

# **Mandatory Sustainability Disclosure as Organisational Transformation: Evidence from the Transition to IFRS S1 and S2**

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## **Abstract**

The transition from voluntary sustainability reporting to mandatory disclosure under IFRS S1 and S2 is creating significant organisational challenges for corporations. While prior studies have examined sustainability reporting as a mechanism for legitimacy and accountability, limited attention has been paid to how mandatory disclosure reshapes internal organisational processes, management practices, and cross-functional coordination. This study investigates organisational responses to mandatory sustainability disclosure through an embedded qualitative case study of a major energy company in Japan. Drawing on institutional theory, the study analyses semi-structured interviews with 13 participants across executive, managerial, and operational levels, supported by corporate disclosure documents. The energy sector provides a particularly relevant setting because sustainability issues are closely linked to long-term investment and strategic decision-making. The findings show that mandatory disclosure functions not merely as a compliance requirement but as a catalyst for organisational change. Different organisational levels interpret the same disclosure requirements according to their responsibilities. Senior executives emphasise long-term corporate value and capital allocation, whereas managers and operational staff focus on regulatory compliance, process improvement, and information management. As a result, organisational practices become increasingly sophisticated, but their connection with strategic management objectives remains limited. The study extends the concept of Means-Ends Decoupling by demonstrating that this divergence emerges not from organisational resistance or symbolic compliance, but from the coexistence of distinct organisational rationalities. The findings contribute to understanding the organisational consequences of mandatory sustainability disclosure and provide practical implications for organisations implementing IFRS S1 and S2 and other emerging sustainability reporting frameworks.

## **Keywords**

Mandatory sustainability disclosure, IFRS S1 and S2, Organisational change, Means-Ends Decoupling, Energy industry