

More than compliance:
turning IFRS sustainability
standards and King V into
strategic advantage



Sustainability reporting in South Africa is undergoing significant transformation as global standards increasingly converge with local governance frameworks. The introduction of the IFRS Sustainability Disclosure Standards (IFRS S1 and S2), together with the recently published King V Code, presents organisations with an opportunity to strengthen governance, improve decision-making and enhance the credibility of corporate reporting.

As investor expectations evolve and regulatory scrutiny increases, organisations are under growing pressure to provide sustainability information that is transparent, reliable and decision-useful. The alignment between IFRS Sustainability Standards and King V offers a practical framework for achieving this while supporting long-term value creation.

Establishing a global baseline: IFRS S1 and S2

In June 2023, the International Sustainability Standards Board (ISSB) issued IFRS S1 and IFRS S2, establishing a global baseline for sustainability reporting.

IFRS S1 sets out general requirements for sustainability-related financial disclosures, while IFRS S2 focuses on climate-related risks and opportunities. Together, they require organisations to disclose sustainability-related risks and opportunities that could reasonably affect cash flows, access to finance, cost of capital and long-term enterprise value.

In South Africa, where IFRS is already well established, regulators such as the Financial Sector Conduct Authority (FSCA) and the Johannesburg Stock Exchange (JSE) are increasingly focused on credible, transparent and comparable sustainability disclosures.

As a result, CFOs and finance teams are playing a growing role in integrating sustainability, governance, risk management and financial reporting.

Local governance: the King V Code

In South Africa, the recently published King V Code on Corporate Governance serves as the leading local framework guiding ethical leadership, accountability and sustainable organisational performance.

King V is built around four governance outcomes:

- ✔ Ethical culture
- ✔ Performance and value creation,
- ✔ Conformance and prudent control
- ✔ Legitimacy

A significant development introduced in King V is the standardised disclosure framework requiring governing bodies to “apply and explain” how governance principles have been implemented and how desired outcomes have been achieved. The emphasis is on meaningful, transparent and outcome-driven disclosures.

King V also explicitly recognises the concept of double materiality, requiring organisations to consider issues that influence both financial performance and broader social, environmental and stakeholder outcomes. This aligns closely with global sustainability reporting trends and encourages a more holistic view of value creation.

How IFRS sustainability standards and King V complement each other

Although IFRS Sustainability Standard and King V originate from different governance ecosystems, they are highly complementary.

IFRS provides a globally recognised reporting baseline focused on financially material sustainability risks and opportunities, while King V broadens the conversation through ethical leadership, stakeholder accountability and long-term value creation.

Together, they strengthen governance, improve transparency and support more integrated decision-making.

Materiality and risk oversight

IFRS S1 and S2 require organisations to disclose sustainability-related risks and opportunities that could affect financial performance and enterprise value. King V extends this perspective through double materiality, encouraging organisations to consider both financial impacts and broader environmental and social consequences.

Governance and accountability

IFRS requires organisations to disclose governance structures responsible for overseeing sustainability matters. King V reinforces this by placing accountability on governing bodies to provide ethical and effective leadership while overseeing sustainability, risk management and long-term value creation.

Transparency and reporting

IFRS sustainability disclosures are designed to align with financial reporting and improve comparability across markets. King V's "apply and explain" philosophy strengthens transparency by requiring organisations to demonstrate how governance practices contribute to organisational outcomes.

Together, these frameworks allow organisations to meet global reporting expectations while remaining responsive to South Africa's unique governance and stakeholder environment.

What this means for South African organisations

For organisations preparing for enhanced sustainability reporting requirements, aligning IFRS Sustainability Standards with King V offers both compliance and strategic benefits.

Key advantages include:

- ✔ Meeting global investor expectations while satisfying local governance requirements
- ✔ Enhancing credibility through transparent and comparable reporting
- ✔ Strengthening board
- ✔ Oversight of sustainability-related risks and opportunities
- ✔ Improving collaboration between sustainability, finance, governance and risk functions
- ✔ Moving beyond siloed ESG reporting towards more integrated reporting practices

Organisations that proactively align these frameworks will be better positioned to lead rather than react to changing reporting expectations.

Challenges on the road to alignment

While the benefits are significant, implementation can be challenging.

Many organisations are still developing the systems, governance structures and internal capabilities required to support robust sustainability disclosures. Common challenges include identifying material sustainability matters, improving data quality and reliability, integrating sustainability information into financial reporting processes, and strengthening governance oversight.

For organisations relying on fragmented processes or manual reporting approaches, achieving the level of rigour expected under emerging sustainability reporting frameworks may require significant transformation.

Success will depend on moving beyond a compliance-driven approach and embedding sustainability into governance, risk management and strategic decision-making.

How SNG Grant Thornton can help

As organisations navigate the convergence of IFRS Sustainability Standards and King V, many are discovering that compliance is only part of the challenge. The real test lies in translating reporting requirements into effective governance practices, reliable data processes and meaningful business insights.

SNG Grant Thornton helps organisations bridge the gap between regulatory expectations and practical implementation by combining deep technical expertise with a strong understanding of South Africa's governance landscape.

Our specialists can assist with:

Assessments aligned to IFRS and King V principles



Governance and oversight structures for sustainability risks and opportunities



Integrated sustainability reporting frameworks



ESG data management, controls and reporting processes



Readiness assessments for future assurance and regulatory requirements



Digital solutions that improve sustainability data collection, management and disclosure



More importantly, we help organisations move beyond compliance. By embedding sustainability into governance, risk management and decision-making processes, organisations can strengthen stakeholder confidence, improve strategic resilience and create long-term value.

Conclusion

Aligning IFRS Sustainability Standards with King V is more than a reporting exercise - it is an opportunity for strategic advantage. Together, these frameworks help organisations strengthen governance, improve decision-making and deliver more credible, transparent disclosures. By aligning global reporting expectations with local governance principles, organisations can build stakeholder trust, enhance resilience and create long-term value.

Those that act early and effectively will be better positioned to respond to regulatory change, attract investment and differentiate themselves in an increasingly sustainability-focused market.

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