



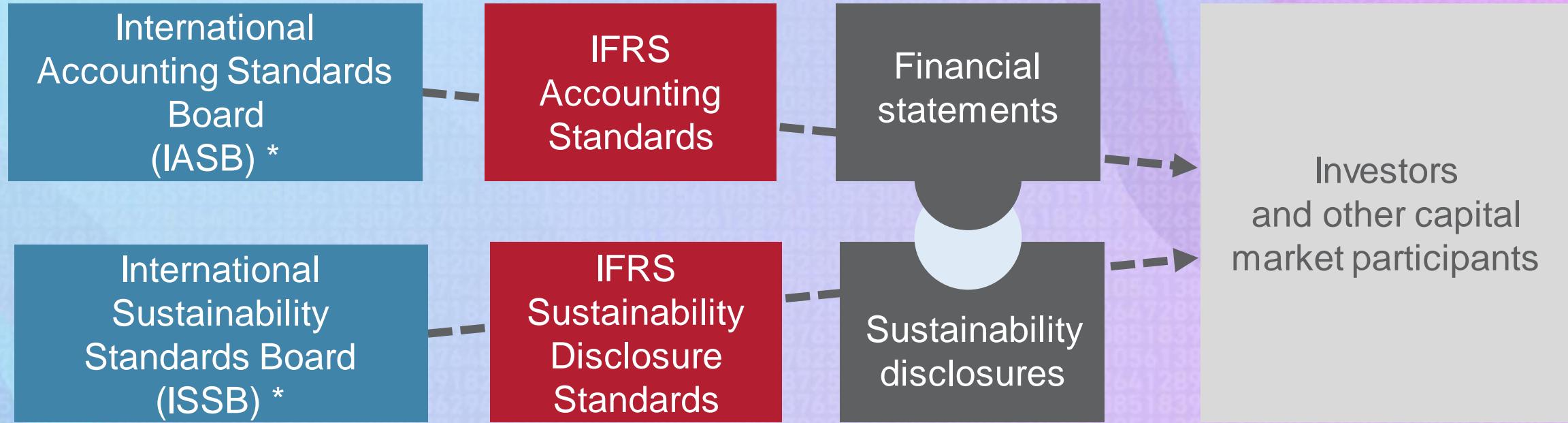
SUSTAINABILITY REPORTING: STANDARDS AND IMPLEMENTATION – *LATEST UPDATE on ISSB STANDARDS*

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Presentasi ini dipersiapkan sebagai bahan acara KPMG Business Talk: 2024. Presentasi yang disampaikan pada acara ini tidak merepresentasikan posisi DSK IAI. Posisi DSK IAI hanya ditentukan setelah melalui due process procedure dan proses pembahasan sebagaimana dipersyaratkan oleh IAI. Presentasi ini merupakan gambaran umum dan tidak dimaksudkan untuk menyajikan seluruh standar secara detail.

Presentasi wajib dibaca bersama-sama dengan IFRS S1 dan IFRS S2 yang diterbitkan oleh ISSB. IAI tidak bertanggung jawab atas segala kerugian yang mungkin dialami oleh pihak yang bertindak atau menunda tindakan berdasarkan informasi dalam presentasi ini, baik secara langsung maupun tidak langsung, termasuk yang disebabkan oleh kelalaian atau faktor lainnya.

Connectivity between IFRS Accounting Standards & IFRS Sustainability Disclosure Standards



- Integrated Reporting Council to advise IASB and ISSB on **connectivity** via fundamental concepts / guiding principles of integrated reporting
- IFRS Sustainability Disclosure Standards compatible with IFRS Accounting Standards or other GAAP to meet investor needs

Sustainability reporting (broader multi-stakeholder focus)
Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

Jurisdictional initiatives and/or GRI

Investor focused general-purpose financial reporting

Sustainability-related financial disclosures (investor focus)
Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term



Financial reporting (investor focus)
Reflected in monetary amounts in the financial statements



