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Sustainability Disclosure Standards IFRS S1 and S2, Readiness for Implementation: Case of Palestinian Listed Companies

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Abstract: Objective: This study aims to assess the readiness of Palestinian-listed companies for implementing the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (SDS), IFRS S1 and IFRS S2 set by the International Sustainability Standards Board (ISSB). **Methodology:** The study used a content analysis method, creating a disclosure index of 24 items under five criteria based on the International Financial Reporting Standard on Sustainability (IFRS S1 and S2) requirements. The index was applied to a random sample of recently published annual reports of 25 companies from the 49 listed firms, with approximately 50 percent of the companies in each sector. **Results:** The study found a low level of voluntary disclosure on sustainability matters in annual reports, notably almost lacking metric data. However, the study noted that a few listed companies are beginning to consider these aspects. The study also found the lack of regulations related to the disclosures on sustainability matters. **Conclusions and Recommendations:** The study concluded that Palestinian-listed companies are not adequately ready to implement IFRS S1 and S2. This study recommends initiating a discussion among the stakeholders on how to proceed in the journey of implementation, such as introducing regulations, raising awareness among the stakeholders, and building the capacity of report preparers and auditors.
Keywords: CSR, IFRS S1 and S2, Readiness for Adoption, Sustainability Disclosure Standards (SDS).

جاهزية تطبيق معايير الإفصاح حول الإستدامة، (IFRS S1) و (IFRS S2): حالة الشركات الفلسطينية المدرجة

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الملخص: الهدف: تهدف هذه الدراسة الى تقدير جاهزية الشركات الفلسطينية المدرجة لتطبيق معايير التقارير المالية الدولية المتعلقة بمعايير الإفصاح حول الإستدامة (IFRS S1) و(IFRS S2) الصادرة عن مجلس معايير الإستدامة الدولية. **المنهجية**: إستخدمت الدراسة طريقة تحليل المحتوى، بتطوير مؤشرات من 24 بنداً مصنفة تحت خمسة معايير مستندة إلى متطلبات المعيارين (IFRS S1) و(IFRS S2). تم تطبيق المؤشرات على عينة عشوائية من التقارير السنوية الصادرة مؤخراً لخمسة وعشرون شركة من أصل تسعة وأربعون شركة مدرجة وبما يقارب خمسون بالمائة من الشركات في كل قطاع. **النتائج:** وجدت الدراسة مستوى متدني من الافصاحات الطوعية بما يتعلق بأمور الإستدامة في التقارير السنوية وخلو هذه الافصاحات تقريباً من البيانات القياسية، ومع ذلك فقط لاحظت الدراسة أن عدد قليل من الشركات تلتفت الى هذا الجانب، كما وجدت الدراسة عدم وجود تشريعات تتعلق بالإفصاحات حول الأمور المتعلقة بالإستدامة. **الإستنتاجات والتوصيات:** إستنتجت الدراسة أن الشركات الفلسطينية المدرجة غير جاهزة بشكل كاف لتطبيق معايير الإستدامة (IFRS S1) و(IFRS S2). توصي الدراسة للبدء بحوار بين الأطراف ذات العلاقة حول كيفية المضي قدماً في رحلة التطبيق مثل إصدار تعليمات، ورفع الوعي بين الأطراف ذات العلاقة وبناء القدرات لمعدي التقارير والمدققين.
الكلمات مفتاحية: تقارير المسؤولية المجتمعية CSR، معايير التقارير المالية الدولية المتعلقه بإفصاحات الإستدامة (IFRS SDS)، (IFRS S1) و(IFRS S2)، جاهزية التطبيق، معايير الافصاح حول الاستدامة.

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Introduction

Economic, Social and Governance (ESG) reporting, which is also referred to as Corporate Social Responsibility (CSR) reporting, has been one of the major issues attracting the attention of the stakeholders of public reporting. Companies in the mid-1970s (Gray et al., 1995) adopted reporting on CSR. CSR reporting has been studied extensively over the past decades worldwide (Shayan et al., 2022) including the Middle East and Africa (MENA) region and less developed countries such as Palestine and Jordan (Barakat et al., 2015). CSR reporting focuses on disclosing the data related to an entity's social, environmental, and governance performance to assist users of the reports in making their decisions.

Many global bodies have developed different reporting frameworks. Many global actors have emphasized the need for comparable and consistent sustainability-related non-financial disclosures to provide users with useful information. Currently, the disclosure requirements are developed under many different frameworks (Shayan et al., 2022), such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), etc. Around 30 countries mandated ESG disclosures, and many other countries encouraged such disclosures. The implantation level of the disclosures varied from one country to another or from one company to another, depending on the regulation or the framework used.

The lack of a standardized framework for CSR reporting was identified as a serious challenge in adoption, in addition to other challenges such as the lack of clear guidance, lack of consistent shape of information and data disclosed as information to outsiders (IFRS Foundation (IFRSF), 2022; Erkens et al., 2015). Sustainability Reporting (SR) involves qualitative and quantitative information about environmental, social, economic, and governance issues. These criteria are often gathered under the acronym ESG (IFRS Foundation, 2022; Hardyment, 2024).

Given the challenges due to the lack of a unified framework adopted globally with clear disclosure requirements, the strong market demand to establish a common set of accounting standards that can be adopted globally became crucial. In meeting the increasing demand, the IFRS Foundation, which is the main global accounting standard-setter, announced the formation of the International Sustainability Standards Board (ISSB) in November 2021 at the Conference of Parties COP26. The main objective of ISSB is to develop high-quality standards for SR, with comprehensive global baselines of sustainability disclosures concentrating on investor and financial market needs (IFRS, 2022; Erkens et al., 2015). Global bodies, such as the Group of seven (G-7), Group of 20 (G-20), International Organization of Securities Commissions (IOSCO), finance ministries, and central banks from different countries, support the ISSB. The newly established board started working on issuing the International Financial Reporting Standards Sustainability Disclosure Standards (IFRS SDS), using the terminology "Sustainability Reporting" (SR) indicating the requirements of the reporting under the IFRS Sustainability Disclosure Standards (SDS), which has been issued so far or is to be issued in the future.

To date, the ISSB has issued two standards, IFRS S1 and IFRS S2, both of which became effective in 2024. In addition to another standard IFRS S3, which is in progress. While developing those standards, the standard setter considered and relied on the different existing reporting frameworks, bringing together the International Integrated Reporting Framework (IIRF) and the Sustainability Accounting Standards Board (IASB), which may remove fragmentation among different standard frameworks (Baboukardos et al., 2022).

