Introduction to IFRS Sustainability Disclosure Standards

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Current Practice & Challenges Increase Demand for Disclosure of Sustainability Information

Globally, the number of reporting companies has **steadily increased**, but currently there are still **challenges** faced by companies

Alphabet Soup of Acronyms

- **Fragmented standard**, with variety of users and their reporting objectives
- **Intimidating** and **overwhelming** anyone who want to grasp the basics
- **Confusion** among users of sustainability information, perpetuates inefficiency, increased cost, and lack of trust

STANDARDS

Specific rules for ESG measurement and disclosure

GRI — 1997
SASB — 2011

INDICES

Allow investors to track the performance of a company through their ESG reports. Examples: Dow Jones Sustainability Indices (DJSJ) and Bloomberg

RATINGS

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

FRAMEWORKS

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

CDP — 2000
CDSB — 2007
IR — 2010
TCFD — 2015
VALUE REPORTING FOUNDATION — 2021

Greenwashing

- **Mislead investors** as to the true risks, rewards, and pricing of investment assets
- Represent a **threat** to the accuracy, reliability, and transparency of sustainability reporting
- Lead to a **decline in consumer confidence** in a company's brand and products

Lack of Assurance

- Lack of standardization
- Decrease trusts and confidences in sustainability information

Leading to

- Growing and urgent demand for global standards
- Need for **consistency** in reporting and **comparable** information within **interconnected corporate reporting**

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ISSB under Governance Structure of IFRS Foundation

Public accountability	IFRS Foundation Monitoring Board	
Governance, strategy & oversight	IFRS Foundation Trustees	
Independent standard-setting & related activity	International Accounting Standards Board (IASB)	International Sustainability Standards Board (ISSB)
	IFRS Accounting Standards	IFRS Sustainability Disclosure Standards
	IFRS Interpretations Committee	Established in November 2021 announced at COP26 in Glasgow

IFRS Advisory Council

(provides advice to Trustees, IASB & ISSB)

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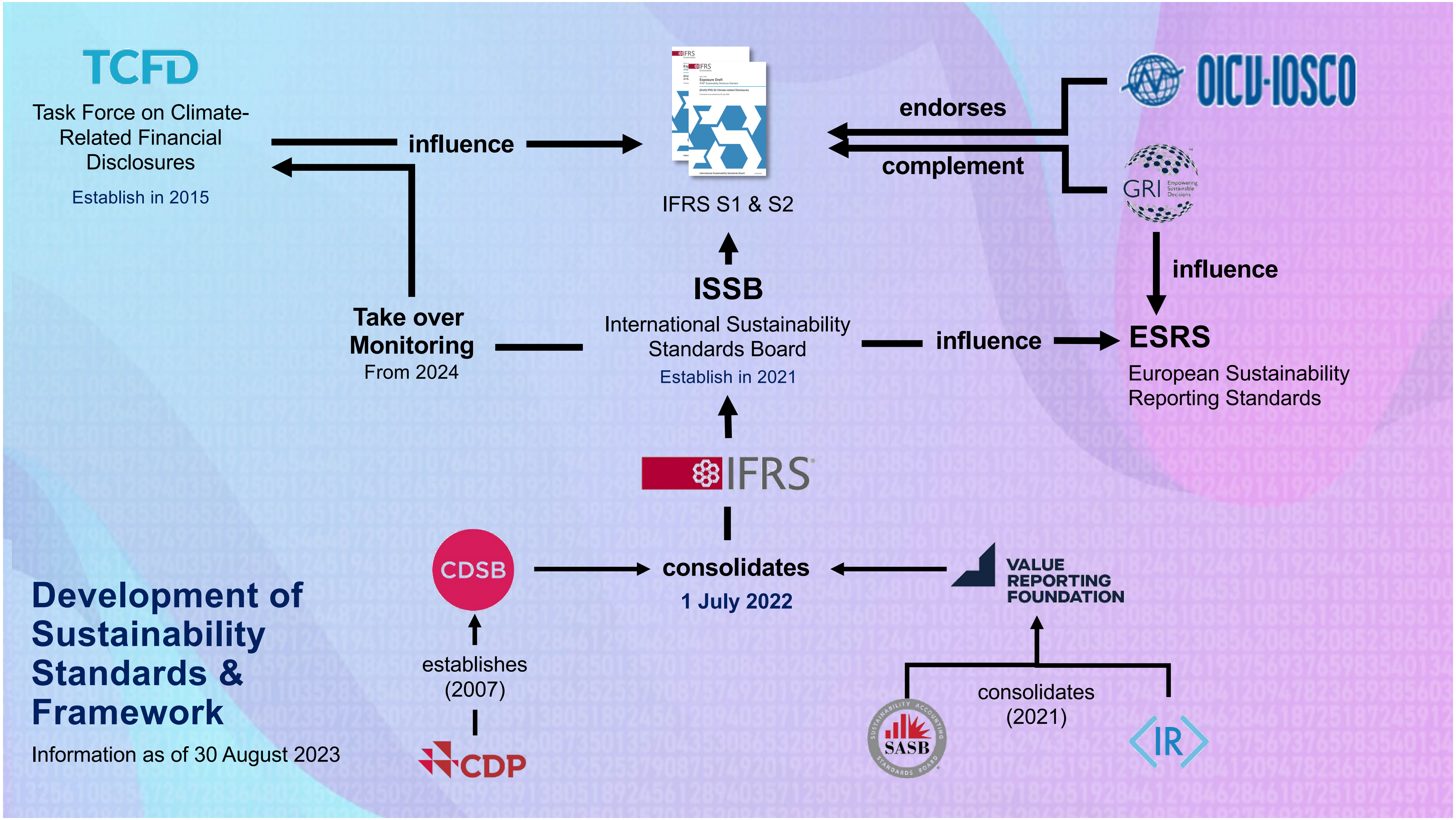
TCFD
Task Force on Climate-Related Financial Disclosures
Establish in 2015
influence
Take over Monitoring
From 2024
IFRS S1 & S2
ISSB
International Sustainability Standards Board
Establish in 2021
endorses
complement
OICU-IOSCO
GRI
influence
influence
ESRS
European Sustainability Reporting Standards
IFRS
CDSB
consolidates
1 July 2022
VALUE REPORTING FOUNDATION
establishes
(2007)
CDP
consolidates
(2021)
SASB
IR
Development of Sustainability Standards & Framework
Information as of 30 August 2023