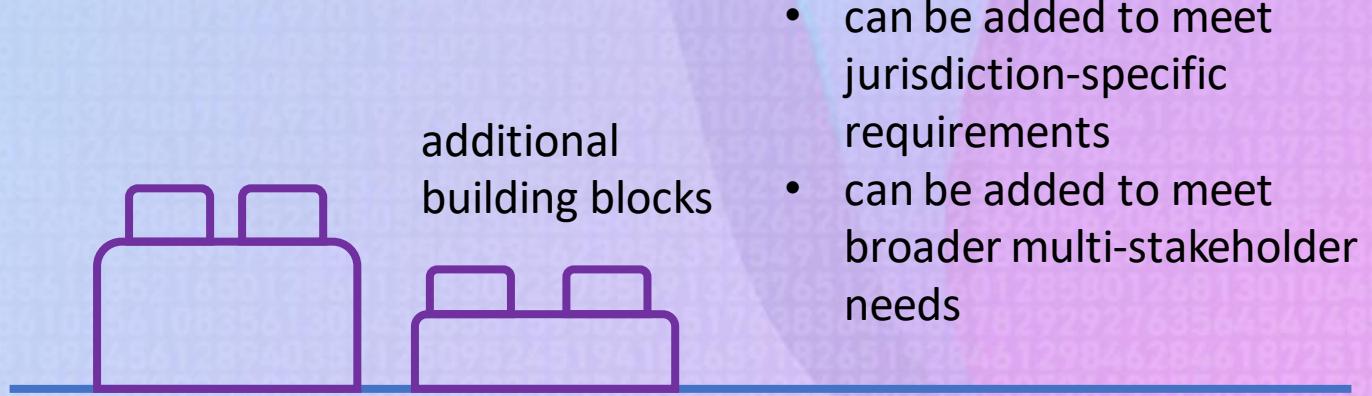
Integrated Reporting

Information needs are not static and can move over time

A Truly Global Baseline of Disclosures

The global baseline approach, supported by the G20 and others, will provide investors with **globally comparable sustainability-related disclosures** that have the potential to move market prices, **without constraining jurisdictions from requiring additional disclosures**.

This will help companies and investors by tackling **duplicative reporting** (IFRS Foundation Trustee 2023).

