





“Determinants of IFRS S2 compliance quality: The mediating role of data capability and the moderating roles of market scrutiny and firm size”

AUTHORS	Dao Manh Huy  Ho Tuan Vu  
ARTICLE INFO	Dao Manh Huy and Ho Tuan Vu (2026). Determinants of IFRS S2 compliance quality: The mediating role of data capability and the moderating roles of market scrutiny and firm size. <i>Accounting and Financial Control</i> , 7(1), 22-35. doi: 10.21511/afc.07(1).2026.03
DOI	http://dx.doi.org/10.21511/afc.07(1).2026.03
RELEASED ON	Wednesday, 14 January 2026
RECEIVED ON	Sunday, 09 November 2025
ACCEPTED ON	Wednesday, 24 December 2025
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Accounting and Financial Control"
ISSN PRINT	2543-5485
ISSN ONLINE	2544-1450
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	Sp. z o.o. Kozmenko Science Publishing



NUMBER OF REFERENCES

35



NUMBER OF FIGURES

2



NUMBER OF TABLES

6

© The author(s) 2026. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Type of the article: Research Article

Received on: 9th of November, 2025

Accepted on: 24th of December, 2025

Published on: 14th of January, 2026

© Dao Manh Huy, Ho Tuan Vu, 2025

Dao Manh Huy, Ph.D., Faculty of Accounting, University of Labour and Social Affairs, Vietnam.

Ho Tuan Vu, Ph.D., Faculty of Accounting, School of Business and Economics, Duy Tan University, Vietnam. (Corresponding author)



This is an Open Access article, distributed under the terms of the [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/), which permits unrestricted re-use, distribution, and reproduction in any medium, provided the original work is properly cited.

Conflict of interest statement:

Author(s) reported no conflict of interest

Dao Manh Huy (Vietnam), Ho Tuan Vu (Vietnam)

DETERMINANTS OF IFRS S2 COMPLIANCE QUALITY: THE MEDIATING ROLE OF DATA CAPABILITY AND THE MODERATING ROLES OF MARKET SCRUTINY AND FIRM SIZE

Abstract

The global business landscape increasingly demands transparent climate reporting, yet factors driving compliance quality remain unclear. This study examines the organizational and institutional determinants influencing IFRS-S2 compliance quality in Vietnamese enterprises, focusing on sustainability strategic orientation, climate data management capability, and market scrutiny. A quantitative research design was used, and a survey was distributed among managers in Vietnamese enterprises from March to June 2025. A total of 326 valid responses were analyzed using partial least squares structural equation modeling. The results prove that sustainability strategic orientation ($\beta = 0.254, p < 0.001$), climate data management capability ($\beta = 0.285, p < 0.001$), and market scrutiny ($\beta = 0.209, p < 0.001$) have a significant positive effect on IFRS-S2 compliance quality. The mediating role of climate data management capability is also strongly supported. However, the moderating role of market scrutiny was not statistically significant. The study highlights the need to align strategic commitment with data capabilities to enhance climate transparency in an emerging market and provides recommendations for managers and policymakers.

Keywords

IFRS S2, compliance quality, data capability, market scrutiny, firm size, sustainability disclosure

JEL Classification

M40, M41, L25, Q56

INTRODUCTION

The contemporary global business landscape is witnessing a dramatic escalation of risks and opportunities associated with climate change, fundamentally altering the expectations of capital markets. Consequently, stakeholders, particularly institutional investors and regulators, are no longer satisfied with vague environmental commitments; they increasingly demand transparent, reliable, and comparable corporate information regarding climate resilience. The issuance of the International Financial Reporting Standard on climate-related disclosures by the International Sustainability Standards Board marks a significant turning point in this trajectory. By establishing a global baseline, IFRS-S2 promises to substantially enhance the consistency of climate reporting worldwide. However, the promulgation of a new standard is merely the starting point of a complex journey. The substantive challenge lies not in the adoption itself, but in ensuring compliance quality within enterprises, especially in the context of emerging markets like Vietnam, where institutional infrastructure is still evolving.

In these transition economies, genuine compliance involves more than mere checklist completion or symbolic adherence to regulatory

mandates. It demands that disclosed information faithfully represents the firm's true climate-related risks, opportunities, and strategic resilience. While extensive research exists on general environmental disclosure, a significant knowledge gap persists regarding the specific drivers of high compliance quality with a complex and mandatory standard such as IFRS-S2. Previous studies have largely focused on the quantity of disclosure, leaving the quality and the internal mechanisms driving it largely unexplored. It remains unclear how internal strategic resources interact with external institutional pressures to drive firms toward genuine transparency rather than symbolic adoption.

Specifically, the mechanism through which Sustainability Strategic Orientation translates into tangible reporting quality is not fully understood. Does strategic intent automatically lead to high-quality compliance, or does it require the mediation of specific dynamic capabilities, such as climate data management capability? Furthermore, the role of market scrutiny in this equation remains ambiguous—does external pressure act as a direct driver or as a catalyst that amplifies the effectiveness of internal capabilities? Grounded in the Resource-Based View, Institutional Theory, and Stakeholder Theory, the scientific problem addresses how these internal capabilities and external pressures interplay to shape compliance behavior. The lack of empirical evidence on these multi-dimensional relationships constitutes a critical barrier, as firms may struggle to align their strategic commitments with the operational demands of the new standard without clear theoretical guidance.

Addressing this gap is crucial for both academic development and practical application, offering valid evidence for managers to optimize their resource allocation and for policymakers to design effective supervision mechanisms. This study examines the organizational and institutional determinants influencing IFRS-S2 compliance quality in Vietnamese enterprises, focusing on the interplay between sustainability strategic orientation, climate data management capability, and market scrutiny.

1. LITERATURE REVIEW AND HYPOTHESES

Following the logic often employed in empirical studies within banking and information systems, this study constructs a theoretical framework by defining the core constructs and establishing the mechanisms linking them to the focal outcome, with directional hypotheses presented as a consolidated set of propositions.

