

# **Sosialisasi IAI-PPPK**

## **IFRS *Sustainability Disclosures***

### ***Standards***

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**30 Agustus 2023**

## Disclaimer

*The views expressed in this presentation are those of the presenter, not necessarily those of the Institute of Indonesia Chartered Accountants or Ikatan Akuntan Indonesia (IAI) and Pusat Pembinaan Profesi Keuangan (PPPK). This presentation is prepared as a material for discussion of related issues and does not represent IAI's and PPPK's position on this issue. The position of the IAI and PPPK is only determined after going through due process procedure and discussion process as required by IAI and PPPK.*

# AGENDA

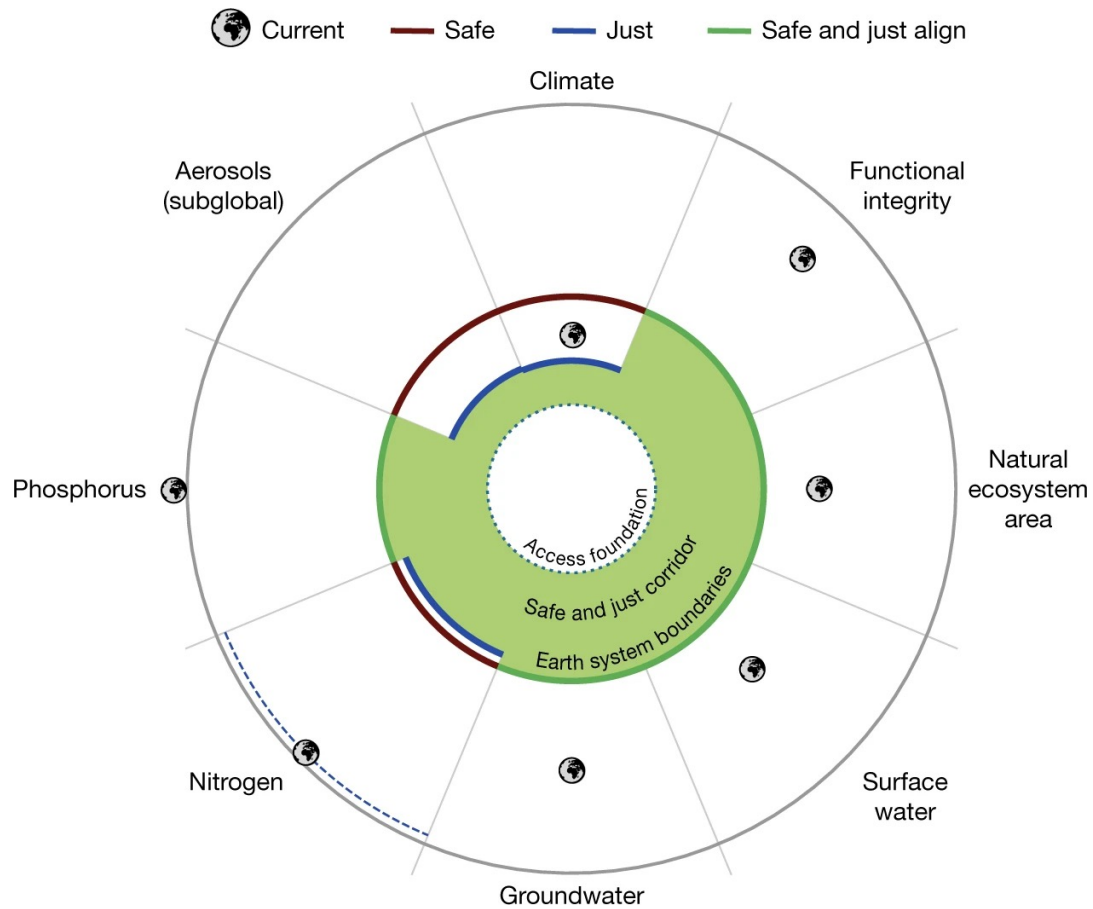
**01 Sustainability Reporting Landscape**

**02 Overview of IFRS S1 and IFRS S2**

**03 Cost and Benefit Applying IFRS S1 & S2**

# 01. Sustainability Reporting Landscape

# Why Sustainability ?



(Rockström, 2023, Nature)

## Why Sustainability ?

FIGURE 1 Snapshot of global sustainable investing assets, 2016-2018-2020 (USD billions)

REGION	2016	2018	2020
Europe*	12,040	14,075	12,017
United States	8,723	11,995	17,081
Canada	1,086	1,699	2,423
Australasia*	516	734	906
Japan	474	2,180	2,874
<b>Total (USD billions)</b>	<b>22,839</b>	<b>30,683</b>	<b>35,301</b>



Global sustainable  
investment at  
**\$35.3 trillion**

**NOTE:** Asset values are expressed in billions of US dollars. Assets for 2016 were reported as of 31/12/2015 for all regions except Japan as of 31/03/2016. Assets for 2018 were reported as of 31/12/2017 for all regions except Japan, which reported as of 31/03/2018. Assets for 2020 were reported as of 31/12/2019 for all regions except Japan, which reported as of 31/03/2020.

Conversions from local currencies to US dollars were at the exchange rates prevailing at the date of reporting. In 2020, Europe includes Austria, Belgium, Bulgaria, Denmark, France, Germany, Greece, Italy, Spain, Netherlands, Poland, Portugal, Slovenia, Sweden, the UK, Norway, Switzerland, Liechtenstein.

\*Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made.

FIGURE 2 Snapshot of global assets under management 2016-2018-2020 (USD billions)

REGIONS	2016	2018	2020
Total AUM of regions	81,948	91,828	98,416
Total sustainable investments only AUM	22,872	30,683	35,301
% Sustainable investments	27.9%	33.4%	35.9%
<b>Increase of % sustainable investments (compared to prior period)</b>		<b>5.5%</b>	<b>2.5%</b>



**35.9%** of total assets  
under management are  
sustainable investments

**NOTE:** Asset values are expressed in billions of US dollars. Global assets are based on data reported by Europe, US, Canada, Australia, New Zealand and Japan for the purpose of the 2016, 2018 and 2020 GSIRs.

Source: The Global Sustainable Investment Review 2020

## Sustainability and ESG



### Sustainability

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs” *(Brundtland Commission 1987)*



### Environmental Social, Governance (ESG)

ESG refers to the use of Environmental, Social and Governance factors (criteria) to assess the sustainability performance of companies (entities) usually in the context of decision making related to sustainable finance *(Robeco 2023)*

- 
- Sustainability needs to **be measured, reported, and assured.**  
“what gets measured gets managed”
  - An organization can only modify its behavior if the organization has good quality, trusted information
  - A link tying sustainability records to financial aspects of companies

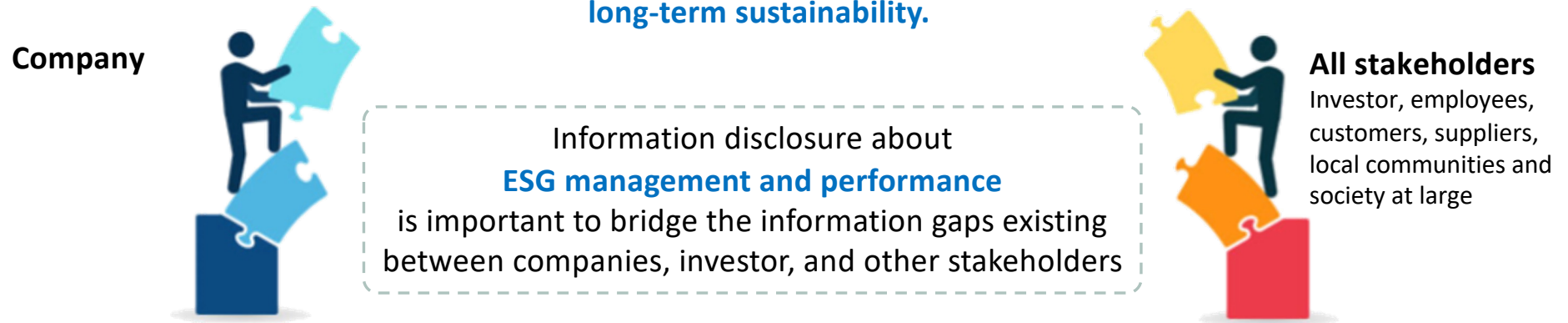


### ***Sustainability Reporting***

*(Pucker, 2021, Harvard Business Review)*

## Sustainability Reporting Challenges

Heightened expectations from all stakeholders point to a new economic development. Companies should shift their focus from maximizing shareholder value to **value creation** for all stakeholders to achieve **long-term sustainability**.