The IFRS Foundation in its Effects Analysis on SDS (IFRSF, 2023) stated the reasons for issuing and the expected benefits of IFRS S1 and IFRS S2. The fragmentation of SR has voluntary and increasing requirements, which adds cost, complexity, and risks to investors and companies. Investors face challenges in receiving useful sustainability-related information for decision-making. The adoption of both standards will benefit global disclosure in terms of transparency and interoperability among different reporting frameworks (IFRSF, 2023). The SDSs are designed to help firms report the required information correctly to assist decision-makers and achieve global comparability to attract investments.

In Palestine, there are 49 listed firms on the Palestine Exchange (PEX), which was founded in 1997 (Palestine Investment Promotion Agency (PIPA), n.d.). The Palestinian Capital Market Authority (PCMA) is the stock market regulator and is responsible for the development, regulation, and supervision of the securities sector according to the PCMA Law No. 13 of 2004. Consequently, PCMA sets the reporting and disclosure requirements for listed companies. According to the local regulations, the listed companies must adhere to IFRS in preparing and disclosing their financial statements. Palestine is a pure IFRS environment, as the IFRS was the first adopted framework for the Financial Reporting (Alia et al., 2023).

Implementation of the IFRS SDS is left to local regulations. They are given different sets from the IFRS and are being issued by a different board. Therefore, further steps are necessary to make the adoption mandatory. Regulators in different countries are currently engaged in discussion regarding the value of the adoption and work to define their rules for mandatory ISSB filings; companies that are selected to report voluntarily may do so as a subsection to their general annual financial filings beginning in 2024 (All Climate News, 2023). The matter of whether to move towards the mandatory adoption of the IFRS SDS is being considered from different aspects and arguments, such as the value of adoption, the necessity, stakeholder demand, the existence of the regulations, and the readiness of the preparers. With the stakeholders understanding of the value of such reporting, the first step is to assess the existing status of SR in practical cases and to search for any regulations related to that type of reporting. This study evaluates the disclosure status in Palestine to assess the level of readiness of the listed companies in Palestine to provide SR using the IFRS S and S2 requirements.

This study's results and findings contribute to providing the regulator and the other related stakeholders with a clear regulatory and practical status in assessing the readiness of the listed companies to adopt the standards.

Significance of the study

This study has a theoretical and practical significance, which can be summarized below:

1. This study distinguishes itself by employing clear criteria to evaluate disclosure requirements specified in the recently issued standards IFRS S1 and S2. These criteria differ from those used in previous studies, which primarily focused on CSR reporting within various frameworks. The study's meticulous approach to assessing disclosure requirements under the new standards adds a unique and valuable perspective to the existing literature.
2. It will add to the existing literature on the studies related to the adoption of the SDS in the MENA Region and other developing countries.

3. It presents a thorough analysis of the status of disclosures made by companies listed in Palestine.
4. It provides the status of relevant laws and regulations concerning the disclosure of sustainability and climate issues in Palestine.
5. It contributes to shedding light on the matter of further investigations, particularly at the local level, to determine whether these companies are adequately addressing SDS and are prepared to implement them on time.
6. The timing of this study is crucial, as it is expected to generate interest and stimulate discussions at a national level among listed companies, regulatory bodies, academic institutions, auditors, and other stakeholders. The study encourages a meaningful dialogue and prompts necessary actions to enhance disclosure practices in alignment with the implementation of IFRS SDS.
7. The study has a significant impact and offers practical insights for regulators, such as the PCMA and the Palestinian Association of Certified Public Accountants (PACPA), in formulating statements or regulations mandating the adoption of these standards. By providing a comprehensive assessment of the status and highlighting the benefits of adoption, the study can assist in advancing regulatory frameworks towards the compulsory adoption of these standards.

Problem statement

The ISSB published both the first and second standards, IFRS S1 and IFRS S2, in March 2022 and June 2023, respectively, and they became effective for the reporting period starting January 1, 2024. However, adoption is left to local regulation. Therefore, further steps are necessary to make adoption mandatory.

The regulator, PCMA, similar to other countries' regulators that adopt IFRS in preparation of financial statements for listed firms, is required to issue regulations in this regard. The local regulations imply that listed companies in the PEX must adopt IFRS, and the effective date for adoption of IFRS S1 and S2 is for the reporting period starting on or after 1/1/2024.

To date, there have been no announcements from PCMA to confirm whether listed companies must adopt those standards as mandatory or whether disclosures will remain voluntary. Therefore, the main question that arises here is whether listed firms are ready to implement the standards in the event a mandatory adoption regulation is issued, or whether listed companies are willing to voluntarily adopt the standards. Readiness can be defined as management's willingness or a state of being prepared to adopt the standards

Objective of the study

This study aims to assess the readiness of Palestinian-listed companies for implementing the IFRS Sustainability Disclosure Standards (SDS) IFRS S1 and IFRS S2 set by the International Sustainability Standards Board (ISSB).

Limitations of the study:

This study faces the following limitations:

– Limitations related to the generalization of the results to other countries as the reporting can be affected also by the regulations and business environment. However, this study can be generalized to the less developed markets. This study also takes a sufficient number of representative samples to reach a reliable conclusion and avoid limitations.
– Scarcity of existing studies that used the IFRS S1 and S2 to create clear criteria for assessing the disclosure level of the companies. Both standards were recently issued and the first group of countries that selected to mandate the adoption will issue those reports for the year 2024. The two standards are reviewed well to identify the criteria for analyzing the contents.

The following sections of this study include Section 2, which covers the literature review and hypothesis development with the history and scope of the IFRS S1 and S2, while Section 3 covers the description of the methodology used. Section 4 includes discussions, section 5 includes the results, and finally, Section 6 includes the conclusions, recommendations, and future research.

Literature Review and Hypothesis Development

IFRS S1 and S2

The value of reporting is not limited only to financial performance but also the social as well as sustainability impacts, within the context of the stakeholder theory, where the users of financial reports such as investors, creditors as well as the affected society at a large image have the right to be provided with information related to sustainability issues. In this regard, management is required to disclose information on the practices of their companies to the stakeholders. Management is also required to send signals to the stakeholders about the company's commitments to sustainability goals and communicate such valuable information about its plans, capacities, initiatives, progress, and performance, as well as information on the company's efforts in contributing to the reduction of carbon emissions to the external users. The provided information indicates a commitment to the Environment, Social, and Governance (CSR) issues. Such types of reports and signals improve the company's image and build more trust among the stakeholders who share similar commitments or values. As the stakeholder theory explains, CSR disclosure, the stakeholder role, and performance are affected by the CSR disclosure (Roberts, 1992).