Sustainability strategic orientation reflects the extent to which climate and broader environmental priorities are embedded in a firm's mission, routines, and strategic decision-making, rather than treated as peripheral compliance activities (Banerjee, 2002; Engert et al., 2016). From a Resource-Based View, strategy-driven commitments shape how firms mobilize and allocate valuable resources toward sustainability goals and transparency-related routines (Barney, 1991). In the IFRS-S2 setting, compliance quality requires decision-useful, verifiable, and finance-connected climate disclosures (ISSB, 2023) that are consistent with the governance-strategy-risk manage-

ment-metrics structure emphasized by the Task Force on Climate-related Financial Disclosures architecture (TCFD, 2017). A strong strategic sustainability orientation is therefore expected to create internal mandates for disciplined information flows, improved accountability, and more substantive climate reporting practices rather than symbolic disclosure. Prior evidence indicates that strategy-sustainability integration and management control configurations support higher-quality sustainability reporting outcomes (Amran et al., 2014; Gond et al., 2012; Kolk et al., 2008). Conversely, weak strategic anchoring increases the risk of decoupling and greenwashing, which can degrade the completeness and reliability of climate disclosures (Marquis & Qian, 2014; Michelon et al., 2015).

Although strategic sustainability orientation provides strategic intent, IFRS-S2 compliance quality also depends on execution capability. Dynamic capabilities theory argues that firms need the ability to build, integrate, and reconfigure operational competencies under changing requirements (Eisenhardt & Martin, 2000; Teece et al.,

1997). Climate data management capability refers to the governance structures, processes, systems, and controls used to collect, standardize, validate, and trace climate-related data used for reporting (Khatri & Brown, 2010; Wang & Strong, 1996). This capability is critical because IFRS-S2 reporting requires robust climate metrics (including emissions information) and forward-looking analyses that can withstand stakeholder scrutiny and, where relevant, assurance (ISSB, 2023; TCFD, 2017). International measurement and reporting standards also stress that completeness, consistency, and accuracy are prerequisites for credible emissions disclosure (ISO, 2018; GHG Protocol, 2004). In addition, research on analytics and information capabilities suggests that stronger data and analytics capabilities enhance the quality and usefulness of organizational information outputs (Ghasemaghaei et al., 2018; Mikalef et al., 2020). Accordingly, strategic sustainability orientation is expected to stimulate investments in climate data management capability, and climate data management capability should translate strategic intent into higher-quality IFRS-S2 disclosures.

Complementing these internal drivers, Institutional Theory explains how external pressures shape organizational practices as firms seek legitimacy (DiMaggio & Powell, 1983; Suchman, 1995). Market scrutiny captures the intensity of monitoring and expectations imposed by regulators, institutional investors, financial intermediaries, and the media. Where supervision is stronger, the costs of poor disclosure increase through reputational penalties and capital-market consequences. Evidence indicates that enhanced nonfinancial disclosure can be associated with lower cost of equity and that reporting mandates can reshape disclosure incentives and outcomes (Christensen et al., 2021; Dhaliwal et al., 2011). Firms also use disclosure as a signal to mitigate information asymmetry and maintain stakeholder support (Connelly et al., 2011; Freeman, 2010). In IFRS-S2 contexts, stronger market scrutiny should therefore push firms toward greater completeness and credibility in climate disclosures, raising baseline compliance quality even when internal strategy varies.

Beyond its direct influence, market scrutiny can condition how internal strategy translates into disclosure quality. Under high supervision, firms

face stronger incentives to demonstrate substantive commitment and to avoid symbolic reporting, which can amplify the relationship between strategic sustainability orientation and IFRS-S2 compliance quality. Under weaker supervision, the marginal benefits of high-quality disclosure may be lower, and strategic intent may not be fully converted into externally visible reporting quality. Prior work on environmental and operational practices suggests that institutional pressures can strengthen the effectiveness of internal resources and practices by increasing the payoff to substantive implementation (Darnall et al., 2008; Zhu & Sarkis, 2007). Furthermore, the value of climate data management capability for external reporting is likely to depend on the strength of market scrutiny. When Market Scrutiny is high, firms are more likely to fully utilize data governance, validation routines, and reporting controls to produce granular disclosures that can withstand evaluation by investors and regulators. When market scrutiny is low, firms may under-deploy these capabilities or prioritize internal uses, resulting in weaker translation of climate data management capability into externally observable IFRS-S2 compliance quality. The assurance literature further implies that scrutiny and credibility demands heighten the relevance of robust processes and controls that support reliable sustainability reporting (Hassan et al., 2020; Simnett et al., 2009). This logic implies a conditional indirect pathway in which market scrutiny strengthens the mediating mechanism from strategic sustainability orientation to IFRS-S2 compliance quality through climate data management capability.

To isolate the net impact of these variables, the model integrates firm size as a control variable, which is considered the most critical and common control variable in disclosure studies (Clarkson et al., 2008; Dhaliwal et al., 2011). Larger firms typically possess more resources (financial, human, technological) to invest in complex data collection and reporting systems like IFRS-S2. Concurrently, they face greater pressure from stakeholders (investors, regulators, the public) and thus have a higher incentive to disclose information transparently and with high quality.

Consequently, the primary aim of this study is to empirically examine the determinants of IFRS-S2 compliance quality in the context of