**GREENWASHING** remains a challenge faced by companies and all stakeholders

Mislead investors

Represent a threat to the accuracy, reliability, and transparency

Decline in consumer confidence in a company's brand and products

Significant reputational damage, as well as financial losses

Disclosure of ESG information **alongside** financial information is **vital** for investors and stakeholders to make **informed decisions** about a company and its potential long-term performance, its impact on society and society's impact on it.



# Sustainability Reporting Challenges

## STANDARDS

Specific rules for ESG measurement and disclosure



1997



2011

## FRAMEWORKS

High-level guidelines that provide principles and guidance for how information should be disclosed



2000



2007



2010



2015

## INDICES

Allow investors to track the performance of a company through their ESG reports.  
Examples: Dow Jones Sustainability Indices (DJSI), FTSE4Good

## RATINGS

Agencies that collate information through surveys and other methodologies to gather ESG data from different organisations  
Examples: Sustainalytics, Robeco, Bloomberg, MSCI

## Issues

**Fragmented standard**, with variety of users and their reporting objectives

**Confusion** among users of sustainability information, perpetuates inefficiency, increased cost, and lack of trust

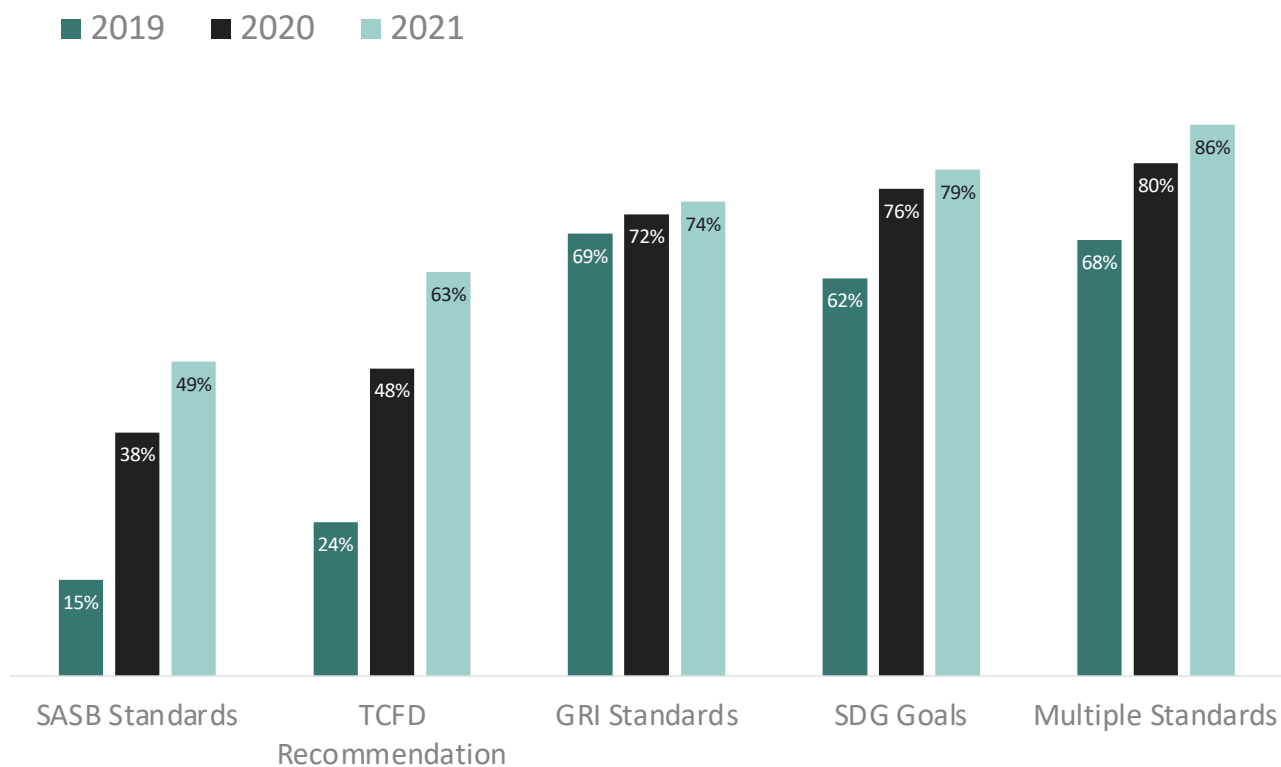
**Intimidating** and **overwhelming** anyone who want to grasp the basics

## Leading to

Growing and urgent demand for **global standards**  
Need for **consistency** in reporting and **comparable** information

Necessary to build a coherent global system of **interconnected corporate reporting**

## Sustainability Reporting Framework and Standards



Data highlights the **lack of consistency and comparability** that persists without harmonized global standards

The **use of multiple frameworks & standards is increasing** from 68% to 86% in 2021

Usage of SASB Standards and the TCFD Framework has increased significantly between 2019 and 2021—albeit not to the same extent **across all jurisdictions**.

GRI and the SDGs remain the most popular standard/reference framework for reporting on ESG

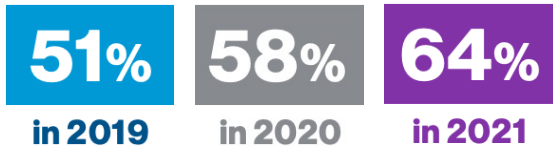
Survey performed by :



The State of Play: Sustainability Disclosure & Assurance (2023)

# Assurance of ESG Information around the World

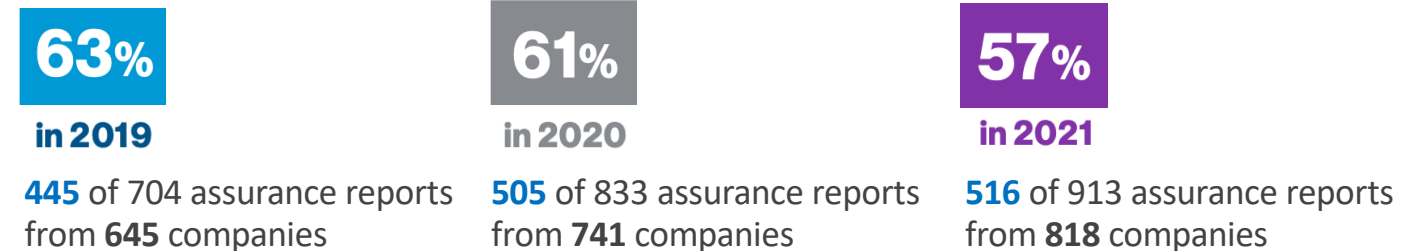
The percentage of companies that obtained **assurance** on some of their **ESG reporting** increased from:



The six jurisdictions with the largest 3-year increases are **Hong Kong S.A.R., Italy, Japan, Singapore, Turkey, and the United Kingdom**, while **Hong Kong S.A.R., Japan, and the U.K.** posted the largest single-year increases in 2021.

## WHO PROVIDED ASSURANCE

Percentage of engagements were conducted by **audit firms**:



## STATUTORY AUDIT FIRMS

**70%** of **516**

ESG assurance reports reviewed in **2021** provided by audit firms were from the same firms as the statutory audit provider for the same reporting entity

## ASSURANCE STANDARDS

The IAASB ISAE 3000 (revised) remained the most widely used **standard** for ESG assurance engagements:



But, in September 2022, IAASB approved a project proposal to develop ISSA 5000.

Survey performed by :



The State of Play: Sustainability Disclosure & Assurance (2023)

## Scope of Reporting and Assurance around the World

### REPORTING

Most companies reported some information on GHG, other environmental, social, and governance sustainability matters. The percentage of companies who provided information in all four of these ESG categories examined increased to 96%

### ASSURANCE

Companies who obtained assurance still focused primarily on GHG data, but the scope of information being assured increased. 53% of companies obtained assurance on information in all four of the ESG categories.