Linkage exists between the CSR disclosure and the agency theory, where management discloses risks and opportunities related to sustainability, with potential impact on the entity's operation and performance, alongside the way management is managing that type of risk with clear plans and performance. All those disclosures on CSR enhance the transparency and accountability of the reports (Zaid et al., 2020; Fama & Jensen, 1983).

Sustainability Disclosure Standards are also linked to signaling theory, where firms use accounting information to provide signals on the financial health, performance, and prospects of the company to investors and stakeholders. Concerning SR, firms that comply with these standards can be used as a form of signaling to show the company's commitment to sustainability, environmental responsibility, and good corporate governance. Disclosing sustainability matters following the standards is perceived as more transparent, ethical, and well managed, leading to positive investor perceptions. Therefore, by complying with SDS such as IFRS S1 and S2, companies are signaling their commitment to sustainability and ESG responsibility, which influences stakeholders' perceptions (Connelly et al., 2011).

In addition, the legitimacy theory is where companies try to legitimize their actions for the stakeholders. By complying with recognized standards such as IFRS S1 and S2 or SDS, companies can improve their legitimacy by showing transparency and accountability in their ESG practices (Hummel & Schlick, 2016). Furthermore, the resource accounting theory also emphasizes the importance of managing and allocating resources effectively for sustainable development. By adopting the SDS, IFRS S1, and S2 into their practices, companies can better track and report on environmental impacts to achieve better resource management and strategic decision-making.

From the above discussions, for companies to achieve better credibility, performance, and value, and meet the growing demand of investors, regulators, and society, management is required to disclose information on sustainability matters. Disclosure of the information requires the companies to be ready and prepared to adopt the global standards IFRS S1 and S2. The adopted SDS hypothesis of the study suggests that companies globally and in Palestine must be prepared and willing to embrace SR practices to derive the intended benefits. This matter leads to the hypothesis used later in this study for the readiness of the Palestinian listed companies to be ready to adopt the IFRS S1 and S2.

As stated earlier, ISSB has issued two SDSs so far, as the first standard, IFRS S1, titled "Requirements for Disclosure of Sustainability-Related Financial Information", requires entities to disclose all Risks and Opportunities (R&O) related to sustainability that may have a potential impact on cash flows, capital costs, and access to finance (IFRSF, 2022). The standard elaborates on reports or disclosures that need to be prepared. It states the requirements of the presentations and contents of the disclosures in a way that the information is useful to the users of the annual reports. The standard requires disclosure of information on sustainability-related R&O in terms of the controls or procedures of the companies to manage or monitor the R&O, management strategies, identification and assessment of R&O procedures, and performance of the company, including the targets and progress in achieving the targets. IFRS S1 identified sustainability-related financial disclosures as the information included in the general annual financial reports about R&O related to sustainability that potentially have a reasonable impact on the cash flows, access to finance, or cost of capital of the company. Information includes the governance, strategy, and risk management of the corporation concerning those R&O, and related metrics and targets" (IFRSF, 2022).

The second standard, IFRS S2, titled "Climate-Related Disclosures", was developed with the objective that companies provide information concerning the R&O related to the climate that is expected to be useful to the decision-making of the users of the financial reports (IFRSF, 2022). The standard requires disclosure of information on the physical and transitional risks to which it is exposed. It requires disclosing information on climate-related R&O in terms of the controls and procedures maintained by the company to manage or monitor the R&O, management strategies, identification and assessment processes, and performance of the company, including the targets and progress in achieving the targets (IFRSF, 2022).

In summary, both disclosures require disclosing R&O related to sustainability or climate under IFRS S1 and S2 standards as follows (IFRSF, 2022):

1. The governance process, including controls and procedures to manage the R&O.
2. The strategy adopted by the company to manage the R&O.
3. The management process of the company to identify and assess the R&O.
4. Metric information and targets disclose progress in achieving the company's targets.

The above requirements are consistent with the four pillars from the recommendations of the TCFD (Bingler et al., 2022; Abdeljawad et al., 2022; TCFD, 2017).

Palestine Stock Market

The Palestine Exchange (PEX) was founded in 1997, and by the end of 2023, it boasted 49 companies listed on its platform (PEX, 2023). In 2023, the total value of stocks traded reached USD 331 million, a decrease from USD 472 million in 2022. The cumulative market worth of listed stocks by the end of 2023 stood at USD 4.6 billion, declining by 6% from USD 4.9 billion in 2022. The declines were due to the ongoing war significantly affecting the Palestinian economy and the stock market (Palestine Economic Policy Research Institute (MAS), 2024; World Bank, 2024). The listed companies are categorized into five sectors of varying sizes and trading activities. These sectors include banking, investment, insurance, services, and industry. PEX functions under Security Law No. 12 for the year 2004. PCMA, according to the PCMA Law No. 13 for the year 2004, regulates the stock market. The general phenomenon is that the local economy is significantly adversely affected by the occupation and military rules that control access and borders. The Palestinian government and people's access to their resources is limited, with partial control of the environmental matters affecting the Palestinian land. The recent war that erupted in October 2023 is putting the Palestinian economy on the edge of collapse, resulting significant decrease in growth, with a high growth of unemployment rate in the Palestinian jurisdiction, with around 0.5 million jobs (World Bank, 2024).

Previous Studies

Enormous studies were conducted on topics of CSR, ESG, sustainability, environment, or climate matters, including the reporting or disclosure aspects. However, those studies were conducted before the issuance of SDSs, IFRS S1, and S2 by the ISSB. Those studies were conducted in the context of the existence of global bodies that have developed different reporting frameworks using criteria of different guidelines or framework reporting.

The relationship between CSR and the sustainability of companies was studied by different researchers who found a positive relationship between CSR disclosures and sustainability performance (Cho et al., 2019). Other studies connected CSR with applying GRI guidelines on the firm value, which found a positive relation (Sampong et al., 2018). Hussain et al. (2016) investigated the effect of corporate governance on sustainability performance, using the GRI framework. Skouloudis et al. (2009) found that a limited number of listed Greek companies provided sustainability reports. Other studies on CSR reporting or disclosures in different regions showed the motivations of the companies to provide non-mandatory disclosures on CSR (Julia & Sweet, 1999). Other studies explored the Factors affecting CSR disclosure by companies (Branco et al., 2008), which found that disclosure is done to present a socially responsible image to legitimize the management behaviors to stakeholders and influence the external perception of reputation.