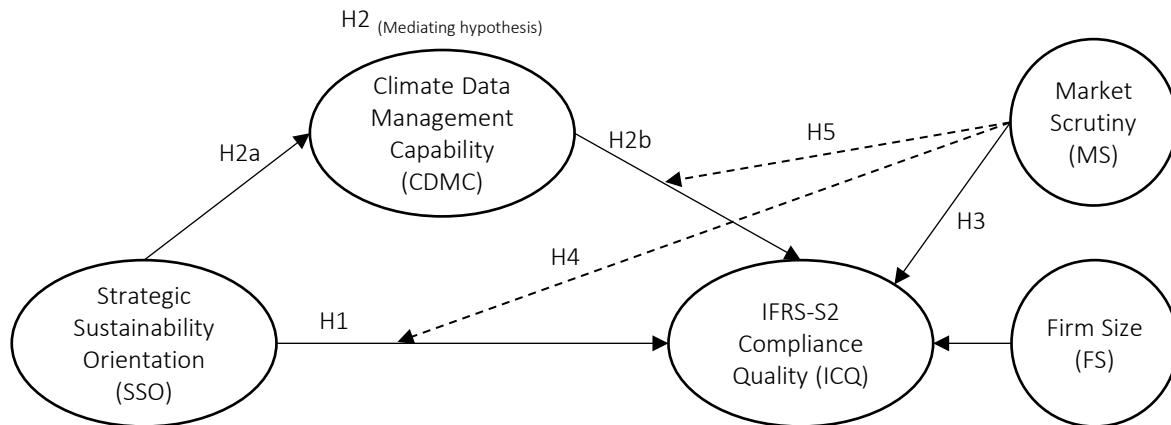


Figure 1. Research framework

an emerging market. Specifically, the research seeks to investigate the direct impact of strategic sustainability orientation and market scrutiny, while elucidating the mediating mechanism of climate data management capability and the boundary conditions imposed by market scrutiny.

Grounded in the theoretical framework and prior empirical evidence discussed above, the specific hypotheses for the research model are presented as follows:

- H1: Strategic sustainability orientation has a positive effect on IFRS-S2 compliance quality.*
- H2: Climate data management capability mediates the relationship between strategic sustainability orientation and IFRS-S2 compliance quality.*
- H3: Market scrutiny has a positive effect on IFRS-S2 compliance quality.*
- H4: Market scrutiny positively moderates the relationship between strategic sustainability orientation and IFRS-S2 compliance quality.*
- H5: Market scrutiny moderates the indirect effect of strategic sustainability orientation on IFRS-S2 compliance quality via climate data management capability.*

Figure 1 illustrates the proposed conceptual framework, designed to capture the multidimensional drivers of IFRS-S2 compliance quality.

2. RESEARCH METHODOLOGY

The current study employed a quantitative research design utilizing a cross-sectional survey to test the proposed theoretical model. The research was conducted in Vietnam, an emerging economy currently undergoing a critical transition in financial reporting standards, specifically the roadmap for IFRS adoption. Data collection was carried out from March to June 2025. This specific timeframe was selected as it coincided with the fiscal year-end reporting period for many Vietnamese firms, ensuring that respondents possessed the most up-to-date information regarding their organizations' sustainability disclosure activities and strategic initiatives. Due to the involvement of human participants, strict ethical protocols were observed to ensure objectivity and protect respondents' rights. Participation was entirely voluntary based on informed consent, and respondents were explicitly assured of anonymity and confidentiality to mitigate social desirability bias. The research protocol adhered to standard ethical guidelines for social science research, and the dataset used is original, having not been utilized in any prior publication.

The target population comprised mid-to-senior level managers, including Chief Executive Officers, Chief Financial Officers, Chief Accountants, and Heads of Risk/ESG departments in Vietnamese enterprises. These individuals were selected using a purposive sampling method because they possess the requisite strategic oversight and operational knowledge to provide reliable assessments

Table 1. Descriptive statistics of the survey sample (N = 326)

Demographics	Frequency	Percentage (%)
Position		
Chief Executive Officer	47	14.4
Chief Accountant / Deputy Head	106	32.5
Head of Risk Management / ESG	113	34.7
Chief Financial Officer	60	18.4
Work experience		
< 5 years	52	16.0
5 - < 10 years	141	43.3
≥ 10 years	133	40.8
Enterprise size		
Small (10-< 50 employees)	52	16.0
Medium (50-< 250 employees)	102	31.3
Large (≥ 250 employees)	172	52.8
Business sector		
Manufacturing	80	24.5
Energy	43	13.2
Construction & Building Materials	39	12.0
Transportation & Logistics	36	11.0
Agriculture & Food	32	9.8
Finance, Services, Trade	59	18.1
Others	37	11.3
Educational level		
Bachelor's degree	189	58.0
Master's degree or higher	137	42.0

of the complex constructs under investigation. A total of 500 questionnaires were distributed via email and direct administration. After a rigorous screening process to eliminate incomplete or unengaged responses, 326 valid responses were retained for analysis. The detailed demographic profile of the respondents, which covers diverse industries such as manufacturing, energy, and finance, is presented in Table 1. This diversity ensures sufficient representativeness to generalize the findings within the context of an emerging market.

The survey instrument was meticulously designed to ensure both construct and content validity. The measurement items were adapted from validated scales in high-impact literature to ensure reliability, rather than being newly created. Specifically, sustainability strategic orientation was measured using items adapted from Banerjee (2002) and Kolk et al. (2008) to capture the substantive integration of environmental goals. Climate Data Management Capability utilized scales from Wang and Strong (1996) and Khatri and Brown (2010) to reflect governance and data quality dimensions. Market scrutiny items were adapted from Delmas

and Toffel (2008), while IFRS-S2 compliance quality was developed based on the qualitative characteristics defined in IFRS-S2 (ISSB, 2023). All items were measured on a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Prior to full-scale deployment, the instrument underwent a translation and back-translation process and was pilot-tested with 30 managers to refine the wording for the Vietnamese context (please see Appendix for more details).

Data analysis was performed using Partial Least Squares Structural Equation Modeling with SmartPLS 4 software. This method was selected due to its suitability for complex models involving mediating and moderating effects, as well as its robustness with non-normally distributed data and exploratory theoretical frameworks (Hair et al., 2017). The analysis followed a systematic two-stage procedure: first, the measurement model was assessed for reliability (Cronbach's alpha and Composite Reliability) and validity (AVE and HTMT); second, the structural model was evaluated to test the hypothesized relationships and predictive power using a bootstrapping technique with 5,000 resamples.

3. RESEARCH RESULTS

The empirical analysis began with a rigorous assessment of the measurement model to establish the reliability and validity of the constructs before testing the hypothesized structural relationships. As detailed in Table 2, the internal consistency of the latent variables was first evaluated using Cronbach's alpha and Composite Reliability (CR). All constructs exhibited Cronbach's alpha values ranging from 0.824 to 0.852, and CR values consistently exceeded 0.87, surpassing the recommended threshold of 0.7 (Hair et al., 2017). Concurrently, convergent validity was confirmed as all outer loadings exceeded 0.7 (lowest at 0.738) and the Average Variance Extracted for all constructs ranged from 0.586 to 0.627, well above the 0.5 benchmark (Fornell & Larcker, 1981). Furthermore, collinearity assessment at the item level revealed that all Variance Inflation Factor values fell between 1.546 and 1.965, significantly below the strict limit of 5.0 (Hair et al., 2017), indicating that multicollinearity was not a concern.