2021

2020

2021

2020



GHG

97%

92%

94%

95%



Other  
Environmental

99%

98%

82%

78%



Social

100%

96%

74%

68%



Governance

100%

95%

56%

43%



All Topics

96%

89%

53%

43%

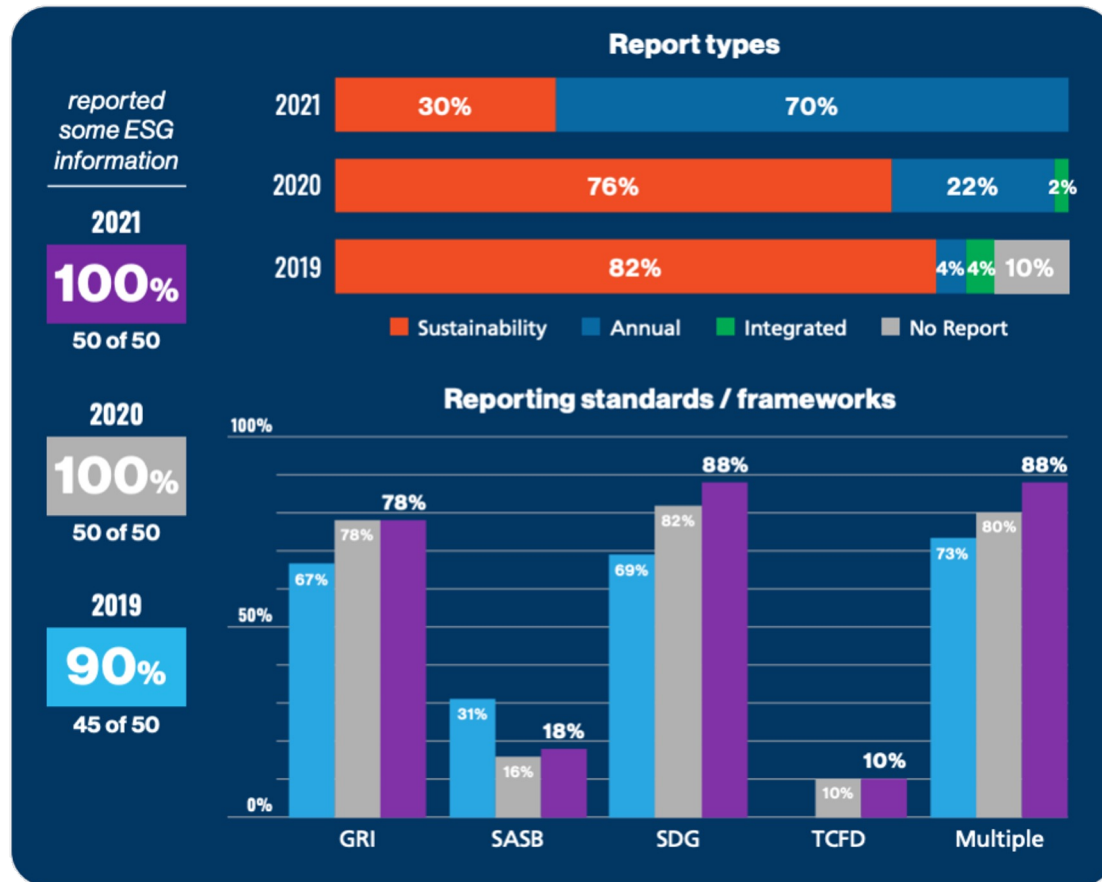
Survey performed by :



The State of Play: Sustainability Disclosure & Assurance (2023)

# Reporting Landscape in Indonesia

## Sustainability Disclosure



Since 2020, 100% companies in Indonesia reported ESG information. They tend to use **annual report** than stand-alone sustainability report to **disclose** their **ESG information**. Indonesia is the highest use of annual report, globally, in 2021.

The use of **GRI Standards** for reporting and SDG Goals as reference are increasing.

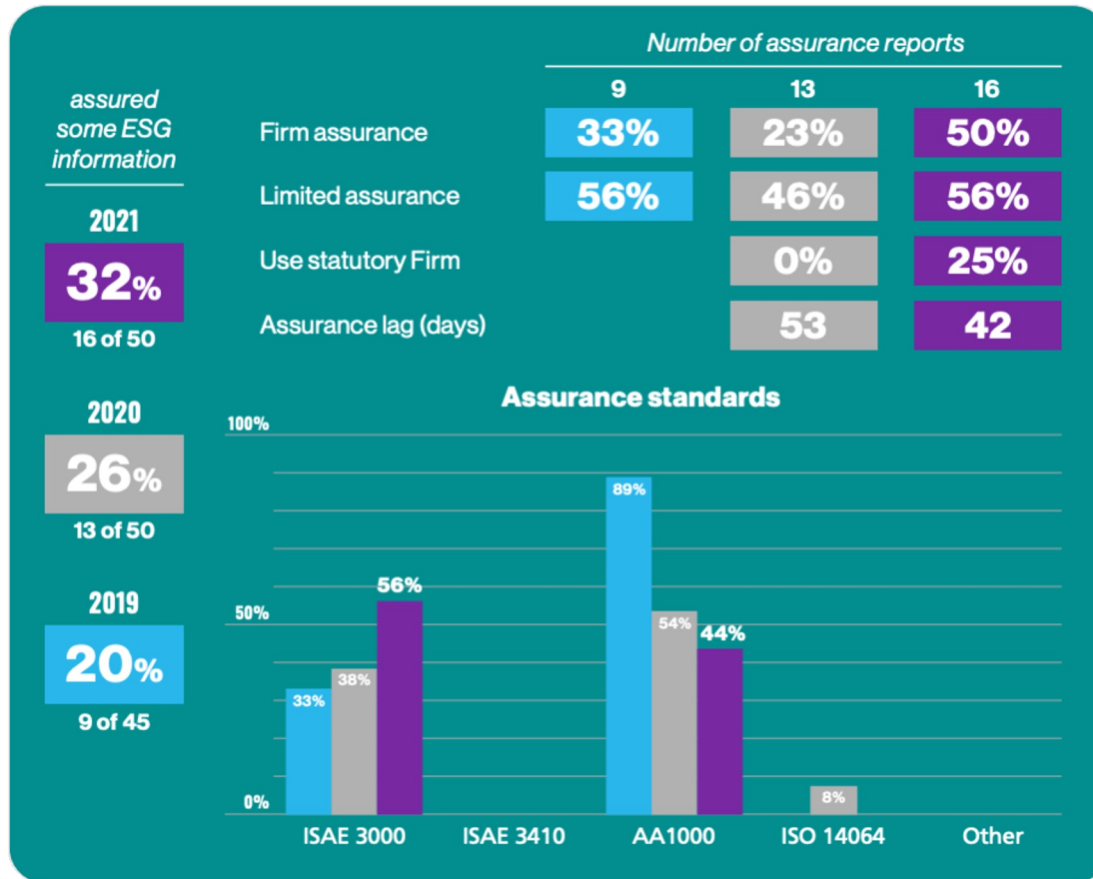
Survey performed by :



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# Reporting Landscape in Indonesia

## Sustainability Assurance



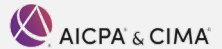
Largest Audit Firm Market Share (2019-2021):

Increase		Decrease	
Indonesia	17%	South Africa	20%
Hong Kong, S.A.R.	11%	United Kingdom	17%
Mexico	11%	India	16%
		Japan	16%

**Assurance** on ESG data in Indonesian's companies are **increasing**

The number of assurance engagements performed by firms continues to grow. Indonesian's **audit firm market share** in 2019-2021 **increase** 17% in 2021

Survey performed by :



The State of Play: Sustainability Disclosure & Assurance (2023)

**TCFD**



**IFRS S1 & S2**  
(26 June 2023)

**ISSB**

International Sustainability Standards Board (2021)

**IFRS**

**CDSB**

Consolidates

**VALUE REPORTING FOUNDATION**

Establishes

Consolidates



Endorses

Complement

Influence

Influence

**European Sustainability Reporting Standards (ESRS)**

(for EU companies issued 31 July 2023)

Influence

Take over monitoring  
(from 2024)