Sustainability | Regulatory and Framework

Understanding the Frameworks

	POJK 51/2017	GRI Standards	TCFD	ISSB Standard	SASB Standard
Jurisdiction	**Indonesia**	**International**	**International**	**International**	**International**
Applicability	Public companies, Financial Services Institutions and Issuers	All Companies and organizations	All Companies and organizations	All Companies and organizations	All Companies and organizations
Focus	**Sustainable finance.** Create **sustainable economic growth** by aligning **economic and social interests with the environment.**	Sustainability pillar which addresses a **company's external impacts on society and the environment.**	Financial pillar which addresses **climate change related financial impacts** on company.	Financial pillar which addresses **sustainability-related financial impacts** on company. ISSB enhanced detail and scope than TCFD and embed industry-based approaches	Focus on **sustainability issues** expected to have a **financially material impact** on the company, aimed at serving the needs of most investors and other providers of financial capital.
Requirement	Companies are required to submit: ➢ Sustainable Finance Action Plan ➢ Sustainability report in accordance to POJK 51 requirements	➢ Universal Standards ➢ Sector Standards ➢ Topic Standards	➢ Governance ➢ Strategy ➢ Risk management ➢ Targets and metrics	Currently available: ➢ IFRS S1 – General requirements ➢ IFRS S2 – Climate-related disclosures With main structure similar to TCFD	**Industry-specific disclosure topics and related accounting metrics**