Discriminant validity was subsequently examined using the Heterotrait-Monotrait ratio (HTMT) as

shown in Table 3. All HTMT values were below the conservative threshold of 0.85 (Henseler et al., 2015), with the highest ratio observed being 0.601, thereby confirming that the constructs are empirically distinct.

With the psychometric properties of the measurement model established, the study proceeded to the structural model assessment using a bootstrapping technique with 5,000 resamples to test the research hypotheses. The model demonstrated a moderate level of explanatory power, accounting for 25.0% of the variance in climate data management capability ($R^2 = 0.250$) and 31.4% of the variance in IFRS-S2 compliance quality ($R^2 = 0.314$). As illustrated in Figure 2 and summarized in Table 4, the path analysis provided robust support for the direct relationships. Specifically, strategic sustainability orientation was found to have a significant positive impact on IFRS-S2 compliance quality ($\beta = 0.254$, $p < 0.001$) and a strong influence on climate data management capability ($\beta = 0.500$, $p < 0.001$). Consequently, climate data management capability positively impacted IFRS-S2 compliance quality ($\beta = 0.285$, $p < 0.001$), confirming its mediating role in the strategic sus-

Table 2. Results of the measurement model analysis

Latent Construct / Indicators	Outer Loadings	Cronbach's Alpha	Composite Reliability (rho_c)	Composite Reliability (rho_a)	Average Variance Extracted (AVE)	Variance Inflation Factor (VIF)
SSO	–	0.830	0.880	0.832	0.595	–
SSO1-SSO5	0.739-0.786	–	–	–	–	1.546-1.732
CDMC	–	0.824	0.876	0.827	0.586	–
CDMC1-CDMC5	0.738-0.787	–	–	–	–	1.550-1.749
MS	–	0.845	0.889	0.854	0.616	–
MS1-MS5	0.753-0.837	–	–	–	–	1.638-1.965
ICQ	–	0.852	0.894	0.854	0.627	–
ICQ1-ICQ5	0.767-0.811	–	–	–	–	1.718-1.913

Table 3. Heterotrait-Monotrait ratio

Concept pair	Heterotrait-Monotrait value	Confidence interval 2.5%	Confidence interval 97.5%
FS ↔ CDMC	0.050	0.034	0.164
FS ↔ ICQ	0.027	0.025	0.133
FS ↔ MS	0.086	0.060	0.156
FS ↔ SSO	0.084	0.040	0.202
ICQ ↔ CDMC	0.539	0.429	0.640
MS ↔ CDMC	0.245	0.149	0.369
MS ↔ ICQ	0.363	0.243	0.476
SSO ↔ CDMC	0.601	0.510	0.685
SSO ↔ ICQ	0.516	0.416	0.606
SSO ↔ MS	0.237	0.146	0.358

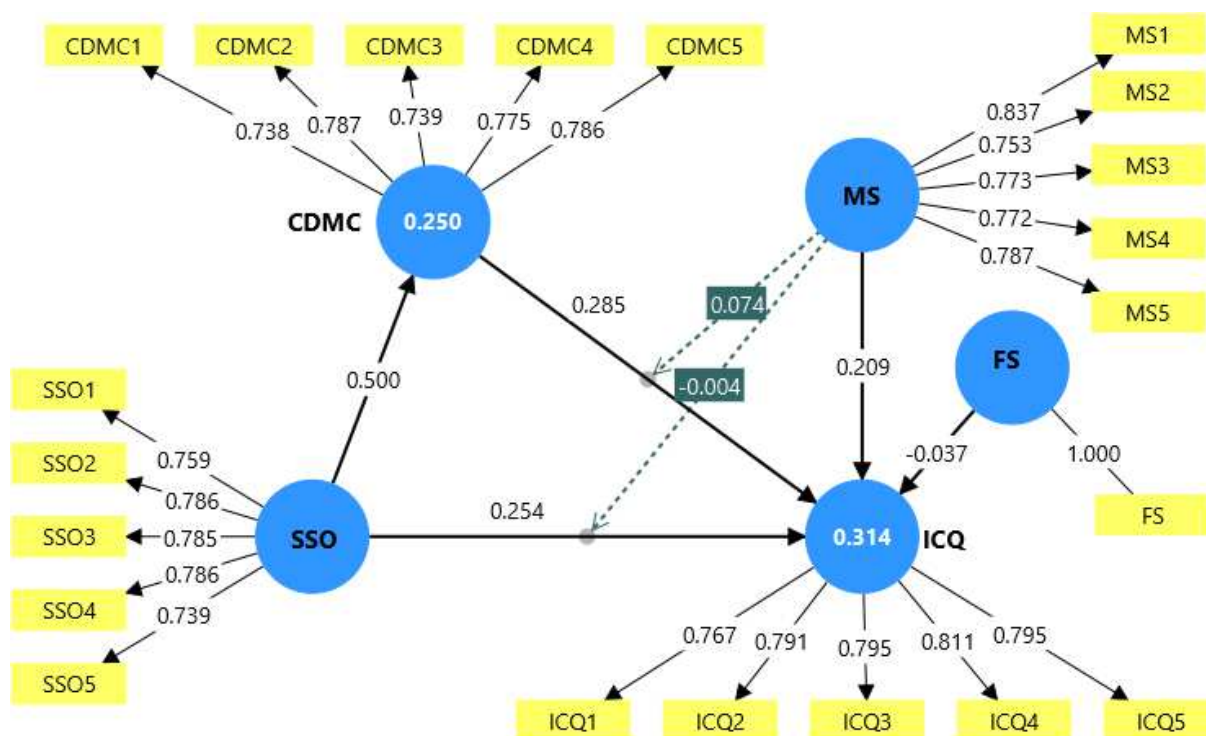


Figure 2. Results of the PLS-SEM structural equation model analysis

tainability orientation-IFRS-S2 compliance quality relationship; thus, hypotheses H1 and H2 are supported. Additionally, market pressure exhibited a significant direct positive effect on IFRS-S2 compliance quality ($\beta = 0.209, p < 0.001$), leading to the acceptance of hypothesis H3.