Professional audit firms and other organizations conducted many studies and surveys to indicate the increasing demand for sustainability-related disclosures. The Global Survey of PWC (2021) found that 79 percent of investors realize that sustainability-related issues are important in making decisions. The World Federation of Exchange Sustainability Survey (2022) found that investor demand for such disclosures has increased from 70 percent to 96 percent in the five years from 2018 to 2022. Other studies indicated the existing practice on sustainability disclosure, as KPMG (2022) found that reporting on corporate sustainability is increasing among large companies in 58 countries; increasing from 64 percent in 2012 to 79 percent in 2022 while the KPMG (2005)[20] survey found that 52 percent only of 250 large global companies provided corporate CSR reports. The survey found that companies' disclosures increase according to their size. The same was observed by TCFD (2022). The status report also concluded that higher disclosure rates were observed among companies in North America (97 percent), whereas the lowest rates were observed among companies in the MENA region (56 percent). Disclosure among companies in other regions was ranked between these two rates. The above surveys also provide strong evidence of the global trend toward more disclosures on sustainability-related matters. Gerged et al. (2017) also concluded the low level of disclosure in the MENA region in a study covering nine countries employing a content analysis that included 55 items.

Other studies searched for the challenges in adopting the SR standards under different frameworks in different countries, such as Sandali (2020), who identified challenges facing the listed companies in implementing SR standards using the GRI framework. Challenges concluded were related to gathering information on the sustainability practices, adoption costs or required resources, and data accuracy, mentioning the independent assurance on SR to overcome the challenges. Kampanje (2023) and Alia and Mardawi (2021) identified challenges relating to the lack of required regulations. Smith and Sharicz (2011) have identified that a lack of clear and precise definitions of sustainability leads to unclear guidelines and reporting frameworks. Grossman (2014) identified the challenges of the existence of various SR frameworks. Other studies identified challenges related to SR regarding the related data and stakeholders' satisfaction, in addition to the existence of many different frameworks and regulations (Mugwira & Nissim, 2018). The study presented expectations for the alignment of the different frameworks to make reporting easier for everyone involved with SR. The matter is now achieved in issuing the SDS by ISSB. Therefore, the challenge related to the lack of a unified framework for the SR assurance will be overcome by issuing ISSA 5000.

In the Palestinian context, different studies were found concerning the area of disclosures of social responsibility. Barakat (2015) studied the CSR disclosures of listed companies in Palestine and Jordan and concluded a low level of disclosures in both countries. To have a clear picture of the status, recent studies were reviewed. (Alia & Mardawi, 2021) investigated the relationship of capital structure and board characteristics with CSR disclosures by adopting a disclosure index. The study found a positive relationship between the board size and independence and the level of CSR disclosures. Zaid et al. (2020) also conducted a similar study. Alia & Barham (2020) found a significant positive relationship between the CSR disclosures and the value of the company in the study of the companies listed on PEX was also consistent with another study of the SCR disclosure on the financial performance of listed banks in Palestine and Jordan (Nour et al., 2022). (Abdeljawad et al., 2022) conducted an initial assessment of the practices of SR in the listed companies in Palestine using descriptive approaches through a questionnaire. The study focused on the reporting practices related to social responsibility and sustainability with the motives and challenges. The study found that motives are mostly linked to customer-oriented motives as part of company promotion and public relations. The study also found the major challenges of CSR reporting such as cost related to the reporting, religious beliefs of non-disclosing donations, lack of laws and regulations, lack of guidance to develop such reports, and the lack of awareness of the management on the importance of the reporting. Abdeljawad et al. (2022) also concluded a lack of formal reporting, a lack of regulations for issuing sustainability reports, and a lack of guidance on the expertise to develop those reports.

It is also worth mentioning that Alia and Mardawi (2021) and Abdeljawad et al. (2022) studies were conducted before the issuance of the IFRS S1 and S2 in 2023, under which disclosure requirements are clearly stated. The previous studies used different criteria based on different understandings of the sustainability issues frameworks. (Alia & Mardawi, 2021) indicated in their study, the limitation of the absence of the specific information to be used in the index, and the limitation of considering the quantity of disclosure and ignoring the quality of information. This is one of this study's contributions to filling this gap by using the globally unified expected framework, as the newly introduced standards provide strong guidance on the requirements of the disclosure on which the index can be developed.

The researcher found a smaller number of studies related to IFRS S1 and S2, as the ISSB issued the standards very recently. The studies were mostly conducted while those standards were exposure drafts, such as Tolkach (2023), which studied the importance of adoption of the standards and how they affect transparency. Magdalena (2022) studied the impacts of the adoption of those standards in Poland and mentioned the challenge of adoption related to quantifying the financial impact of the sustainability and climate-related risks or opportunities. (Pratama et al., 2022) studied the gap in the annual reports with IFRS S1 in South Asia. A study analyzing the readiness of listed companies to implement the standards by Kampanje (2023) assessed the readiness of listed companies in Malawi to adopt the standards, which can be considered an example of the status of less developed countries. Studies have found that many companies in the world provide voluntary sustainability disclosures, while listed companies in Malawi do not. The study analyzed the local regulations related to the matter, as well as the information and data from the listed companies' annual reports.

Based on the literature review and newly issued standards, the objective of this study is to investigate the status of the disclosure by the Palestinian listed companies considering the criteria of disclosure requirements specifically as described under IFRS S1 and S2 to assess the readiness for adoption of the effective date, by using and developing the following hypothesis:

The Palestinian-listed companies are not ready to implement the required disclosures under IFRS S1 and S2 by the due effective date for the reports starting 1/1/2024.

Methodology

Similar to other studies, (Kambaji, 2023; Alia and Mardawi, 2021; Pratama et al., 2022), this study used a descriptive analysis approach to answer the research questions. This study assesses the readiness of the companies by evaluating the current disclosure level in the annual reports compared to what is required under the IFRS S1 and S2. The sample was selected from the available annual reports of the listed firms for the last two years. Those annual reports were reviewed regarding disclosed information related to sustainability. The data was analyzed using the matrix developed based on the main paragraphs of the disclosure requirements in the standards, which are described in Table 2. The matrix included 24 disclosure items as identified, consisting of the major items required paragraphs stated in the standards IFRS S1 and S2. Disclosure items were classified under five criteria. The developed index was first tested using a pilot study on five companies, one from each sector, to ensure the relevance of the items and the effectiveness of the index. The pilot study confirmed the relevance of continuing with the full research and drawing attention to the topic and focus on the readiness of the Palestinian listed firms to adopt the standards and the need for enhancing the awareness of the value of the adoption. Therefore, the result of the pilot's study questions in the disclosure was modified to be applied to the actual study. The study then was conducted, first, by checking the existence of the disclosure as per the developed items, and then assessing the quality and whether can be considered satisfactory or not. Then, finally, the study assessed the reports under three categories (No Disclosure, Partial Disclosure, or Full Disclosure).