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Building Block Approach

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

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

IFRS Sustainability

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

IFRS Accounting

Integrated Reporting

Investor focused general-purpose financial reporting

Information needs are not static and can move over time

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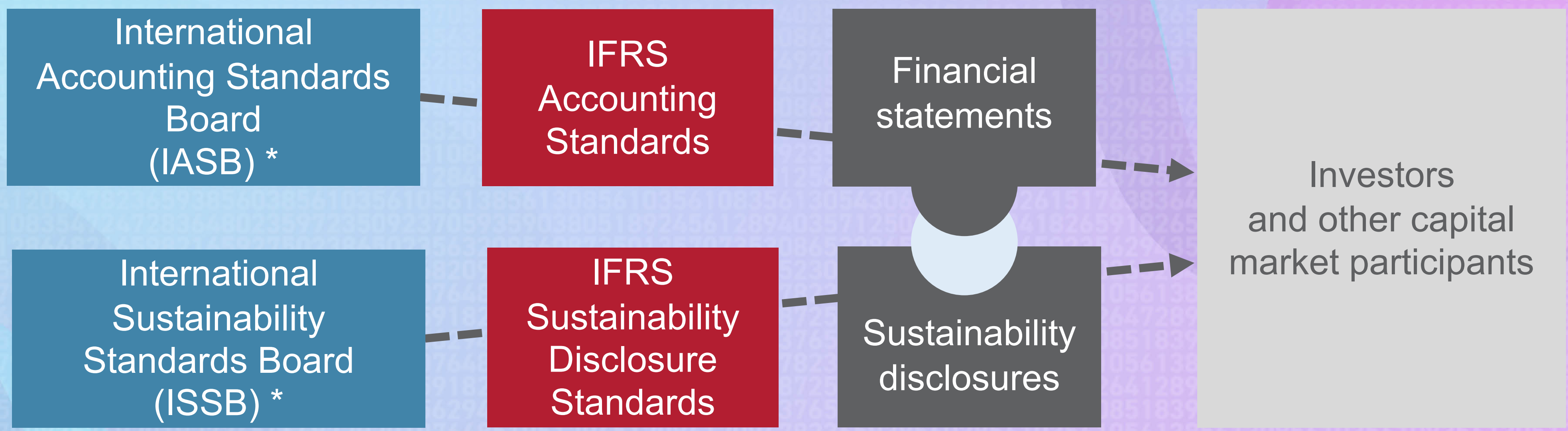
Compatibility between IFRS Accounting Standards & IFRS Sustainability Disclosure Standards



- 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

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

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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 Equivalent to IFRS Accounting Standards IAS 1 and IAS 8.

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

*existing and potential investors, lenders and other creditors

Core Contents

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.

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Linked to Financial Statement

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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.

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IFRS S2: Climate-related Disclosures

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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 applying IFRS S2, a company is **required also to apply IFRS S1**

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

*existing and potential investors, lenders and other creditors

Core Contents

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_2e and calculated using the GHG Protocol Corporate Standard.