In terms of moderation effects, the analysis yielded nuanced findings. The interaction effect of market scrutiny on the relationship between strategic sustainability orientation and IFRS-S2 compliance quality was not statistically significant ($\beta = -0.004, p = 0.934$), resulting in the rejection of hypothesis H4. Conversely, the moderating effect of market scrutiny on the relationship between climate data management capability and IFRS-S2 compliance quality showed a positive coefficient ($\beta = 0.074$) that approached statistical significance ($p = 0.100$). A further simple slope analysis at pm 1 standard deviation revealed that the

impact of climate data management capability on IFRS-S2 compliance quality is notably stronger under high market scrutiny ($\beta = 0.358, p < 0.001$) compared to low pressure conditions ($\beta = 0.211, p < 0.01$). This suggests that while hypothesis H5 is not strongly supported in a strict statistical sense, there is an observable trend where market scrutiny amplifies the benefits of data capabilities. Regarding the control variable, firm size did not show a significant influence on IFRS-S2 compliance quality ($\beta = -0.037, p = 0.400$), indicating that IFRS-S2 compliance quality is driven more by strategic and capability factors than by organizational size.

Finally, to ensure the model's practical relevance, its out-of-sample predictive power was evaluated using the PLS-predict procedure (see Table 5). The Q2predict values for both endogenous constructs were positive (0.242 for climate data management

Table 4. Results of research hypothesis testing

Hypothesis	Relationship	β	STDEV	T-value	P-value	Conclusion
H1	SSO \rightarrow ICQ	0.254	0.048	5.290	0.000	Supported
H2	SSO \rightarrow CDMC \rightarrow ICQ	0.142	0.029	4.908	0.000	Supported
H3	MS \rightarrow ICQ	0.209	0.047	4.440	0.000	Supported
H4	MS x SSO \rightarrow ICQ	-0.004	0.049	0.083	0.934	Rejected
H5	MS x CDMC \rightarrow ICQ	0.074	0.045	1.645	0.100	Not strongly supported

capability and 0.225 for IFRS-S2 compliance quality), satisfying the criterion set by Shmueli et al. (2019) for predictive validity superior to a naive benchmark. Moreover, the prediction error statistics-Root Mean Square Error (RMSE) and Mean Absolute Error (MAE)-remained stable and balanced across variables (e.g., RMSE for IFRS-S2 Compliance Quality was 0.886). These results align with the guidelines for predictive assessment in PLS-SEM (Hair et al., 2017), confirming that the model not only explains the theoretical relationships adequately but also possesses significant value for forecasting compliance behavior in managerial practice.

Table 5. Results of the model's predictive power assessment

Dependent Variable	Q ² predict	RMSE	MAE
CDMC	0.242	0.877	0.690
ICQ	0.225	0.886	0.719

4. DISCUSSION

This study was meticulously designed to decode the underlying mechanisms driving the quality of IFRS-S2 compliance within the context of an emerging economy. By synthesizing the Resource-Based View, Institutional Theory, and Stakeholder Theory, the research constructs a comprehensive framework to explain how firms navigate the complexities of sustainability reporting. The empirical results, derived from a PLS-SEM analysis of 326 enterprises, provide robust evidence validating the proposed theoretical model. Furthermore, these findings offer novel insights into the dynamic interplay between internal strategic resources and external institutional pressures in shaping disclosure behavior.

The empirical validation of hypothesis *H1* confirms that strategic sustainability orientation serves as a paramount internal driver of IFRS-S2 compliance quality ($\beta = 0.254$, $p < 0.001$). This finding empirically substantiates the core tenet of the Resource-Based View (Barney, 1991), which posits that intangible resources-such as a firm's strategic culture and orientation-are instrumental in generating competitive advantage through differentiation in reporting practices.

It is particularly noteworthy that the strategic sustainability orientation scale employed in this study, adapted from Banerjee (2002) and Kolk et al. (2008), emphasizes the intrinsic embedment of environmental objectives into the corporate mission, rather than mere superficial actions. Consequently, the results imply that only when a strategy is deep-seated does it generate the internal momentum necessary to surmount the technical barriers associated with IFRS-S2 adoption. This aligns with the conclusions of Luo and Tang (2014) and effectively refutes the skepticism often directed at emerging markets, which suggests that firms in these regions adopt international standards merely symbolically. Instead, the evidence points to a genuine strategic commitment driving high-quality compliance.

One of the study's most significant contributions lies in confirming the full mediating role of climate data management capability (*H2* supported, $\beta = 0.142$, $p < 0.001$). This result illuminates the underlying transmission mechanism within the Resource-Based View framework, demonstrating that static resources (strategy) must be transformed through dynamic capabilities (data management) to yield tangible outputs (compliance quality).

By utilizing the scale from Wang and Strong (1996), which focuses on the technical attributes of data – such as accuracy, timeliness, and integrity – the study explains why climate data management capability is critical for a standard as granular and data-intensive as IFRS-S2. This finding extends the work of Khatri and Brown (2010) into the realm of sustainability reporting, proving that without a robust data infrastructure, strategic intent cannot be effectively translated into reliable reporting. Essentially, while strategy provides the strategic volition, data capability provides the instrumental mechanism.

Regarding external factors, the results support Hypothesis *H3* ($\beta = 0.209$, $p < 0.001$), asserting that market scrutiny is a potent direct driver of compliance. This reinforces Institutional Theory (DiMaggio & Powell, 1983) concerning the role of coercive pressures in shaping organizational behavior to secure legitimacy. The market scrutiny scale, developed based on Delmas and Toffel (2008), measures the aggregate pressure from investors, regulators, and customers. The positive

correlation indicates that Vietnamese enterprises are highly sensitive to signals from these stakeholders, actively utilizing compliance as a means to satisfy external demands.