The total population of the study is the 49 listed firms at the end of 2023, which are classified under five sectors. A random sample of 25 companies was chosen with around 50 percent of the companies from each sector of the five sectors on PEX, namely, (1) banking and financial services, (2) industry, (3) insurance, (4) investment, and (5) services. The researcher collected the data by reviewing the selected companies' recent annual reports for the years 2022 and 2023 published on the companies' websites or the PEX, (PEX, 2023). Table 1 explains the overall sample, which represents 51 percent of the total population covering all five sectors. The sample from each sector covered at least 50 percent of the companies' population. Therefore, the overall sample is considered sufficient, well-representative of the population, and reliable.

Table (1): The number of listed companies on PEX and the number of firms selected.

Sector	Number of Companies on PEX	No. of samples studied	Percentage of the sample to the population
Industry	11	6	55%
Service	10	5	50%
Insurance	8	4	50%
Banking and Financial Services	8	4	50%
Investment	12	6	50%
Total	**49**	**25**	**51%**

In addition, Baboukardos et al. (2022), in assessing the readiness report, also used a disclosure index of the disclosure requirements in the standard and focused on the largest globally listed companies selected from the industrial, chemical, and construction sectors. It reviewed the available English annual reports for the last three years of the sample of 100 companies and analyzed the level of disclosures already provided in the annual reports. The Baboukardos et al. (2022) study is similar to the approach used in this study. Skouloudis et al. (2009) used a sample of financial and nonfinancial companies' reports from those recently published on the web to assess the level of information provided related to sustainability and then analyzed the level of information relevant to sustainability in the report (no mention level, generic information level, more detailed level, extensive information level, or full information). Gerged et al. (2017) used a content analysis employing a 55-item disclosure index to assess the status of environmental disclosure.

In identifying the index criteria, this study reviewed the disclosure areas required by the standards stated above and accordingly developed an index with 24 items under the five criteria as explained in Table 2, which are consistent with (Roberts, 1992; Bingler, 2022). Pratama et al. (2022) used four criteria in assessing the disclosure quality related to IFRS S1, i.e. Governance; Strategy; Risk; and Targets and Metrics. This study used five criteria: Risks and Opportunities (R&O), Governance (GOV), Strategy of Addressing R&O (STR), Risk Management (RM), and Metrices and Targets (MT). The criteria were based on the IFRS S1 and S2 requirements.

The information disclosed in the sample of the annual reports that could be found from the years 2022 and 2023 was compared to the standard requirements. Selecting the most recently available reports is more reliable to reflect the status as we are approaching the effective date of the standards, and the companies that select to disclose certain matters are mostly consistent in disclosing the same matters over the years, with some developments from year to year.

The following table shows the criteria used in the index, which are based on the IFRS S1 and S2 requirements, with a clear reference to each item from the paragraph number in the standards.

Table (2): Disclosure index based on the standard requirements.

No.	Reference No. of Paragraph in IFRS		Area of the disclosure in brief
	IFRS S1	IFRS S2	
1	Paragraphs 1 and 3	Paragraph 2 BC5	R&O related to sustainability or climate matters that may affect the cash flow, cost of capital, or access to finance.
1.1	3		Identifying Risks.
1.2	3		Identifying Opportunities.
2	Paragraphs 26-27	1.33.4.1 Gov.	Governance
2.1	27. a		Creating a Body/individual in the company assigned to monitor, follow up, and overcome R&O.
2.2	27. b		Role of the body or the individual in the process.
3	28-42	Paragraph 8	Strategy: How to address R&O
3.1	33		Prospects and a time plan to address the R&O.
3.2	35		Qualitative information on the anticipated impact of the company's operational business model or cash flow.
3.3	35		Quantitative information on the anticipated impact of the company's operation, business model, or cash flow.
3.4	37		The effects of R&O on the Company's strategy and Decision process.
3.5	38		The effect of R&O on financial position, cash flows, and financial performance on the accounting period reported.
3.6	34		The effect of R&O on financial position, cash flows, and financial performance in the future.
3.7	41		Information on the resilience of the company's plans and business model.
4	Paragraphs 43-44	1.3.4.3 RM	Risk Management
4.1	44		Procedures for the identification of the risk and assessing, and monitoring the R&O.
4.2			Information on sources of data assisting in the identification of R&O.
4.3	44.a.ii		Analysis assisting in identifying the R&O.
4.4	44.a.iii		Likelihood and nature of Risks.
4.5	44.a.v		The way to monitor Risks.
4.6	44.a.vi		Changes in the process of Risk Management.
5	Paragraphs 45-53	Paragraphs 28, 29, 33 and 34	Metric and Targets
5.1	48, 52		Industry metrics, how it is defined, calculated, and validated.

5.2	51		The company’s targets and performance in achieving the targets.
5.3			Analysis of the performance and trends.
5.4			Greenhouse Gas (GHG) Emissions.
5.5			Amounts used in the research related to Climate
5.6		11	Carbon costs used in the emissions.
5.7		11	Costs related to climate considerations.

Discussion

To understand the status of the disclosures on sustainability matters in Palestine, this study is important to discuss the nature of the PEX and the impact of each sector's activity on the environment. The study then discusses the results of the analysis of the selected sample annual reports, and then it discusses the existing laws and regulations in Palestine to understand the main challenge or main potential issue for the findings of this study relative to the level of disclosure. Finally, the study will assess the readiness of the implementation of the standards.

The listed companies' effect on the environment

The effect of the company on the environment is mostly related to the nature of the operation. To apply this effect on the nature of the listed firms in Palestine, the following table (Table 3), shows the sectors of listed companies, the impact level on the environment, the number of the companies under each sector, and the total market value of each sector as of the end of 2023 (PEX, 2023). The table is followed by the description of the nature of the operation about the impact level of the operation on the environment.

Table (3): The environmental impact analysis per sector of the company.

Sector	The expected impact level*	No. of Companies	Total Market Value in USD at the end of 2023**
Industry	Very High	11	508,570,050
Service	High	10	1,489,576,080
Insurance	Medium	8	258,322,640
Banking and Financial Services	Medium	8	1,244,166,004
Investment	Low	12	1,124,418,103
Total		**49**	**4,625,052,877**

Sources:

*The above-assessed impact level refers to the environmental effect based on the carbon dioxide released from companies’ operations.