# Development of Sustainability Standard and Framework

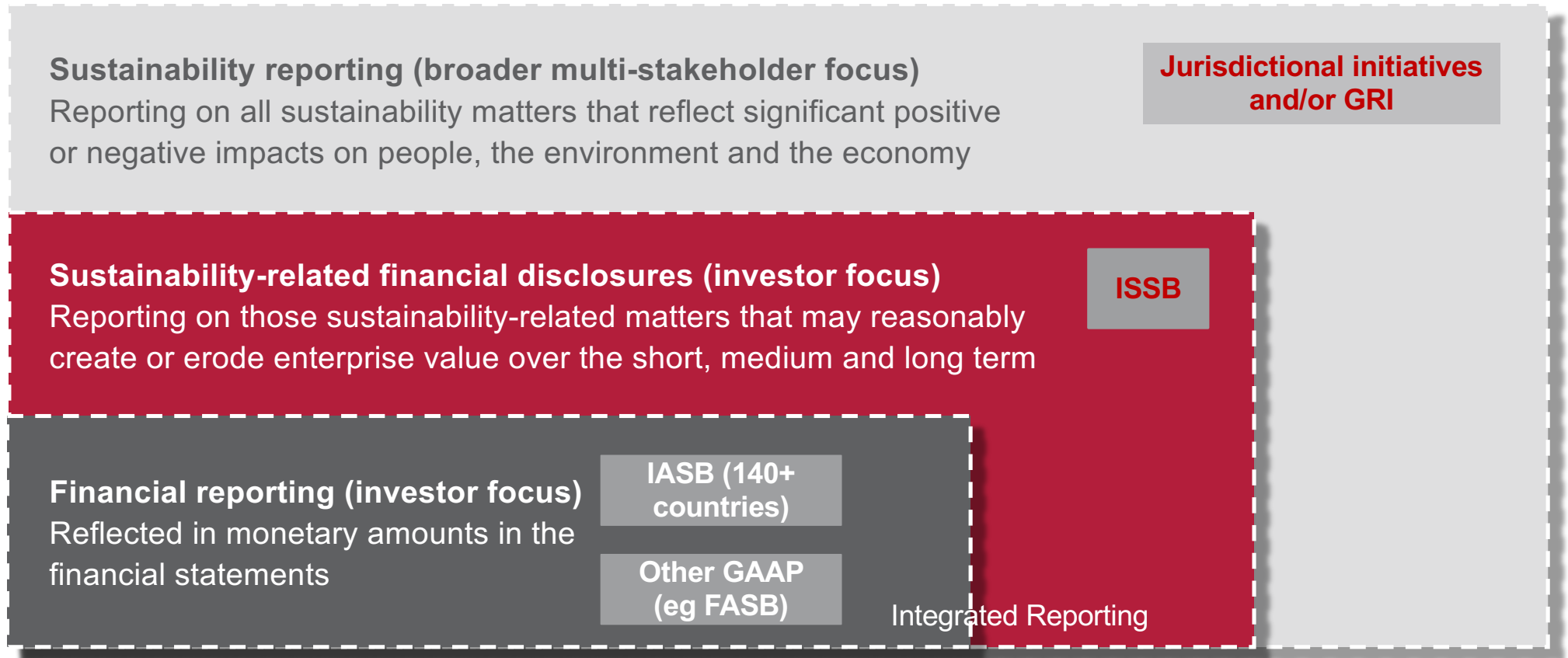
(Information as of 30 August 2023)

## Sustainability | Regulation, Standard, and Framework

	POJK 51/2017	GRI Standards	TCFD Framework	ISSB Standards	ESRS Standards
<b>Jurisdiction</b>	Indonesia	International	International	International	European Union (Part of EU CSRD Regulation)
<b>Applicability</b>	Public companies, Financial Services Institutions and Issuers	All Companies and organizations	All Companies and organizations	All Companies and organizations	<ul style="list-style-type: none"> <li>• Large companies</li> <li>• Listed companies</li> <li>• Non-EU parent companies with significant operation in EU</li> </ul>
<b>Focus</b>	<b>Sustainable finance.</b> Create <b>sustainable economic growth</b> by aligning <b>economic and social interests with the environment.</b>	Sustainability (Impact) pillar which addresses a <b>company's external impacts on society and the environment.</b>	Financial pillar which addresses <b>climate change related financial impacts on company.</b>	Financial pillar which addresses <b>sustainability-related financial impacts on company.</b> Enhanced detail and scope than TCFD and embed industry-based approaches	<b>Double Materiality</b> , which means both financial and impact pillar. <b>Both the impact on stakeholders as well as the ESG issues creating financial risks and opportunities for the company.</b>
<b>Requirement</b>	Companies are required to submit: <ul style="list-style-type: none"> <li>➤ Sustainable Finance Action Plan</li> <li>➤ Sustainability report in accordance to POJK 51 requirements</li> </ul>	<ul style="list-style-type: none"> <li>➤ Universal Standards</li> <li>➤ Sector Standards</li> <li>➤ Topic Standards</li> </ul>	<ul style="list-style-type: none"> <li>➤ Governance</li> <li>➤ Strategy</li> <li>➤ Risk management</li> <li>➤ Targets and metrics</li> </ul>	Currently available: <ul style="list-style-type: none"> <li>➤ IFRS S1 – General requirements</li> <li>➤ IFRS S2 – Climate-related disclosures</li> </ul> Main structure similar to TCFD. Build on SASB industry-specific metrics	<ul style="list-style-type: none"> <li>➤ Four reporting areas: Governance; Strategy; Impact, risk and opportunity management; Metrics and targets</li> <li>➤ Three reporting layers: sector-agnostic; sector-specific;-; company specific</li> </ul>

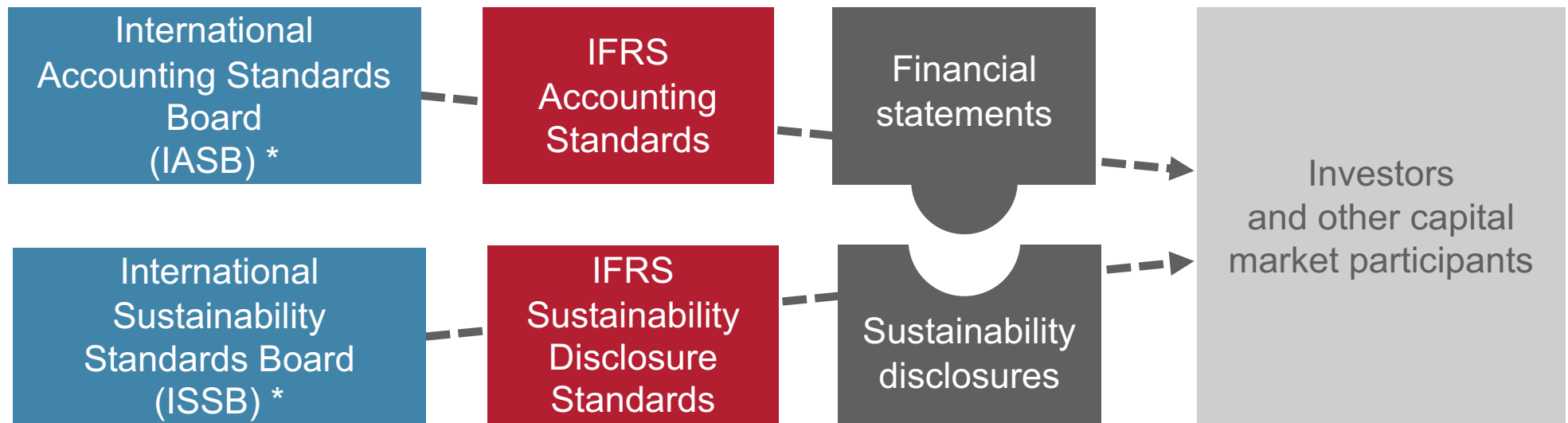


## Building Block Approach



Source: <https://www.ifrs.org/content/dam/ifrs/meetings/2022/may/eeg/ap1-issb-eds.pdf>

## Compatibility between IFRS Accounting Standards & IFRS Sustainability Disclosure Standards

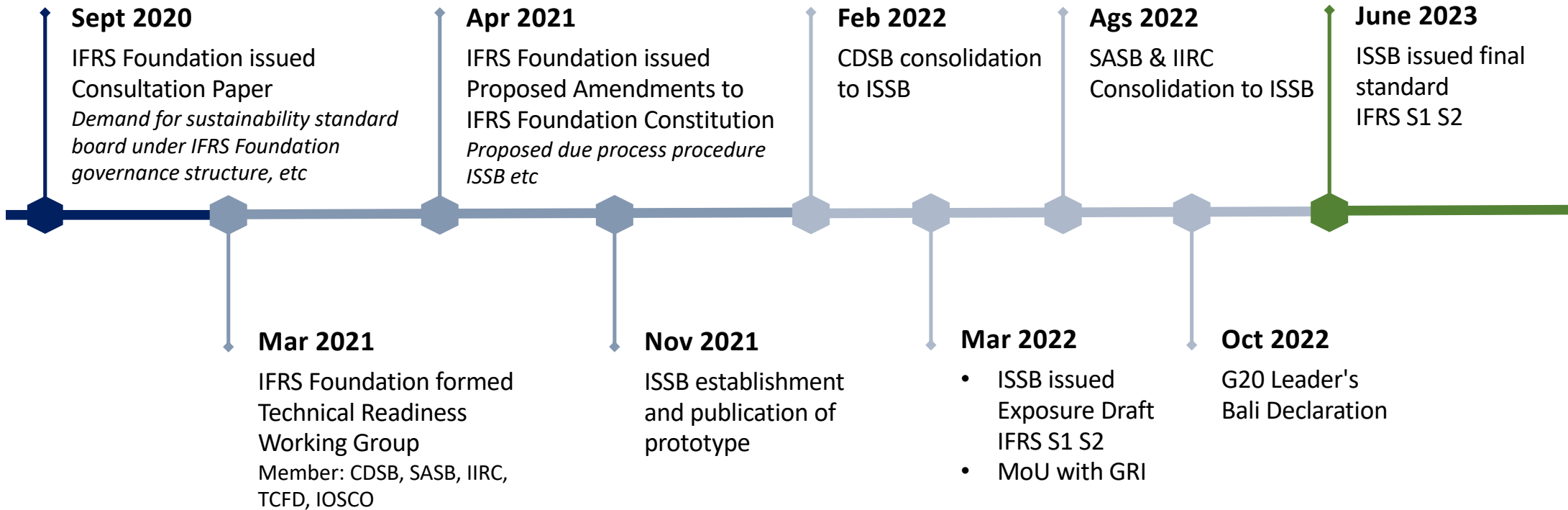


- Integrated Reporting Council to advise IASB and ISSB on connectivity via fundamental concepts / guiding principles of integrated reporting
- IFRS Sustainability Disclosure Standards compatible with IFRS Accounting Standards or other GAAP to meet investor needs