However, the rejection of hypothesis *H4* (market scrutiny does not moderate the strategic sustainability orientation – IFRS-S2 compliance quality relationship) offers a profound nuance regarding the limits of Institutional Theory. The finding that external pressure does not amplify the impact of internal strategy suggests that for firms with a strong existing strategic orientation (high strategic sustainability orientation), internal motivation is sufficient to drive compliance. External pressure, in this case, does not significantly alter their commitment level. This refines the theoretical understanding: while institutional pressure promotes compliance generally (direct effect), it does not necessarily enhance the efficacy of pre-existing strategic resources. Conversely, the observed trend where market scrutiny amplifies the impact of data capability (*H5*) suggests that external pressure exerts a stronger influence on the technical execution stage rather than on the ideological orientation phase.

Finally, the lack of statistical significance regarding firm size (FS) stands in contrast to much of the traditional accounting literature (Clarkson et al., 2008). This anomaly can be explained by the specific nature of IFRS-S2 as a novel regulatory paradigm and the context of digital transformation in Vietnam. In this environment, organizational agility and data capability – as measured in the model – play a more decisive role than physical asset size. This suggests a leveling of the playing field, where smaller, more agile firms with strong data capabilities can compete effectively in reporting quality.

In summary, by tightly interconnecting the Resource-Based View and Institutional Theory with specific measures of substantive strategy and data capability, this research demonstrates that IFRS-S2 compliance quality is the outcome of an internal transformation process-flowing from strategic inception through data-driven execution. This process is reinforced by market scrutiny but is not wholly dependent upon it, highlighting the primacy of internal resources in the new era of sustainability disclosures.

CONCLUSION

The primary objective of this study was to elucidate the determinants of IFRS-S2 compliance quality among Vietnamese enterprises by synthesizing the Resource-Based View and Institutional Theory. By analyzing the interplay between internal resources and external pressures, the study aimed to decode the mechanism through which firms navigate the complexities of the new climate disclosure landscape.

The empirical findings established that strategic sustainability orientation acts as the fundamental antecedent, while climate data management capability serves as the critical mediating mechanism that translates strategic intent into reporting quality. Additionally, market scrutiny was identified as a significant direct driver, although its moderating influence was found to be limited, primarily reinforcing technical data execution rather than strategic commitment. These results lead to the conclusion that high-quality climate reporting is not merely a function of organizational size or tangible assets, but rather the outcome of internalizing sustainability into core strategy and fostering robust data governance. It underscores that while external pressure catalyzes compliance, the depth and reliability of reporting are ultimately rooted in the firm's internal resource configuration.

Based on these conclusions and the study's limitations, future research should expand the scope by examining specific industry sectors to identify cross-industry variations or incorporating longitudinal data to capture the evolution of compliance behavior over time. Furthermore, given the critical role of climate data management capability identified in this study, subsequent inquiries should investigate the impact of specific digital technologies, such as Artificial Intelligence or Blockchain, on enhancing the accuracy and transparency of climate disclosures in emerging markets.

AUTHOR CONTRIBUTIONS

Conceptualization: Dao Manh Huy, Ho Tuan Vu.
 Data curation: Dao Manh Huy, Ho Tuan Vu.
 Formal analysis: Dao Manh Huy, Ho Tuan Vu.
 Investigation: Dao Manh Huy, Ho Tuan Vu.
 Methodology: Dao Manh Huy, Ho Tuan Vu.
 Project administration: Dao Manh Huy, Ho Tuan Vu.
 Resources: Dao Manh Huy.
 Software: Dao Manh Huy.
 Supervision: Dao Manh Huy, Ho Tuan Vu.
 Validation: Dao Manh Huy, Ho Tuan Vu.
 Visualization: Dao Manh Huy, Ho Tuan Vu.
 Writing - original draft: Dao Manh Huy, Ho Tuan Vu.
 Writing - review & editing: Dao Manh Huy, Ho Tuan Vu

ACKNOWLEDGMENT

The authors would like to acknowledge the reviewers and the editor-in-chief for their assistance.

REFERENCES

- Amran, A., Lee, S. P., & Devi, S. S. (2014). The Influence of Governance Structure and Strategic Corporate Social Responsibility Toward Sustainability Reporting Quality. *Business Strategy and the Environment*, 23(4), 217-235. <https://doi.org/10.1002/bse.1767>
- Banerjee, S. B. (2002). Corporate environmentalism: The construct and its measurement. *Journal of Business Research*, 55(3), 177-191. [https://doi.org/10.1016/s0148-2963\(00\)00135-1](https://doi.org/10.1016/s0148-2963(00)00135-1)
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120. <https://doi.org/10.1177/014920639101700108>
- Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 26(3), 1176-1248. <https://doi.org/10.1007/s11142-021-09609-5>
- Clarkson, P. M., Li, Y., Richardson, G. D., & Vasvari, F. P. (2008). Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. *Accounting, Organizations and Society*, 33(4-5), 303-327. <https://doi.org/10.1016/j.aos.2007.05.003>
- Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling Theory: A Review and Assessment. *Journal of Management*, 37(1), 39-67. <https://doi.org/10.1177/0149206310388419>
- Darnall, N., Henriques, I., & Sadorsky, P. (2008). Do environmental management systems improve business performance in an international setting? *Journal of International Management*, 14(4), 364-376. <https://doi.org/10.1016/j.intman.2007.09.006>
- Delmas, M. A., & Toffel, M. W. (2008). Organizational responses to environmental demands: Opening the black box. *Strategic Management Journal*, 29(10), 1027-1055. <https://doi.org/10.1002/smj.701>
- Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59-100. <https://doi.org/10.2308/accr.00000005>
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147. <https://doi.org/10.2307/2095101>
- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, 21(10-11), 1105-1121. [https://doi.org/10.1002/1097-0266\(200010/11\)21:10<11%3C1105::AID-SMJ133%3E3.0.CO;2-E](https://doi.org/10.1002/1097-0266(200010/11)21:10<11%3C1105::AID-SMJ133%3E3.0.CO;2-E)
- Engert, S., Rauter, R., & Baumgartner, R. J. (2016). Exploring the integration of corporate sustainability into strategic management: a literature review. *Journal of Cleaner Production*, 112, 2833-2850. <https://doi.org/10.1016/j.jclepro.2015.08.031>
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39-50. <https://doi.org/10.1177/002224378101800104>
- Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge University