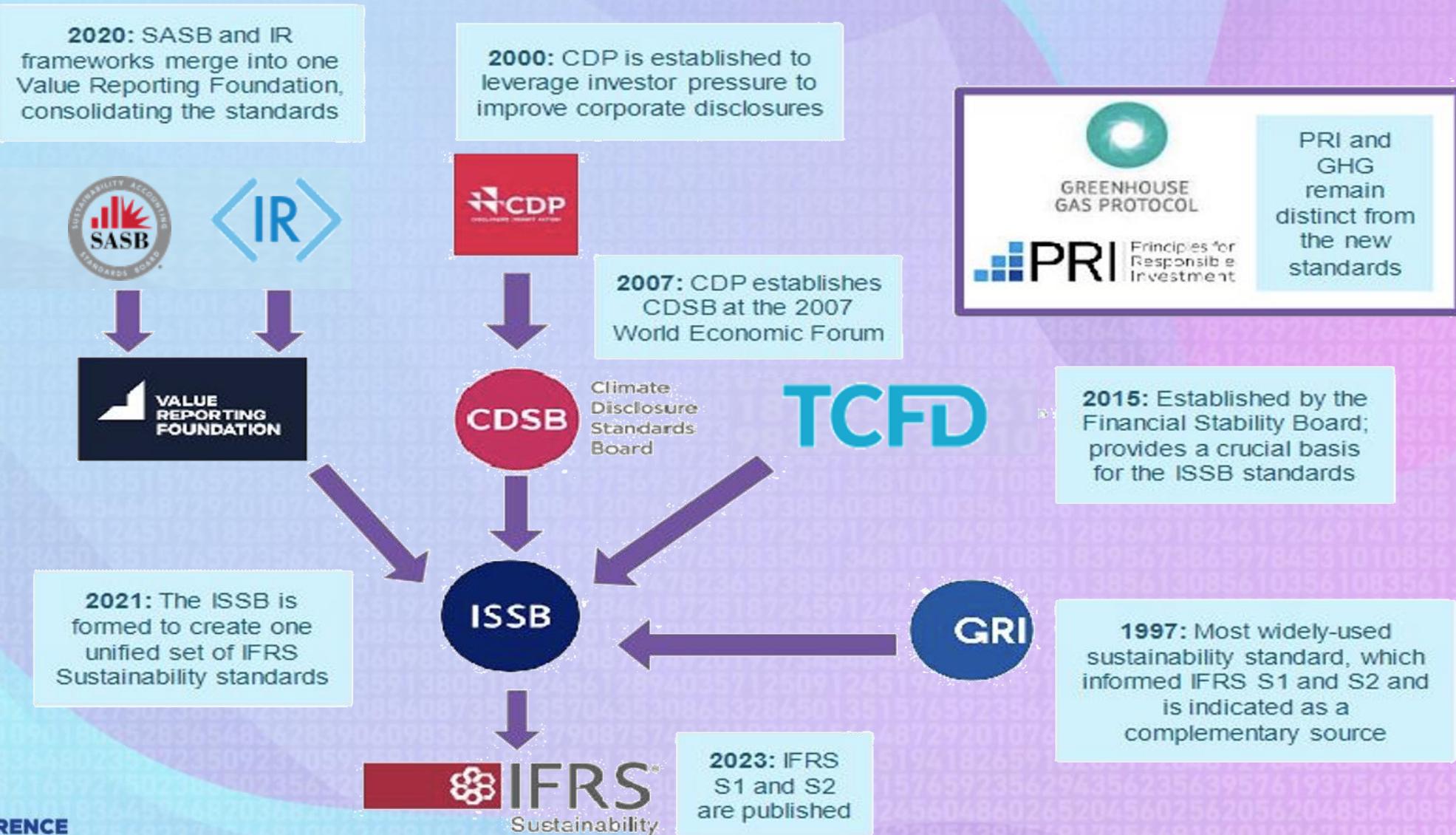


- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

ISSB Standards

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

How IFRS S1 and S2 Interlink with Other Reporting Standards



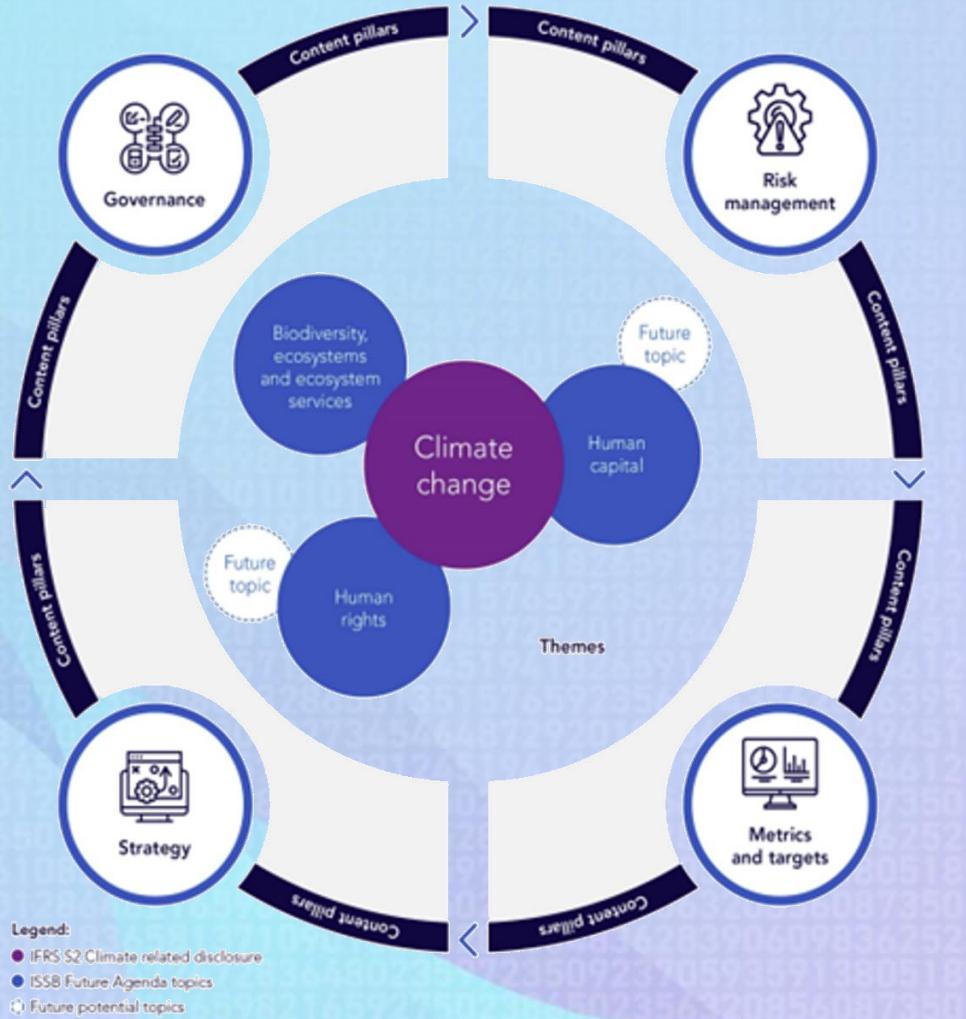


[**https://bit.ly/IAI-IFRS-S1-S2**](https://bit.ly/IAI-IFRS-S1-S2)

Supporting Materials:

- [Basis for Conclusions on IFRS S1](#)—summarises the ISSB's considerations in developing the requirements in IFRS S1
- [Basis for Conclusions on IFRS S2](#)—summarises the ISSB's considerations in developing the requirements in IFRS S2