** The source of information on the PEX website (PEX 2023).

The impact level was assessed by referring to the classification for the environmental effect sector issued by the Organization for Economic Co-operation and Development (OECD) (OECD, n.d.).

- The industrial sector in Palestine contains different types of industries, including the chemical industry. The industrial sector is identified as having a high impact on the environment, as these companies are often engaged in chemical and pharmaceutical operations. These operations directly and materially affect the environment due to the amount of gas released during the production and activities of the companies (PEX, 2023).
- The service sector in Palestine comprises real estate developers, construction companies, tourism companies, and telecom companies. Real estate and tourism operations release gases mainly in cooling and heating, and the construction process, in addition to the normal use of generators.
- The banking and financial sectors are assessed as a medium-impact risk since they are not directly engaged in operations that have an impact on the environment.
- In the insurance sector, insurance operations are not directly engaged in operations that affect the environment since their impact is rated as low.
- The investment sector comprises stocks and goods trading investments and wholesale distribution, which do not have a substantial effect on the environment and are rated as having a low impact.

In summary, around 43 percent of the listed companies are classified globally as having a high or very high impact on the environment. In addition, 33 percent of the companies are classified as having a medium impact on the environment. Only 24 percent of the companies are classified with a low impact on the environment. This explains the need to disclose the information on sustainability matters and adopt the IFRS S1 and S2 to provide the stakeholders with the related required information within a unified set of frameworks.

Referring to the Emissions Database for Global Atmospheric Research, the EDGAR (EDGAR, 2023), Palestine is not included in the rate of emissions of the country table; however, the researcher believes that the rate of emissions of Palestine will not substantially differ from the average of less developed countries. No data was obtained from other sources for estimating emissions from Palestine. According to the information available on EDGAR, China, the USA, the EU27, India, Brazil, and Russia, produce 62 percent of the global GHG emissions (Crippa et al. (2021), noting that those countries constitute approximately 50 percent of the world's population, with 61 percent of the global GDP consuming 63 percent of the global fossil fuels.

Listed Companies’ disclosure related to sustainability matters

Based on the analysis of the contents of the annual reports with comments on the existing information based on the criteria, the final assessment of the level of disclosure was categorized into No Disclosure, Partial Disclosure, or Full Disclosure. The following Table 4 includes the selected sample of Palestinian-listed companies classified as per sector, with notes from the companies' annual reports for 2022 or 2023 and the compliance level in each report.

Table (4): Listed companies and the reviewed annual report; the study sample.

No.	Sector/ Company’s name	Annual report	Notes from the annual report about the disclosures on sustainability and climate-related issues.	Disclosure level
	Banking Sector			
1	Bank of Palestine	2022	Comprehensive narrative information on activities without metric information	Partial Disclosure
2	Al-Safa Bank	2022	No information is disclosed	No Disclosure

3	The National Bank	2022	No information is disclosed	No Disclosure
4	Palestine Islamic Bank	2023	Stated the policies, plans, and activities conducted about the environment. Stated the information on the percentage of achievement of the replacement of clean energy with metric information on the avoided Gas emissions.	Partial Disclosure
Industrial sector				
5	Beit-Jala Pharmaceuticals Company	2022	A comprehensive narrative provides organized information on the risk related to sustainability with procedures, management monitoring policies, and actions taken to mitigate the risk. No metric information is disclosed.	Partial Disclosure
6	Jerusalem Pharmaceuticals	2022	Few narrative lines.	Partial Disclosure
7	The National Carton Industry	2022	Few narratives on actions on the environment and social responsibility	Partial Disclosure
8	The Vegetable Oil Industries	2022	No information is disclosed	No Disclosure
9	Jerusalem Cigarette	2023	No information is disclosed	No Disclosure
10	Birzeit Pharmaceuticals Co.		Stated detailed policies on environmental and risk related, in addition to disclosing brief plans of considering the environmental and climate issues in reducing gas emissions. No metric information is disclosed.	Partial Disclosure
Insurance Sector				
11	Global United Insurance	2022	No information is disclosed	No Disclosure
12	AL-Mashriq Insurance	2022	No information is disclosed.	No Disclosure
13	National Insurance	2022	No information is disclosed.	No Disclosure
14	Trust Insurance	2023	No information is disclosed.	No Disclosure
Investment Sector				
15	Arab Palestinian Invest. "APIC"	2022	More narrative on the policies, risks, and actions taken related to sustainability and the environment. No metrics. Information on social responsibility.	Partial Disclosure
16	Al-Aqariya Trading Investment	2022	No information is disclosed.	No Disclosure
17	Arkaan Real-estate	2022	No information is disclosed.	No Disclosure
18	Sanad Construction Resources	2023	Stated detailed polices on environmental-related matters and risk-related, and brief on the plans of considering the environmental and climate issues in reducing gas emissions. No metric information is disclosed.	Partial Disclosure
19	Palestine Industrial Inv.	2023	No information is disclosed	No Disclosure
Service Sector				
20	Al-Wataniya Towers	2022	Minor narrative information	Partial Disclosure
21	Palestine Telecommunications	2022	Detailed information on social 4 and related values and initiatives	Partial Disclosure
22	The Ramallah Summer Resorts	2022	In one line, no information is disclosed	No Disclosure
23	Palestine Electric	2023	No information is disclosed.	No Disclosure
24	Nablus Surgical Hospital	2023	No information is disclosed.	No Disclosure
25	Palestinian Dist. & Logistics Services	2023	No information is disclosed.	No Disclosure

As shown in Table 4, the majority, with 60 percent of the reviewed sample's annual reports for listed companies did not include any information or disclosures on sustainability issues, the environment, or climate-related disclosures. Some of the annual reports included brief mentions of environmental contributions, such as efforts to reduce emissions; however, none of these disclosures contained quantitative measurements or effects on the environment or clear criteria to assess the mitigation of the risks. One of the annual reports of a pharmaceutical company classified under the industry sector includes more information on sustainability-related issues. Its annual report disclosed the company's policies regarding the environment and sustainability from different aspects, with clear information on the types and nature of the risks related to the environment and the procedures in place taken by management to mitigate those risks. The disclosure also included the company's commitment to its business with suppliers who have environmental certificates. Another annual report for one of the banks also included a detailed disclosure of policies and procedures related to the environment and sustainability. The reports also included more details on the company's green initiatives and sustainability policies in financing services. However, no quantitative data was provided in either annual report, which contained more narrative information on sustainability-related issues. In reviewing the results, no clear link was observed between disclosure rates and the company's size. However, the disclosure level was more affected by the nature of the operations as explained in Table No. (6).