- Press. <https://doi.org/10.1017/CBO9781139192675>
15. Ghasemaghaei, M., Ebrahimi, S., & Hassanein, K. (2018). Data analytics competency for improving firm decision making performance. *The Journal of Strategic Information Systems*, 27(1), 101-113. <https://doi.org/10.1016/j.jsis.2017.10.001>
 16. Gond, J.-P., Grubnic, S., Herzig, C., & Moon, J. (2012). Configuring management control systems: Theorizing the integration of strategy and sustainability. *Management Accounting Research*, 23(3), 205-223. <https://doi.org/10.1016/j.mar.2012.06.003>
 17. Hair, J. F., Jr., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). Sage. Retrieved from https://eli.johogo.com/Class/CCU/SEM/_A%20Primer%20on%20Partial%20Least%20Squares%20Structural%20Equation%20Modeling_Hair.pdf
 18. Hassan, A., Elamer, A. A., Fletcher, M., & Sobhan, N. (2020). Voluntary assurance of sustainability reporting: evidence from an emerging economy. *Accounting Research Journal*, 33(2), 391-410. <https://doi.org/10.1108/ARJ-10-2018-0169>
 19. Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115-135. <https://doi.org/10.1007/s11747-014-0403-8>
 20. International Organization for Standardization (ISO). (2018). ISO 14064-1:2018 – *Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*. Retrieved from <https://www.iso.org/standard/66453.html>
 21. International Sustainability Standards Board (ISSB). (2023). *IFRS S2 Climate-related disclosures*. Retrieved from <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?by-pass=on>
 22. Khatri, V., & Brown, C. V. (2010). Designing data governance. *Communications of the ACM*, 53(1), 148-152. <https://doi.org/10.1145/1629175.1629210>
 23. Kolk, A., Levy, D., & Pinkse, J. (2008). Corporate Responses in an Emerging Climate Regime: The Institutionalization and Commensuration of Carbon Disclosure. *European Accounting Review*, 17(4), 719-745. <https://doi.org/10.1080/09638180802489121>
 24. Luo, L., & Tang, Q. (2014). Does voluntary carbon disclosure reflect underlying carbon performance? *Journal of Contemporary Accounting & Economics*, 10(3), 191-205. <https://doi.org/10.1016/j.jcae.2014.08.003>
 25. Marquis, C., & Qian, C. (2014). Corporate Social Responsibility Reporting in China: Symbol or Substance? *Organization Science*, 25(1), 127-148. <https://doi.org/10.1287/orsc.2013.0837>
 26. Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. *Critical Perspectives on Accounting*, 33, 59-78. <https://doi.org/10.1016/j.cpa.2014.10.003>
 27. Mikalef, P., Krogstie, J., Pappas, I. O., & Pavlou, P. (2020). Exploring the relationship between big data analytics capability and competitive performance: The mediating roles of dynamic and operational capabilities. *Information & Management*, 57(2), 103169. <https://doi.org/10.1016/j.im.2019.05.004>
 28. Shmueli, G., Sarstedt, M., Hair, J. F., Cheah, J.-H., Ting, H., Vaithilingam, S., & Ringle, C. M. (2019). Predictive model assessment in PLS-SEM: guidelines for using PLSpredict. *European Journal of Marketing*, 53(11), 2322-2347. <https://doi.org/10.1108/ejm-02-2019-0189>
 29. Simnett, R., Vanstraelen, A., & Chua, W. F. (2009). Assurance on Sustainability Reports: An International Comparison. *The Accounting Review*, 84(3), 937-967. <https://doi.org/10.2308/accr.2009.84.3.937>
 30. Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20(3), 571. <https://doi.org/10.2307/258788>
 31. Task Force on Climate-related Financial Disclosures (TCFD). (2017). *Recommendations of the Task Force on Climate-related Financial Disclosures*. Retrieved from <https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf>
 32. Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533. [https://doi.org/10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z)
 33. The Greenhouse Gas Protocol (GHG Protocol). (2004). *A corporate accounting and reporting standard (Revised edition)*. World Resources Institute and World Business Council for Sustainable Development. Retrieved from <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>
 34. Wang, R. Y., & Strong, D. M. (1996). Beyond Accuracy: What Data Quality Means to Data Consumers. *Journal of Management Information Systems*, 12(4), 5-33. <https://doi.org/10.1080/07421222.1996.11518099>
 35. Zhu, Q., & Sarkis, J. (2007). The moderating effects of institutional pressures on emergent green supply chain practices and performance. *International Journal of Production Research*, 45(18-19), 4333-4355. <https://doi.org/10.1080/00207540701440345>