- [Effects Analysis on IFRS S1 and IFRS S2](#)—describes the likely benefits and costs of IFRS S1 and IFRS S2
- [Project Summary of IFRS S1 and IFRS S2](#)—provides an overview of the project to develop IFRS S1 and IFRS S2
- [Feedback Statement for IFRS S1 and IFRS S2](#)—summarises feedback on the proposals that preceded IFRS S1 and IFRS S2 and the ISSB's response

Framework for sustainability-related disclosure



Governance

The organization's governance around climate-related risks and opportunities

Strategy

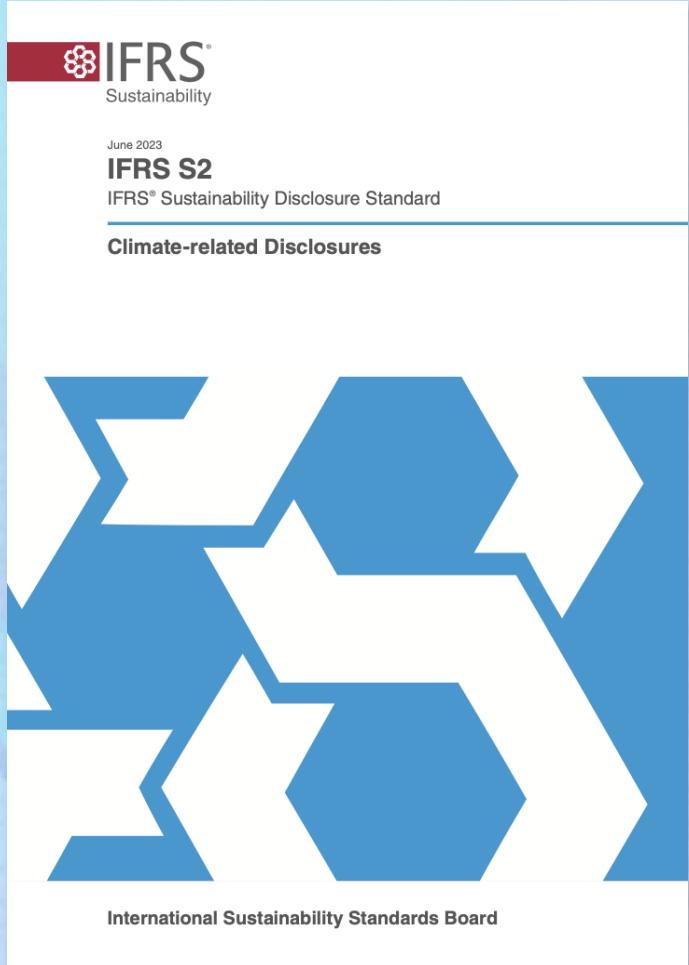
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