Source: <https://www.ifrs.org/content/dam/ifrs/meetings/2022/may/eeg/ap1-issb-eds.pdf>

## 02. Overview of IFRS S1 and IFRS S2

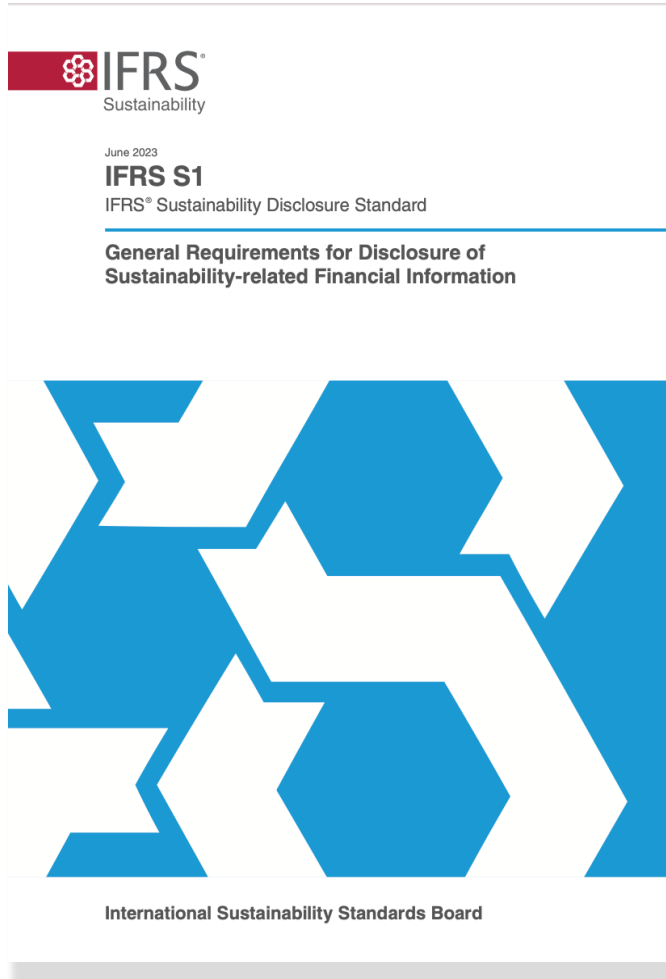
## How We Get Here?





## ISSB Standard Setting Procedure

- Highly regarded, inclusive and transparent due process
- Enables stakeholders all over the world to contribute and scrutinise the standard-setting process.
- Comprehensive global baseline of sustainability-related disclosures
- Build on existing sustainability frameworks



## IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

### Objective

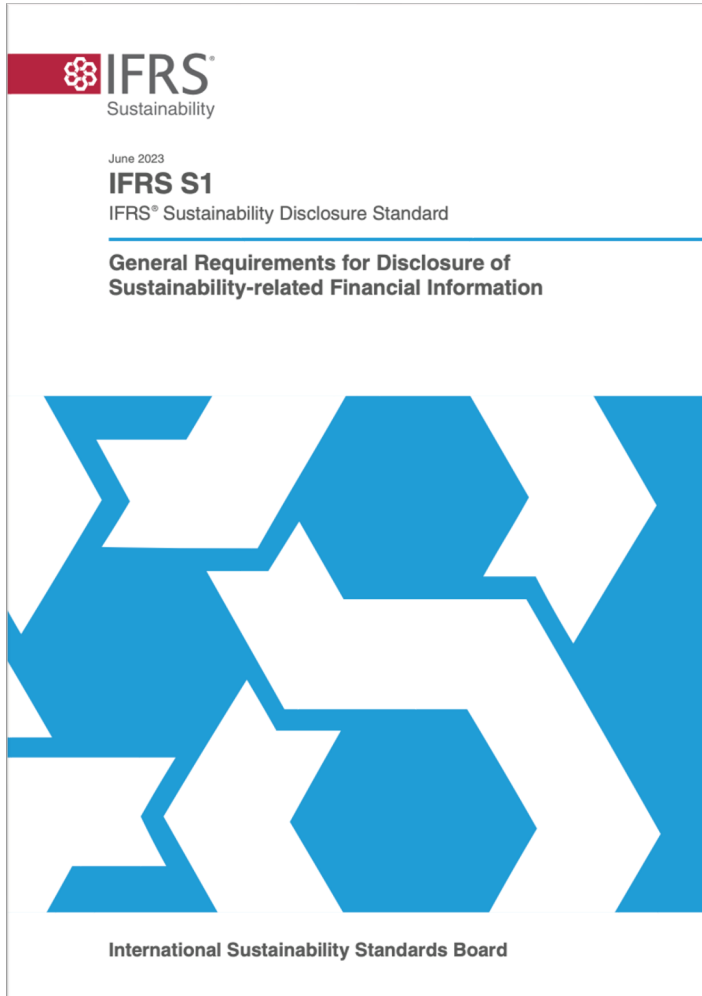
require an entity to disclose information about **its sustainability-related risks and opportunities** that is useful to **primary users\*** of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 builds on concepts from the Integrated Reporting Framework, which helps a company articulate how it **uses and affects resources** and relationships for creating, preserving and eroding value over time.

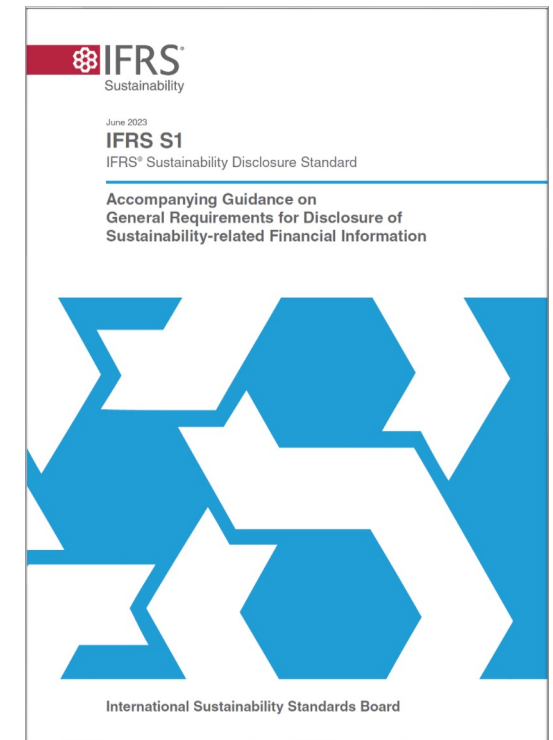
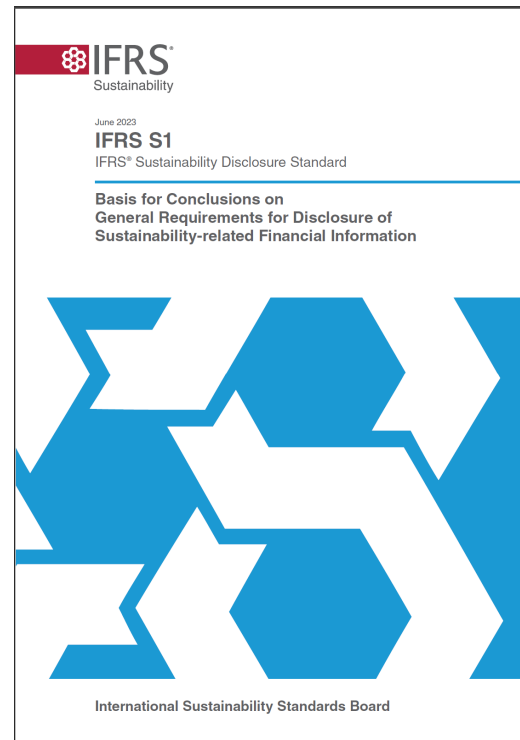
*Company will be better placed to explain to its investors how it is working within its business model and value chain to manage the sustainability-related risks and opportunities that can affect its performance and ability to deliver financial value for investors over the short, medium and long term.*

Effective Date: **1 January 2024** with earlier application permitted

\*existing and potential investors, lenders and other creditors



## Supporting Materials



# IFRS S1

## Linked to Financial Statement

Financial  
statements

Sustainability  
disclosures

### Materiality

Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the **primary users\* of general-purpose financial reports** make on the basis of those reports, which provide information about a specific reporting entity.