Interaction of the adoption of the IFRS S1 and S2 with the regulations

The SDS has a clear interaction with the regulations under paragraphs B31-B33. Furthermore, the existence of regulations for mandatory adoption is the most important factor that leads to compliance and increases the level of any type of disclosure which is indicated by different researchers (Kampanje, 2023; Alia & Mardawi, 2021), given that, the IFRS S1 and S2 adoption are not mandatory by default on the effective date. In other words, the adoption is voluntary even for the jurisdictions adopting the full set of IFRS in developing general-purpose financial statements. Therefore, it is left to local regulations to move towards mandatory adoption. Regulations are needed to clarify issues related to the adoption, including metric targets' location of disclosure, whether in the annual general-purpose financial report or separate stand-alone disclosures as per paragraph 61 of IFRS S1.

To understand the Palestinian context concerning disclosing sustainability-related matters from the regulatory aspect, this study also reviewed the existence of laws and regulations to search for regulations related to disclosing information on sustainability and climate matters, such as PCMA regulations, securities law, companies' law, investments promotion law, and income tax law.

The PCMA's 2021–2025 strategy (PCMA: 2021) includes the sustainability of the financial sector as one of the main projects under the main programs. It includes "enhancement and development of financial non-banking sectors and integration of ESGs, environmental and social arrangements, within the internal policies and governance requirements in those firms," in addition, according to the planned program announced by the PCMA, to update the developed environment and social corporate governance code. The first draft was planned to be issued by 2023.

The Environment Quality Authority (EQA) regulates environmental aspects in Palestine according to the Environment Law (EQA, n.d.); Palestine is committed to global environmental framework agreements such as the UNFCCC, UNCCD, and CBD. The 2020–2023 Environmental Strategy stated objectives that EQA in cooperation with different stakeholders, is working to achieve a sustainable environment under the main strategic objectives of "low levels of pollution" and to put the procedures and actions in place to adopt the strategies, including introducing regulations and increasing the necessary awareness (EQA, 2020). The EQA is committed to reducing emissions by working in cooperation with national agencies, officials, and civil organizations. The study did not find local regulations granting certain privileges to companies that comply with disclosure requirements or are based on compliance levels with environmental or sustainability standards. However, the Palestine Investment Promotion Law (PIPA), (n.d.) specifies new projects entitled to submit for investment promotion, including companies that comply with international environmental standards. In addition, the amendment to the same law, by law number 33 to the year 2020, excludes energy companies that use fossil fuels from investment promotion eligibility.

Interaction of the IFRS S1 and S2 with other standards

To encourage the adoption of the SDS, the international professional bodies and the standard setters are also engaged in developing the related standard to align with the sustainability reporting, support the adoption, or overcome existing challenges for the adoption.

Providing assurance on SR appeared as a need to provide credibility and trust to the stakeholders in such reports. The lack of an assurance reporting framework was also identified as a challenge, as discussed in the literature review. Currently, the SR is either not validated by assurance reports or assured through assurance that is being provided by not only auditors but also by other professional service providers. The assurance providers work under different frameworks. To organize the assurance practice, the International Auditing and Assurance Standards Board (IAASB) has recently introduced and approved an International Standard on Sustainability Assurance (ISSA) 5000 (Hartman, 2024). This standard will be published at the beginning of 2025. IOSCO issued a statement supporting the new standards (IOSCO, 2024). The researcher believes that the IOSCO support and its recommendation to the securities regulators to adopt the SDS and ISSA 5000 will create a significant jump towards the adoption of the private sector to SDS and ISSA. ISSA 5000 aims to provide the auditors and other professional assurers with guidance and unify the framework of the assurance reporting on the sustainability information provided. The standard is designed to provide limited or reasonable assurance on the SR. It is worth mentioning that PCMA is a member of IOSCO and may seriously consider the IOSCO recommendations for adoption. It will create an additional motive for the PCMA to make the adoption of the SDS mandatory.

To encourage and expand the adoption to the public sector and by the governments, the International Public Sector Accounting Standards Board (IPSASB) is currently developing the first International Public Sector Sustainability Reporting Standard. (IPSASB, 2024). The International Ethics Standard Board for Accountants (IESBA) released an exposure draft in January 2024, International Ethics Standards for Sustainability Assurance IESSA and Ethics Relating to Sustainability Assurance and Reporting (IESBA, 2024). At the educational level, and in order to enhance academic awareness and capacity in relation to SDS, the International Federation of Accountants (IFAC) also proposed amendments to the International Education Standard (IES) No. 6 related to professional development to align with the new SDS. It introduced new principles to help academic institutions and accounting bodies enhance the accountant role for the future (White, 2024).

The efforts of the standards setters show the importance of the SR and the dedication towards the adoption of the standard globally. That explains why the local regulators in the countries and stakeholders, who did not progress in this journey, started the discussion of the value of the adoption towards the global trend and demand.

Results

Disclosure level on sustainability-related matters by listed firms

The study found the following from the analysis and assessed the disclosure level, at the stock market level, sector level, or disclosure criteria level.

At the Stock Market level

As shown in Table No. 5, the study found that only 40 percent of the companies have disclosed partial information, and 60 percent did not disclose any information in their annual report. None of the companies' annual reports included full disclosure of all the information as per the requirement. The table below summarizes the disclosure level in the Palestinian-listed companies based on the sample reviewed.

Table (5): The overall rate of disclosure at the stock market level.

Disclosure level	Number of Companies	Percentage
Full Disclosure	0	0%
Partial Disclosure	10	40%
No Disclosure	15	60%
Total	**25**	**100%**

At the Sector Level

The following Table No. 6 explains the assessed disclosure level in each sector. This clearly shows that the industrial sector has a higher disclosure compared to other sectors, with 67 percent of the industrial companies disclosing partial information related to sustainability in their annual reports. While the insurance sector has the lowest level, with zero percent of the company's disclosing information related to sustainability.

Table (6): The disclosure at the Sector Level.

Company's name	Disclosure at the sector level
Banking Sector	50% of companies partially disclosed information.
Industrial sector	67% of companies partially disclosed information.
Insurance Sector	0.0% of companies disclosed any information.
Investment Sector	33% of companies partially disclosed information.
Service Sector	33% of companies partially disclosed information.

At the disclosure Criteria Level across the Market

The following table summarizes the criterion using references from the IFRS, with the number of items under each criterion with the number of cases of disclosures found in the sample in each criterion.

Table (7): The disclosure level analysis per criteria of disclosure.