IFRS S2 – Climate-related Disclosures

- Fully incorporates the TCFD recommendations
- To meet investor information needs, **IFRS S2**:
 - is **used in accordance with IFRS S1**
 - requires disclosure of material information about climate-related risks and opportunities, including physical and transition risks
 - requires industry-specific disclosures, which are supported by accompanying guidance built on SASB Standards



Answers provided by IFRS S1

Who reports (reporting entity)	Timing of reporting (with financial statements)	Value chain concepts	Overarching requirements in IFRS S1 necessary for any disclosures
Describes sustainability	Location of reporting (in general purpose financial report)	Materiality – meaning and assessment	
Connections in information (including with financial statements)	Relief from disclosing commercially sensitive opportunities	Quality of information (e.g., relevant and representationally faithful)	This is why if a company only reports on climate, it still must use IFRS S1
What to do with changes in estimates and errors	When disaggregation is needed	Comparative information	
Interactions with law and regulation	Disclosures about key judgements	Assertion using ISSB Standards	

Requirements in IFRS S1 and S2

IFRS S1	IFRS S2
Conceptual Foundation <ul style="list-style-type: none">• Fair Representation• Materiality• Reporting Entity• Connected Information	
General Requirements <ul style="list-style-type: none">• Source of Guidance• Location of Disclosures• Timing of Reporting• Comparative Information• Statement of Compliance	<p>Pengaturan umum yang berlaku bagi seluruh standar (pengaturan terkait iklim (S2), selain iklim (S1), dst).</p>
Judgement, Uncertainties, and Errors	
Core Contents <ul style="list-style-type: none">• Governance• Strategy• Risk management• Metrics and targets... Sustainability-related risk & opportunities	Core Contents <ul style="list-style-type: none">• Governance• Strategy- Climate Resilience• Risk management• Metrics and targets... Climate-related risk & opportunities

1. Pengaturan spesifik hanya ada untuk iklim (S2)
2. Pengungkapan di luar iklim (*beyond climate*) belum diatur secara spesifik.
3. Beyond climate dapat berupa berbagai aspek mulai dari *nature*, sosial, dll.
4. Karena belum ada pengaturan spesifik, *beyond climate* harus mempertimbangkan untuk merujuk SASB.
5. Saat ini ISSB tengah memulai riset untuk pengaturan pengungkapan terkait *nature* dan *human capital* (yang akan menjadi S3, S4, dst)
6. *Transition Relief*:
 - *Report only climate-related risks and opportunities*
 - *Timing of reporting*
 - *GHG Emission Scope 3*

No or minimal sustainability reporting

- The most difficult group
- No or little infrastructure, resources, management in terms of sustainability management and/or reporting
- Focus: Raise awareness of top management, update the knowledge and competencies about sustainability of top to middle management, regulatory program to “push” implementation of SR.

Voluntary reporting (using GRI as its Framework) – inside outside approach

- Majority of the group (>70% of the total listed companies in Indonesia)
- High risk of greenwashing and misunderstanding of the framework (e.g., integrated vs combined)
- Focus: Integrate ISSB into the regulatory framework, group across industries

Mandatory reporting (using TCFD as its framework) – outside inside approach

- Minority of the group (+/- 3% of the total listed companies in Indonesia)
- Can be a benchmark for the practice
- Focus: Assurance and quality improvement internally and externally

Preparation to Implement IFRS S1 and S2

1 Review the ISSB's standards and source of guidance

SASB Standards

CDSB Framework

Others

2 Structuring sustainability within the organization

Governing Body

Management

Internal Audit

Source: The Institute of Internal Auditors (2022)

3 Established processes and controls for data

Internal control and risk management systems

Risk scenario analysis

ESG disclosures

ESG assurance

Other considerations

Source: Accountancy Europe (2022)

4 Sustainability communication to engage sustainability mindset and corporate culture

Corporate culture and behavior change

The maturity of an organization

The evolving regulatory & voluntary disclosure landscape

Net-zero and nature-positive commitments

Pressure from investors and other stakeholders

Trust and reputation

Source: Accountancy Europe (2022)

Begin where you are with consideration of ISSB's standards and its source of guidance.