### Reporting Entity

Sustainability-related financial disclosures shall be **for the same reporting entity** as the related financial statements (e.g., parent & its subsidiaries as a single reporting entity).

### Timing

Financial statements and sustainability disclosures published **at the same time**, but with transitional relief in the first year of reporting

### Location

- Required to disclose **as part of its general-purpose financial reports**.
- Does **not specify a location** for disclosure within general purpose financial reports and **allows for additional information**, to facilitate application in different jurisdictions

### Qualitative characteristics of useful sustainability-related financial information

Relevance, faithful representation, comparable, verifiable, timely and understandable.

\*existing and potential investors, lenders and other creditors



## MAIN CONCEPT IN IFRS S1

### Disclosure requirements

Information disclosed should reasonably be expected to **affect the company's prospects**, particularly current and anticipated financial effects.

This standards use the **same definition of 'material'** as IFRS Accounting Standards to ensure that the information provided is focused on that necessary to inform investor decisions.

*"Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the **primary users\*** of general-purpose financial reports make on the basis of those reports, which provide information about a specific reporting entity."*

\*existing and potential investors, lenders and other creditors

## CORE CONTENT

### Governance

The governance processes, controls and procedures the company uses to monitor, manage and oversee sustainability-related risks and opportunities

### Strategy

The approach for managing sustainability-related risks and opportunities that could affect the company's prospects, business model and value chain

### Risk Management

The processes the company uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities

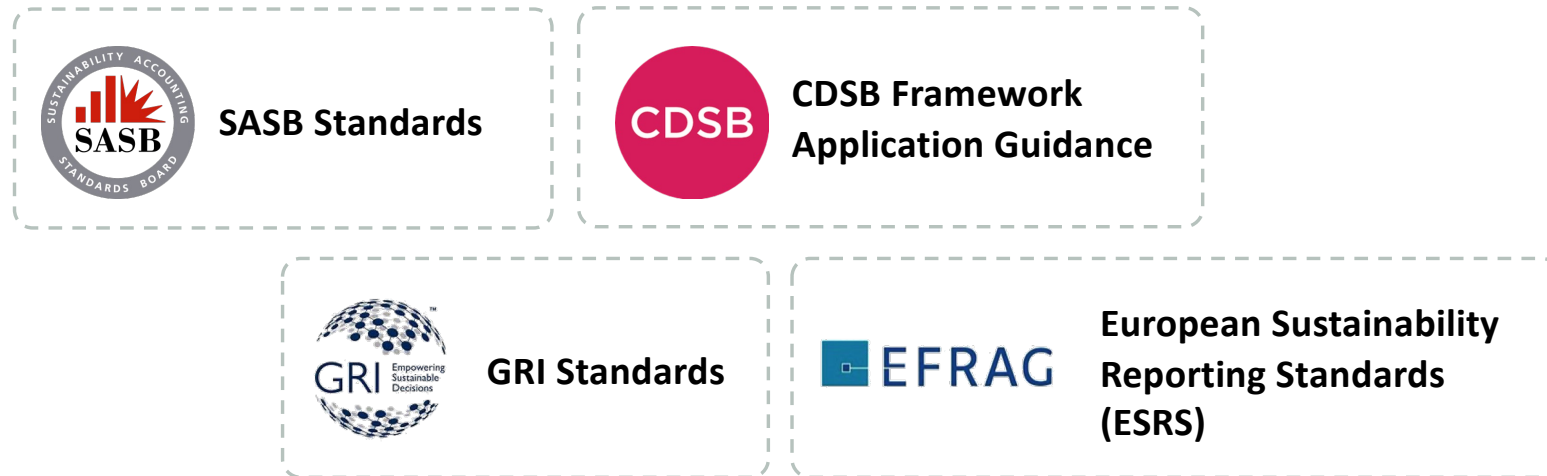
### Metrics and Targets

Information used to measure and monitor the company's performance in relation to sustainability-related risks and opportunities, including progress towards any company-set and mandated targets.

## MAIN CONCEPT IN IFRS S1

### Identification of sustainability-related risks and opportunities

To identify sustainability-related risks and opportunities to report on, a company applying IFRS S1 and:



### Reasonable and supportable information

An entity shall use all **reasonable and supportable information** that is available to the entity at the reporting date **without undue cost or effort**.

## MAIN CONCEPT IN IFRS S1

### Compliance

#### Statement of Compliance

*An entity that complies with all of the requirements of the IFRS Sustainability Disclosure Standards is required to include **an explicit and unqualified statement of compliance** to that effect.*

#### Jurisdictional Limitation

*Where local laws or regulations prohibit an entity from disclosing information required by an IFRS Sustainability Disclosure Standard, an entity is permitted to not disclose that information.*

#### Commercially Sensitive Information

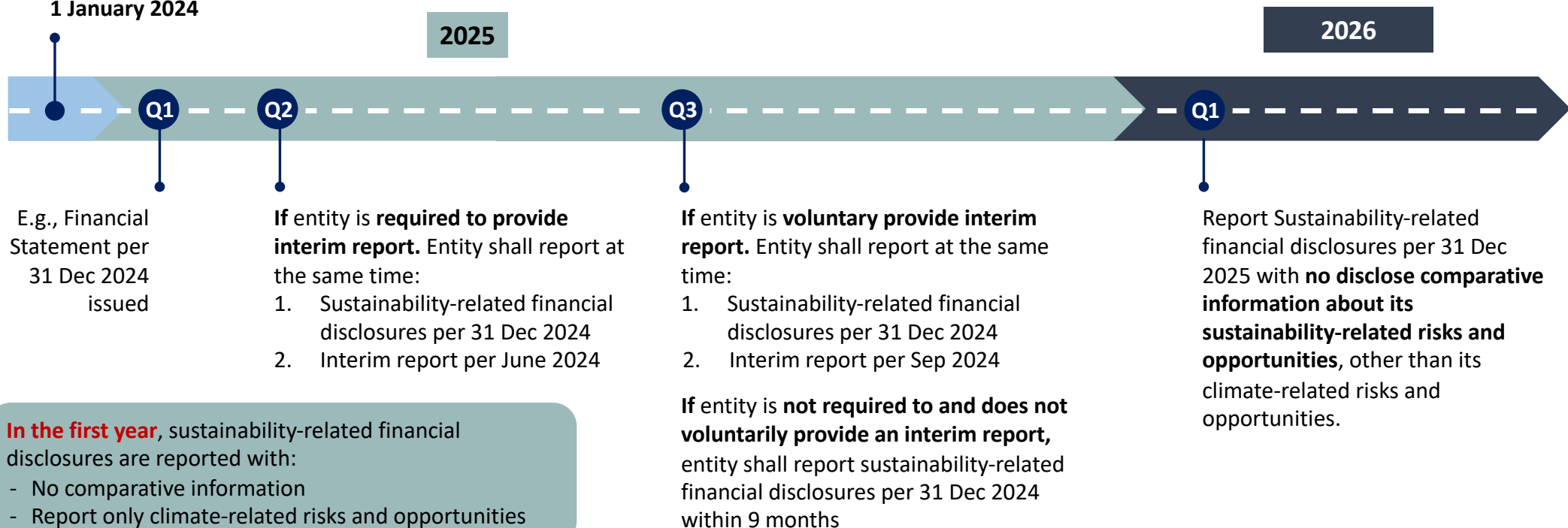
*IFRS S1 also permits entities, in limited circumstances, to omit information about **a sustainability-related opportunity** that is otherwise required by an IFRS Sustainability Disclosure Standard if that information is **commercially sensitive**. **The exemption does not apply to sustainability-related risks**. The provisions need to be considered for exemption:*