Reference number Paragraph No. in IFRS		Criterion	No. of disclosed cases	Percentage of the disclosure	Conclusion
IFRS S1	IFRS S2				
Paragraphs 1 and 3	Paragraphs 2 BC5	Risks and opportunities (R&O)	6	24%	Low level of disclosure
Paragraphs 26-27	1.33.4.1 Gov.	Governance	5	20%	Very low level of disclosure
Paragraphs 28-42	Paragraph 8	Strategy, how to address (R&O)	4	16%	Very low level of disclosure
Paragraphs 43-44	1.3.4.3 RM	Risk Management	4	16%	Very low level of disclosure
Paragraphs 45-53	Paragraphs 28, 29, 33 and 34	Metrics and Targets	1	4%	Close to zero, No disclosure at all

Table 7 indicates the low level of disclosures by the listed companies compared to the disclosure requirements under IFRS SDS requirements S1 and S2. The highest rate was in disclosing certain risks, with 24 percent. This means only 24 percent of the reviewed reports included disclosure of the risks or opportunities related to sustainability. The disclosure rate in the criterion of governance, strategy, and risk management of R&O was 24 percent. The disclosure rate in the metrics information was 4 percent. This means only 4 percent of the reviewed reports included disclosure of metric information related to sustainability. The above results indicate a low level of interest and a low level of capacity that raises concern about the possibilities of adoption, whether in the case of voluntary adoption or the case of mandatory adoption if the regulator selects the mandatory adoption on the effective date.

The result related to the low level of disclosure was consistent with other studies in the region and Palestine's results (Kampanje, 2023; Alia & Mardawi, 2021), although the other studies were conducted using other disclosure criteria.

Private businesses in Palestine require more information and skills, such as how to calculate carbon or other gas emissions and provide such reports, as indicated in the SDSs, IFRS S1 and S2. However, the calculation of CO_2 emissions from plants, machinery, and vehicles using fuels based on the consumption of fuel can be performed based on known indices.

However, the information found that the annual reports have management disclosures without any assurance by an auditor or independent professional party provided on those disclosures, as they were included in the annual report of the audit reports and financial statements. Having unassured information remains one of the challenges faced in trusting the reliability of the information provided (Baboukardos et al., 2022). A survey also concluded the absence of assurance practice for the CSR information provided by the Palestinian companies (Alia & Mardawi, 2021).

Non-Existence of Local regulations related to sustainability disclosures

Due to the connectivity of the adoption with the regulations and investigation of the existence of related laws and regulations (Kampanje, 2023; Alia & Mardawi, 2021), this study searched for possible existing regulations related to disclosure of the sustainability matters. Although the matter of mandating the adoption of Palestinian-listed firms with SDS or other disclosure matters is under the authority of the PCMA, the study did not find articles in the regulations regarding disclosing information to the public on sustainability matters under PCMA regulations or other local regulations. While the current regulations imply that listed companies must adopt IFRS, the mandatory adoption of the IFRS SDS requires further regulations. Abdeljawad, (2022) also considered the lack of regulations as one of the reasons affecting negative SR in Palestine. For the matter of general disclosure requirements for non-listed companies, EQA stated its commitment to reducing emissions by working in cooperation with national agencies, officials, and civil organizations (EQA, n.d.); however, no regulations were found concerning disclosing information to the public on environmental or climate-related matters.

Conclusion

This study investigated the extent and the nature of disclosures made by the Palestinian listed companies on PEX related to sustainability matters in the context of the IFRS S1 and S2 requirements to assess the readiness of the companies to adopt the new Sustainability Disclosure Standard. The study applied a disclosure index of 24 items on the annual report of 25 companies under five criteria. Based on the analysis, this study concluded that Palestinian-listed companies are still not ready to implement the IFRS S1 and S2 issued by ISSB. Additionally, it concluded a lack of local regulations that might support the disclosure of sustainability-related matters.

The study found that the Palestinian-listed companies in all sectors provided a very low overall rate of disclosure about sustainability and climate issues required under IFRS S1 and S2, with no change from the other previous studies in Palestine (Barakat et al., 2015). Disclosure rates varied from one sector to another. Additionally, it concluded that Palestinian companies' management does not give sufficient attention to sustainability reporting. This can be due to different reasons, such as the lack of raising this issue by the users of the financial statements, lack of skills, and the lack of existing regulation, as indicated by other studies (Kambaji, 2023; Abdeljawad, 2022) who concluded that low-level disclosures were due to a lack of regulations. (Nour et al., 2022) also recommended to improve the quality of CSR disclosure by introducing regulations.

Despite the low level of disclosure found, the study provides evidence for an existing interest by some sectors in disclosing suitability-related information, as some partial disclosures were made voluntarily by 40 percent of the listed firms. It is likely that disclosure levels could improve through enhancing the capacity and awareness of the value of disclosure on the company's performance.

It is expected that the global trend towards adoption will lead to initiating discussions among regulators, the audit profession, and other stakeholders regarding the value of enforcing such disclosures. To enhance the trust of investors in the market, the regulator is recommended to consider introducing regulations in this matter. In addition, the management of listed companies may consider an additional compliance issue that requires resources and costs (Alia & Mardawi, 2021).

Based on these conclusions and to increase the level of readiness to adopt IFRS S1 and S2 by listed companies in Palestine, more efforts are still needed in the journey of adoption. Further steps, as outlined below, are recommended by different key players to maintain the reporting framework of the Palestinian companies consistent with the global trend and demand:

- PCMA and other key players, PACPA, Academia, and the Environment Quality Authority to initiate discussions on ways to proceed in this journey and to stay updated with the global disclosure requirements in addition to whether the market regulator, PCMA, has to introduce regulations of mandatory disclosures in alignment with IFRS SDS.
- The key players to cooperate and conduct awareness programs on the value of SDS.
- Palestinian listed companies to build their internal capacity to be able to develop the required disclosure as required under the standard, such as developing certain internal policies and governance of R&O related to sustainability and climate matters with a transparent disclosure process.
- PACPA, in its role as a professional accountancy organization, is encouraged to enhance the capacity of the external auditors on this matter to be able to provide independent assurance services on compliance with the sustainability reports with the IFRS SDS. This in turn will improve the disclosure structure and quality as well as improve the reliability of such disclosed information. External audit firms may consider using external experts to support them.
- At the educational level, universities are recommended to introduce the required literature in accounting or other related education programs.

Furthermore, future studies are recommended on the impact of adopting IFRS SDS on users in the stock markets.

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- Ethical Approval: All ethical guidelines were strictly followed in conducting this paper, and sharing this paper as per the journal guidelines.
- Availability of Data and Materials: All relevant data and materials are available upon request.
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