APPENDIX A

Table A1. Summary of measurement design

Variables	Description	Sources
Sustainable strategy orientation (SSO)		
SSO1	Our company integrates clear sustainability (environmental/climate) commitments into its business orientation and mission statement	Adapted from Banerjee (2002)
SSO2	Top management demonstrates a strong commitment (resources, budget, targets) to sustainability	
SSO3	Our company views sustainability as a source of competitive advantage/innovation and incorporates it into strategic planning	
SSO4	Sustainability goals/KPIs are embedded across functional departments	
SSO5	Our company proactively engages with stakeholders on climate/sustainability issues (dialogue, collaboration)	
Climate data management capability (CDMC)		
CDMC1	Our company has a formal data governance structure (decision rights, responsibilities, policies) for emissions/climate data	Adapted from Khatri and Brown (2010); GHG Protocol (2004); ISO (2018); Wang and Strong (1996); ISSB (2023)
CDMC2	Emissions data are collected and classified following international standards (GHG Protocol; ISO 14064-1)	
CDMC3	Our IT system enables data traceability, change control, and audit trails	
CDMC4	We implement data quality controls across accuracy, completeness, consistency, and timeliness with documented evidence	
CDMC5	Emissions data are readily available for timely reporting and can be reconciled/verified	
Market supervision (MS)		
MS1	Investors/financial institutions frequently request TCFD/IFRS S2 disclosures and question climate-related risks	Adapted from Delmas and Toffel (2008); Zhu and Sarkis (2007)
MS2	Analysts and media closely monitor and benchmark our company's climate disclosures	
MS3	Customers/supply chain partners require detailed emissions data and reduction targets	
MS4	Competitors disclose climate information at a high level, creating mimetic pressure for us to keep up.	
MS5	Regulatory agencies/industry associations impose pressure to comply with climate reporting standards	
IFRS S2 compliance quality (ICQ)		
ICQ1	The report fully covers the four pillars of IFRS S2 (governance, strategy, risk management, metrics & targets) with relevant and decision-useful information	Adapted from ISSB (2023); GHG Protocol (2004); Wang and Strong (1996); Kolk et al. (2008); Luo and Tang (2014)
ICQ2	Scope 1, 2, and 3 emissions are measured following the GHG Protocol/ISO 14064-1, with disclosures on methodologies, boundaries, and emission factors	
ICQ3	The report provides climate scenario analysis and a transition plan linked to strategy, targets, and investment	
ICQ4	Information is verifiable, consistent, and comparable across periods (data quality control policies, restatements when applicable)	
ICQ5	High transparency (easy access, frequent disclosures such as sustainability reports/GRI/CDP) and/or independent assurance is provided	

Survey questionnaire drivers of IFRS-S2 compliance quality in Vietnamese enterprises: the interplay of strategic orientation, data capability, and market scrutiny

Dear Business Leaders,

In a business landscape where climate transparency and sustainability reporting have become critical elements of corporate strategy, our study seeks to gain a deeper understanding of the determinants influencing compliance quality with the IFRS-S2 (Climate-related Disclosures) standard within Vietnamese enterprises. Specifically, we examine how Sustainable Strategic Orientation, Climate Data Management Capabilities, and Market Surveillance Pressures drive the quality of climate reporting.

To ensure the success of this research and to make valuable contributions to both the academic and business communities, we sincerely request the support of esteemed managers like yourself – who play a decisive role in company strategy and reporting – by taking approximately 10-15 minutes to complete this questionnaire. We are committed to ensuring that all information you provide will be kept strictly confidential, anonymized, and used solely for aggregated statistical purposes within the scope of this research.

Thank you for your cooperation and for sharing your valuable time!

PART I: GENERAL INFORMATION

(Please mark (X) in the appropriate box)

1. Your current job position:

- Chief Executive Officer
- Chief Accountant/Deputy Head
- Head of Risk Management/ESG
- Chief Financial Officer

2. Highest educational level:

- Bachelor's Degree
- Master's Degree or higher

3. Work experience:

- < 5 years
- 5 – < 10 years
- ≥ 10 years

4. Primary industry of your Enterprise (Business sector):

- Manufacturing
- Energy
- Construction & Building Materials
- Transportation & Logistics
- Agriculture & Food
- Finance, Services, Trade
- Others

5. Enterprise size (number of employees):

- Small (10 – < 50 employees)
- Medium (50 – < 250 employees)
- Large (≥ 250 employees)

PART II: SURVEY CONTENT

Please indicate your level of agreement with each of the following statements by marking (X) in the appropriate box on the 5-point scale:

1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree

A. SUSTAINABLE STRATEGIC ORIENTATION (SSO)

Statements	1	2	3	4	5
SSO1: Our company integrates clear sustainability (environmental/climate) commitments into its business orientation and mission statement.					
SSO2: Top management demonstrates strong commitment (resources, budget, targets) to sustainability.					
SSO3: Our company views sustainability as a source of competitive advantage/innovation and incorporates it into strategic planning.					
SSO4: Sustainability goals/KPIs are embedded across functional departments.					
SSO5: Our company proactively engages with stakeholders on climate/sustainability issues (dialogue, collaboration).					

B. CLIMATE DATA MANAGEMENT CAPABILITY (CDMC)

Statements	1	2	3	4	5
CDMC1: Our company has a formal data governance structure (decision rights, responsibilities, policies) for emissions/climate data.					
CDMC2: Emissions data are collected and classified following international standards (GHG Protocol; ISO 14064-1).					
CDMC3: Our IT system enables data traceability, change control, and audit trails.					
CDMC4: We implement data quality controls across accuracy, completeness, consistency, and timeliness with documented evidence.					
CDMC5: Emissions data are readily available for timely reporting and can be reconciled/verified.					

C. MARKET SUPERVISION (MS)

Statements	1	2	3	4	5
MS1: Investors/financial institutions frequently request TCFD/IFRS S2 disclosures and question climate-related risks.					
MS2: Analysts and media closely monitor and benchmark our company's climate disclosures.					
MS3: Customers/supply chain partners require detailed emissions data and reduction targets.					
MS4: Competitors disclose climate information at a high level, creating mimetic pressure for us to keep up.					
MS5: Regulatory agencies/industry associations impose pressure to comply with climate reporting standards.					

D. IFRS S2 COMPLIANCE QUALITY (ICQ)

Statements	1	2	3	4	5
ICQ1: The report fully covers the four pillars of IFRS S2 (governance, strategy, risk management, metrics & targets) with relevant and decision-useful information.					
ICQ2: Scope 1, 2, and 3 emissions are measured following the GHG Protocol/ISO 14064-1, with disclosures on methodologies, boundaries, and emission factors.					
ICQ3: The report provides climate scenario analysis and a transition plan linked to strategy, targets, and investment.					
ICQ4: Information is verifiable, consistent, and comparable across periods (data quality control policies, restatements when applicable).					
ICQ5: High transparency (easy access, frequent disclosures such as sustainability reports/GRI/CDP) and/or independent assurance is provided.					

PART III: ADDITIONAL COMMENTS

If you have any other comments or suggestions for this research regarding climate reporting and IFRS S2 compliance, please share them here:

.....

.....

.....

Once again, thank you sincerely for your cooperation and valuable contribution!