Risk and Opportunities

To identify **risks and opportunities** to report, a company uses ISSB Standards and shall consider **SASB Standards**

A company also **may consider**:

- CDSB Framework application guidance
- Industry practice
- Materials of investor-focused standard setters

Metrics

To identify what information to disclose, a company uses ISSB Standards, and for matters other than climate, **shall consider SASB Standards**

A company also **may consider**, to the extent it meets investor information needs

- CDSB Framework application guidance
- Industry practice
- Materials of investor-focused standard setters
- GRI Standards
- European ESRS

SASB Standards

Help identify sustainability topics and metrics and illustrative guidance for industry-specific disclosures. It is 77 industry-based disclosure standards

TCFD Recommendation

Help understand report structures. TCFD designed to solicit decision-useful, forward looking information that can be included in mainstream financial filings. It focused on governance, strategy, risk management, and metrics and targets

CDSB Framework

Help identify sustainability risk and opportunities as well as disclosures

ESRS Guidance

Help identify metrics and disclosures

GRI standards

ISSB Standards & GRI Standards can be viewed as two interconnected reporting pillars that can work together to form a comprehensive corporate reporting regime for the disclosure of sustainability information.

Step 2. Structuring sustainability within the organization

Sustainability and ESG considerations into Corporate Governance

Governing body

Governing body roles:

Establish governance mechanisms

Oversee ESG reporting strategy

Engage with stakeholders

Management

Management roles:

Develop multi-capital approach

Undertake materiality assessment to inform ESG risk management

Oversee ESG data quality and reporting

Internal audit

Internal audit roles:

Test internal controls and assure accuracy of ESG data

Anticipate ESG disclosure regulations

Interact regularly with other lines



Step 3. Establish Processes and Controls for Data:

Several considerations related to data

Internal control and risk management systems

- Develop processes, systems, internal controls and risk management systems
- Robust system for identifying, collecting, analysing and reporting sustainability information

Risk scenario analysis

- Understanding of company exposure to ESG risks
- Assess the business-model viability
- Assessment of physical, human, and transition risks, and their potential impact

ESG disclosures

- Develop metrics to ensure ESG information accuracy, reliability, and consistency
- Develop appropriate KPI
- Have the expertise to determine most appropriate matrix and KPI

ESG assurance

- Monitoring the assurance of annual and consolidated sustainability reporting
- Appropriate controls are in place to ensure reports are consistent

Other considerations

- Communicate the mindset needed and set tone for culture from the top

Step 5. Communicate Sustainability to Internalize Mindset and Corporate Culture

These **several factors** contribute to the extent to which a company **integrates ESG and sustainability considerations in its decision-making processes**

Corporate culture and behavior change

It shows leadership while characterizing the extent to which the **leadership values and remunerates ESG performance** within the operations of an organization.

The maturity of an organization

Companies are at **different levels of maturity** when it comes to integrated business practices

The evolving regulatory & voluntary disclosure landscape

Capital markets need **decision-useful and reliable information** around companies' strategic sustainability risks and opportunities to understand their short, medium and long-term value creation.

Net-zero and nature-positive commitments

Commitments must be supported by **coherent strategies with interim targets** to measure progress. **Governance structures and board responsibilities** also need to be **reconfigured**

Pressure from investors and other stakeholders

Boards have to **look beyond the views of shareholders** and understand stakeholder views first hand to better inform boardroom decision-making.

Trust and reputation

Addressing **sustainability** is no longer a "nice to have", it is a critical business issue that should be rolled into corporate governance, risk mgmt, disclosure & accountability frameworks

Matters to Consider – What are the Next Steps?

Choosing what to report on sustainability

1. Report information people need and won't have if you don't report it.
2. Use published guidelines to promote balanced and consistent reporting.
3. Know whether your reporting is credible in helping people make decisions.

Choosing whether to ask a professional accountant for assurance

4. Assurance from an independent professional accountant makes reporting credible.
5. You can expect professional accountants to apply sound judgement and expertise.
6. Professional accountants use a common set of international assurance standards.

Choosing between a professional accountant's assurance services

7. All services require reporting to be supported by sufficient and appropriate evidence.
8. You can choose an opinion that your report is fairly stated or a limited alternative.
9. Accountants can provide other services to help you get ready for sustainability assurance.



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