- (a) information about the sustainability-related opportunity is not already publicly available;*
- (b) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity; and*
- (c) the entity has determined that it is impossible to disclose that information in a manner—for example, at an aggregated level—that would enable the entity to meet the objectives of the disclosure requirements without prejudicing seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity.*

# Effective Date and Transition for IFRS S1

## Effective Date

Apply Standard for annual reporting periods beginning on or after  
**1 January 2024**



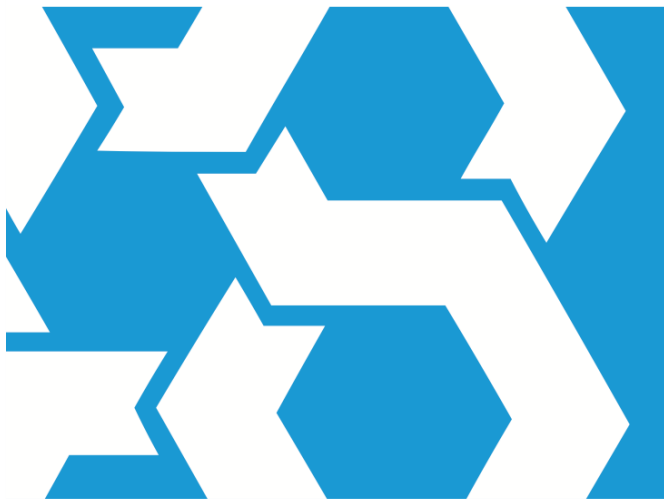


June 2023

## IFRS S2

IFRS® Sustainability Disclosure Standard

### Climate-related Disclosures



International Sustainability Standards Board

## IFRS S2: Climate-related Disclosures

### Objective

Require an entity to disclose information about its **climate-related risks and opportunities** that is useful to **primary users\*** of **general-purpose financial reports** in making decisions relating to providing resources to the entity.

In preparing and disclosing climate-related information in accordance with IFRS S2, a company is **required also to apply IFRS S1**

*Sets out relevant requirements such as the timing of the reporting, the need to apply assumptions that are consistent with the financial statements to the extent possible, how to disaggregate information and the required characteristics of the information.*

Effective Date: **1 January 2024** with earlier application permitted

\*existing and potential investors, lenders and other creditors



June 2023

## IFRS S2

IFRS® Sustainability Disclosure Standard

### Climate-related Disclosures



International Sustainability Standards Board

## Supporting Materials



June 2023

### IFRS S2

IFRS® Sustainability Disclosure Standard

#### Accompanying Guidance on Climate-related Disclosures



International Sustainability Standards Board



June 2023

### IFRS S2

IFRS® Sustainability Disclosure Standard

#### Basis for Conclusions on Climate-related Disclosures



International Sustainability Standards Board

## MAIN CONCEPT IN IFRS S2

### Disclosure requirements

#### Governance

Requires disclosure of material information about the **governance processes, controls and procedures** a company uses to **monitor, manage and oversee** climate-related risks and opportunities

#### Strategy

Requires a company to disclose material information about the **company's strategy** for **managing** climate-related risks and opportunities.  
IFRS S2 also requires a company to use **climate-related scenario analysis** to inform its disclosures about its resilience to climate change.

#### Risk management

Requires a company to disclose material information about the **processes** the company uses to **identify, assess, prioritise and monitor** climate-related risks and opportunities

#### Metrics and targets

Requires a company to disclose **metrics and targets** to enable investors to understand the **company's performance** in relation to its material climate-related risks and opportunities  
These metrics and targets include disclosure of a company's absolute **GHG emissions**, expressed as CO<sub>2</sub>e and calculated using the GHG Protocol Corporate Standard.

## IFRS S2 Needs to be Applied with IFRS S1

### IFRS S1:

Establishes **key concepts** such as connected information, value chains, and which sustainability- and climate-related risks and opportunities to report on

Provides vital guidance on the **assessment of materiality**

Sets out the **qualitative characteristics** of the information to be provided, eg that it needs to be relevant and represented faithfully

Sets out **requirements** for reporting, such as:

- the reporting entity
- timing and location of reporting
- connections and comparatives in reporting

Sets out how to deal with changes in estimates and errors, disclosures on judgements, assumptions and estimates, requirements on when to aggregate and disaggregate information, focussed exemptions from disclosing commercially sensitive opportunities, and the interaction with law and regulation



## Strategy and Decision-Making

The effects of climate-related risks and opportunities on a company's strategy and decision-making

How the company has responded to, and plans to respond to, climate-related risks and opportunities

How the company is resourcing, and planning to resource, these plans and activities

The company's progress against previously reported plans

*Includes disclosures on any transition plan the company has and plans to achieve its targets*

## MAIN CONCEPT IN IFRS S2

### Climate-related risks and opportunities

Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as **climate-related physical risks** and **climate-related transition risks**.

#### Climate-related physical risks

*Physical risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption*

#### Climate-related transition risks

*Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations*

Climate-related opportunities refers to the **potential positive effects** arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.

Climate resilience involves the capacity to **manage climate-related risks** and **benefit from climate-related opportunities**, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks.

## Current and anticipated financial effects

The effects of climate-related risks and opportunities on a company's current and anticipated financial performance, financial position and cash flows

1

A company is required to disclose **both quantitative and qualitative information**. The quantitative information may be a single amount or a range

2

A company can provide qualitative rather than quantitative information when:

- Not **separately identifiable**;
- There is a **high level of measurement uncertainty**; or
- For anticipated effects, this is **not commensurate** with the company's skills, expertise and resources

3

A company who provide qualitative information shall:

- **explain why** it has not provided quantitative information
- provide **qualitative information about those financial effects**, including identifying **line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected**, by that climate-related risk or opportunity; or
- provide **quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors** unless the entity determines that quantitative information about the combined financial effects would not be useful.

## MAIN CONCEPT IN IFRS S2 GHG Emissions

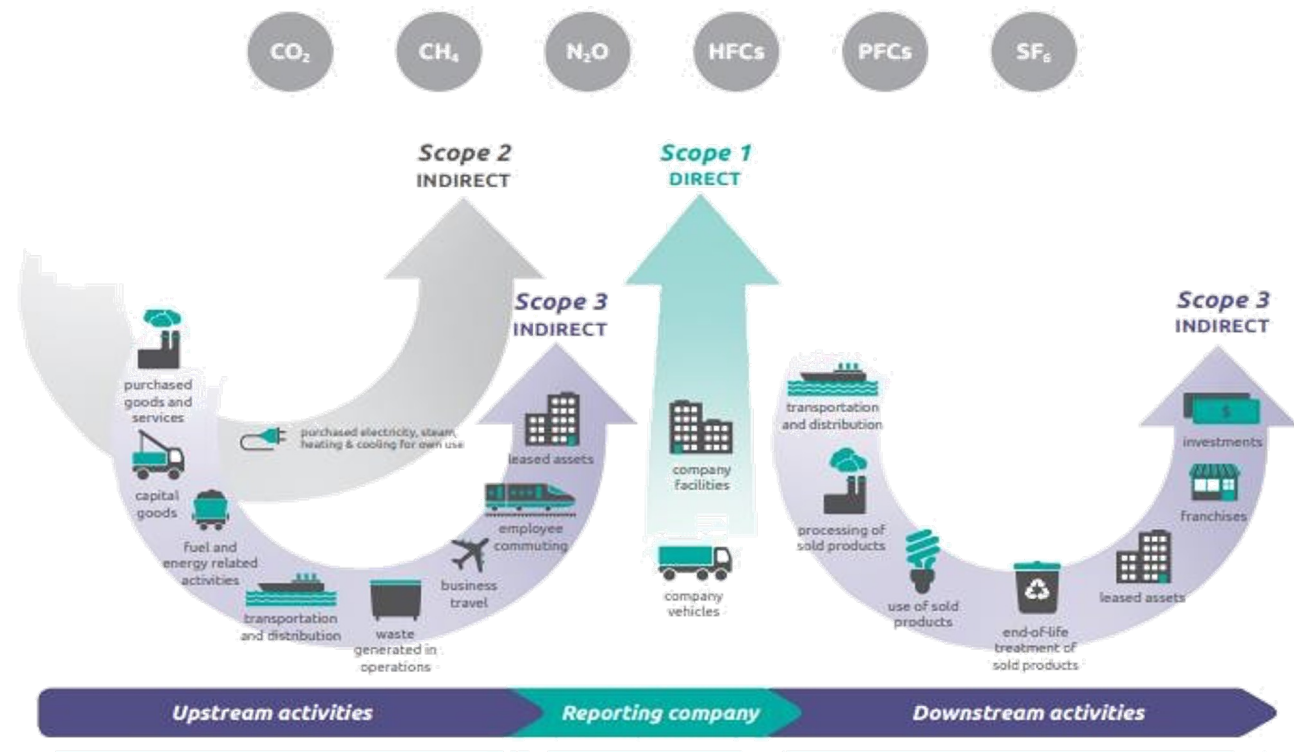
### Scope 1: Direct emissions

which occur from sources that are owned or controlled by the company.

