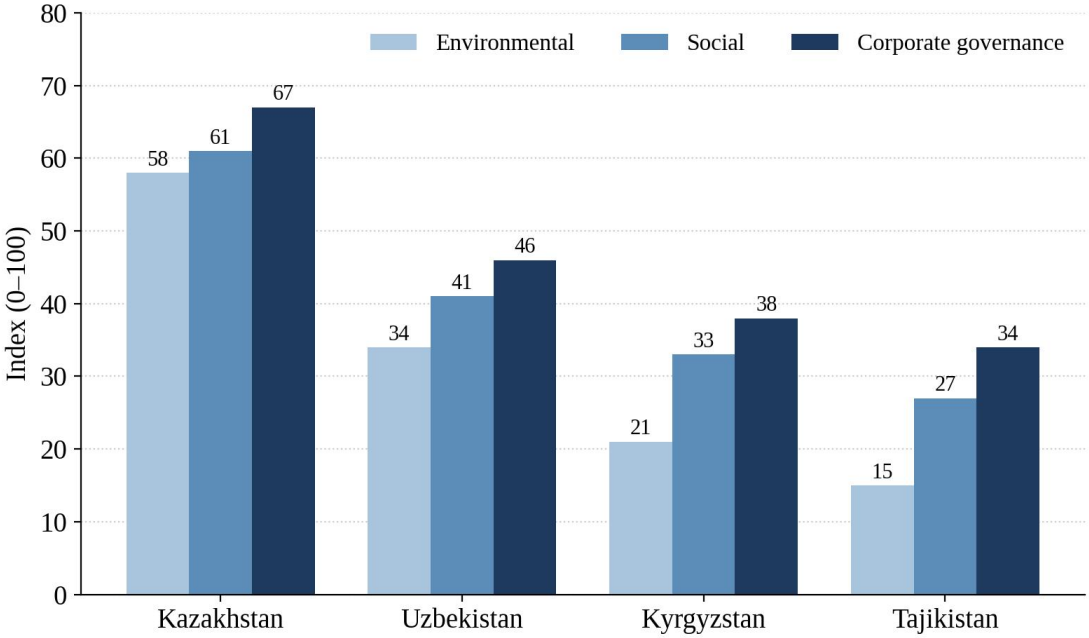
Table 2. Key deadlines under Resolution No. 221 of the Cabinet of Ministers

Deadline	Measure
4 May 2026	Resolution No. 221 of the Cabinet of Ministers was adopted
1 July 2026	The resolution entered into force; state-participated enterprises undergoing transformation begin implementing the Rules and the phased transition to IFRS SDS
1 August 2026	Enterprises must take the necessary measures to comply with the requirements of the Rules
2026–2027	Transition period (in line with financial reporting years)
1 January 2027	The State Assets Management Agency takes measures for voluntary adoption at local enterprises listed on the "Toshkent" Republican Stock Exchange and develops criteria for selecting at least 50 enterprises
From 1 July 2027	Sustainability indicators and non-financial reporting forms for business entities are developed and approved
From 2028	Collection and publication of data on the basis of non-financial reporting forms is introduced gradually, on a voluntary basis, at business entities

Source: Prepared by the author based on [4].

It is important that the banking and financial sector remains outside the scope, because the regional comparative analysis shows that Uzbek banks lag significantly behind Kazakhstan in ESG disclosure (Table 7, Figure 4). According to Jalalov's (2026) calculations, the overall index for Uzbek banks is 40 points, which is 22 points, or 35.5%, lower than Kazakhstan's 62 points. The largest gap is in the environmental dimension: 34 points in Uzbekistan and 58 in Kazakhstan (a difference of 24 points). In all countries, disclosure on corporate governance is higher than on the social and environmental dimensions, which indicates that ESG reporting is for now developing as a continuation of existing governance and control practices [9].

Figure 2. ESG disclosure index of Central Asian banks (by dimension)



Source: Jalalov M.G‘. (2026) [9]. Note: the index is not an independently audited indicator but the result of the author’s qualitative synthesis of secondary sources.

Jalalov’s study, relying on the results of the International Monetary Fund’s 2025 Financial Sector Assessment Program, notes that disclosure requirements for Uzbek banks do not cover impacts such as risk management strategy and climate risk [9]. Therefore, although Resolution No. 221 is an important step in establishing ESG reporting in state-owned enterprises of the real sector of the economy, a separate road map for the financial sector aligned with ISSB remains necessary.

CONCLUSION AND RECOMMENDATIONS

The research results lead to several conclusions. ISSB Standards are quickly gaining recognition as the global baseline for sustainability reporting: from May 2024 to February 2026 the number of jurisdictions that applied them or took steps towards introducing them rose from more than 20 to 40 [2]. Sustainability reporting has become standard practice among large companies: 96% of G250 companies publish a report, and 69% have it independently assured [3]. With Resolution No. 221, Uzbekistan has begun the transition to a mandatory ESG reporting system: the programme covers 22 enterprises, 15 of which must prepare their first full report under IFRS S1 and S2 for the 2027 reporting period [4]. Uzbekistan’s approach, with its double materiality and assurance-from-the-first-year requirements, is stricter than the ISSB baseline requirements, while the banking and financial sector is not within the scope of the mandatory requirements, and its ESG disclosure index is 22 points lower than Kazakhstan’s [9].

Based on the results, proposals are made such as: balancing the reporting burden: in the first stage, focusing the Rules on the requirements of IFRS S1 and S2, and applying the requirements of ESRS, CSDDD and the EU Taxonomy separately and gradually, only to enterprises that meet the criteria; developing methodological guidance for assessing double materiality; a road map for the banking and financial sector: gradual introduction by the Central Bank and the Ministry of Economy and Finance of ISSB-aligned requirements for banks, setting disclosure first on governance and risk management and then on climate risks; developing assurance capacity: establishing, together with professional organisations and higher education institutions, a

programme for training and certifying qualified auditors who assure sustainability reports under ISSA 5000; data infrastructure: introducing a unified digital system and data standard in enterprises for collecting and verifying ESG indicators and reconciling them with financial reporting:

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