### Scope 2: Energy indirect emissions

which accounts for the generation of purchased electricity that is consumed by the company.

**Scope 3: Other indirect emissions** (not included in Scope 2) and are a consequence of activities that occur outside the ownership or control of the company (upstream and downstream).



# Effective Date and Transition IFRS S2

## Effective Date

Apply Standard for annual reporting periods beginning on or after  
**1 January 2024**



**In the first year**, climate-related disclosures are reported with:

- No comparative information
- Report only climate-related risks and opportunities

Entity report with:

- If, in the annual reporting period immediately preceding the date of initial application of this Standard, the entity used a method other than the GHG Protocol (2004), **the entity is permitted to continue using that other method**
- an entity is **not required to disclose its Scope 3** GHG emissions

Continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods

## TRANSITION RELIEFS

1

### Use of reasonable and supportable information

The ISSB introduced the concept of ‘reasonable and supportable information that is **available** at the reporting date **without undue cost or effort**.’

2

### Quantitative test

Companies can provide **qualitative information** about the current and anticipated effects of sustainability-related risks and opportunities

Additionally, a company need not provide quantitative information about anticipated financial effects **if the company does not have the skills, capabilities and resources** to provide that quantitative information.

3

### Relief

1. In the first year, company permits to report its sustainability-related financial disclosures **after** the **publication** of its **financial statements**
2. **Relief** to provide **comparative** information in the first annual reporting period
3. Allow company to report on **only climate-related risks and opportunities** in **the first year**
4. **Exemption** from the requirement to **disclose** information about **Scope 3 GHG emissions** in the first year
5. Relief from applying the **GHG Protocol Corporate Standard**, in specific circumstances
6. Relief from **reassessing** the scope of a company’s **value chain** and the categories included in the measurement of the company’s Scope 3 GHG emissions
7. Relief to **measure its GHG emissions** using information for reporting periods that are different from the company’s own reporting period.

## 03. Costs and Benefits Applying IFRS S1 & S2

## Expected Benefits Adopting IFRS S1 & S2

Although companies will incur costs related to the implementation and ongoing application of IFRS S1 and IFRS S2, many respondents to the exposure drafts, including most investors, indicated that the **benefits** are likely to **outweigh the costs**.



### Companies

Improve **data quality** in the value chain of a reporting company

Improve **access to capital** and **reduce cost of capital**

A link tying **companies** with **better sustainability records** to **better equity returns** would emerge

Communicating with stakeholders, improving **reputation**, and justifying **validity** in society

Increase company's **ESG performance** by achieving operational efficiency

Providing a framework for strategic review of the business model and supporting **better performance and longer-term value creation**.



### Investors

The **right investment decision** for **investor** as long as the quality of reporting information is adequate and has added value.

Greater **consistency, comparability and verifiability** of disclosures

**Avoid inefficiencies** of manual data collection, management and analysis of sustainability-related financial disclosures

Source: <https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/effects-analysis.pdf>



## Likely Costs of Applying IFRS S1 and IFRS S2

These costs might be new for many first-time preparers of sustainability-related financial disclosures. However, **ongoing costs were likely to decrease over time**, as preparers set up systems and become familiar with the disclosure requirements.



### Companies

Recruiting additional staff or acquiring necessary expertise, to source the appropriate talent to manage data collection and disclosure processes, which **increase personnel cost**

Establishing or modifying **internal systems**

Changing **data collection and analysis**

Producing or modifying **production of reported information**

Developing and implementing **systems** for reporting and internal controls on data



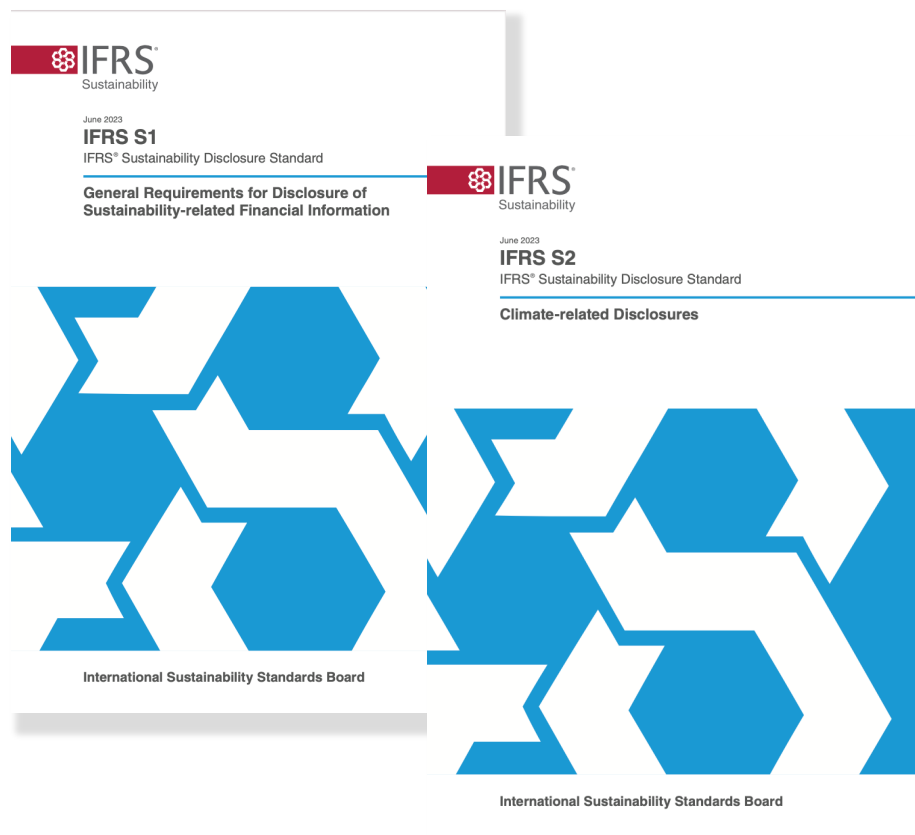
### Investors

Investors might face costs to establish or **modify internal systems, data collection or data analysis processes**

## Preparation for Adoption of IFRS Sustainability Disclosure Standards

- 1 Review the ISSB's standards and source of guidance
- 2 Structuring sustainability within the organization
  - Management Body
  - Organizational Structure
  - Risk Appetite
  - Reporting
- 3 Established processes and controls for data
- 4 Sustainability communication to engage sustainability mindset and corporate culture

## ACCESS THE STANDARDS

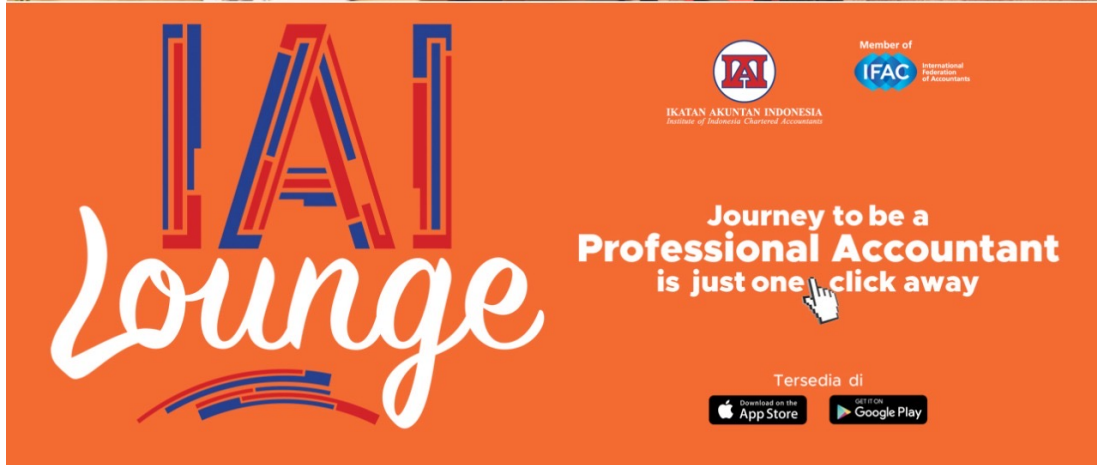


<https://bit.ly/IAI-IFRS-S1-S2>

### 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

# THANK YOU



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