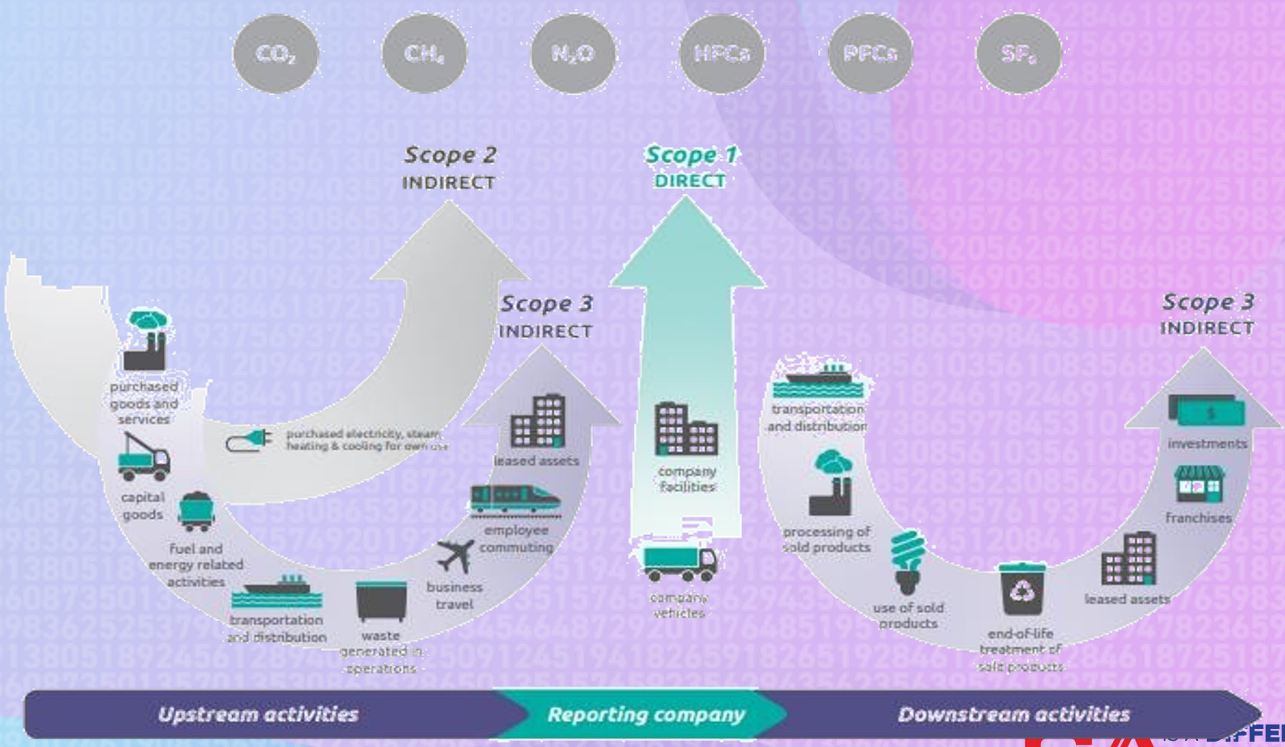
MAIN CONCEPT IN IFRS S2

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).



IAI Milestones

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Establishment TF CCR IAI

Sep 2020 First established by DPN, DKSAK, DSAK, dan TISAK

Apr 2022 TF CCR IAI Membership Expansion

Increasing **awareness** related to the latest developments in sustainability through webinars

ISSB, IFAC, Kementerian Keuangan, KLHK, BKF, OJK, BEI, BCA, Blackrock, BNP Paribas, dll

Nov 2022

MOU signing with KADIN

Strengthening Information Disclosure related to Sustainability Disclosure Standards through Improving the Quality of Financial and Tax Reporting for Business Players.

Actively provide feedback to IFRS Foundation & ISSB

Sep 2020 Request for response on the establishment of ISSB

Dec 2020 Consultation paper on sustainability reporting

July 2021 Proposal of amendments to the IFRS Constitution

July 2022 Exposure Draft IFRS S1 and S2

Actively involved in Indonesia **B20** Event **(2022)**

Formulation of policy recommendations in the Integrity & Compliance Task Force

Dec 2022

Amendments to the AD/ART to support addition of an IAI body: **Dewan Standar Keberkelanjutan (DSK IAI)**

Nov 2023

Establishment of:

- **DP-DSK IAI**
- **DSK IAI**
- **Tim kerja Keberlanjutan**
- **The Indonesia Sustainability Reporting Forum**

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What is Next?

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27 Nov 2023
IAI membentuk DPSK dan DSK

Maret 2024
FGD terbatas tentang Pelaporan Keberlanjutan dgn pemangku kepentingan

April 2024
Konsultasi Publik atas Rencana (arah) strategis standar keberlanjutan

TBA
DSK menerbitkan rencana strategis standar keberlanjutan

TBA
DSK menyusun standar keberlanjutan

TBA
DSK menerbitkan Draf Eksposur standar keberlanjutan

DSK melakukan **FGD terbatas** dengan pemangku kepentingan untuk memperoleh **masukan** terkait **standar keberlanjutan** yang **selaras** dengan **kepentingan nasional dan kebutuhan** untuk melakukan pengelolaan risiko dan peluang terkait aspek keberlanjutan

- **Tren internasional dan arah kebijakan nasional** yang memberikan dampak terhadap pelaporan keberlanjutan
- **Regulasi** terkait pelaporan keberlanjutan
- **Kebutuhan** pemangku kepentingan
- **Ekosistem** pelaporan keberlanjutan

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DSK External Capacity Building

Podcast Youtube IAI terkait aspek-aspek keberlanjutan

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Global Trends 2023

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#1 The inflation crisis fuels wage pressures

Rising prices are putting challenges on employees and employers and putting pressure on wage demands and staff retention

#2 Hybrid work is "work in progress"

The future of work in the accountancy profession is hybrid, but adoption in practice has some way to go, and there are some challenges emerging.

#3 Addressing burnout has to be a priority

Stress and mental health issues are evident across the workforce, particularly with younger respondents in our survey

#4 Mobility is driving a possible talent crunch

Accountancy remains a career choice with high mobility and wide job opportunities but presents retention challenges for employers

#5 Technology is empowering, but concerns prevail

Technology is key to adding value, but the pace of change for some is overwhelming

#6 Inclusivity measures score well, but social mobility lags

Leaders are accessible and cultures appear inclusive, but many express concerns on social mobility

#7 Accountancy provides career security in turbulent times

With the global economy entering a challenging 2023, accountancy continues to provide long term career prospects and cross border opportunities.

Source: ACCA (2023)

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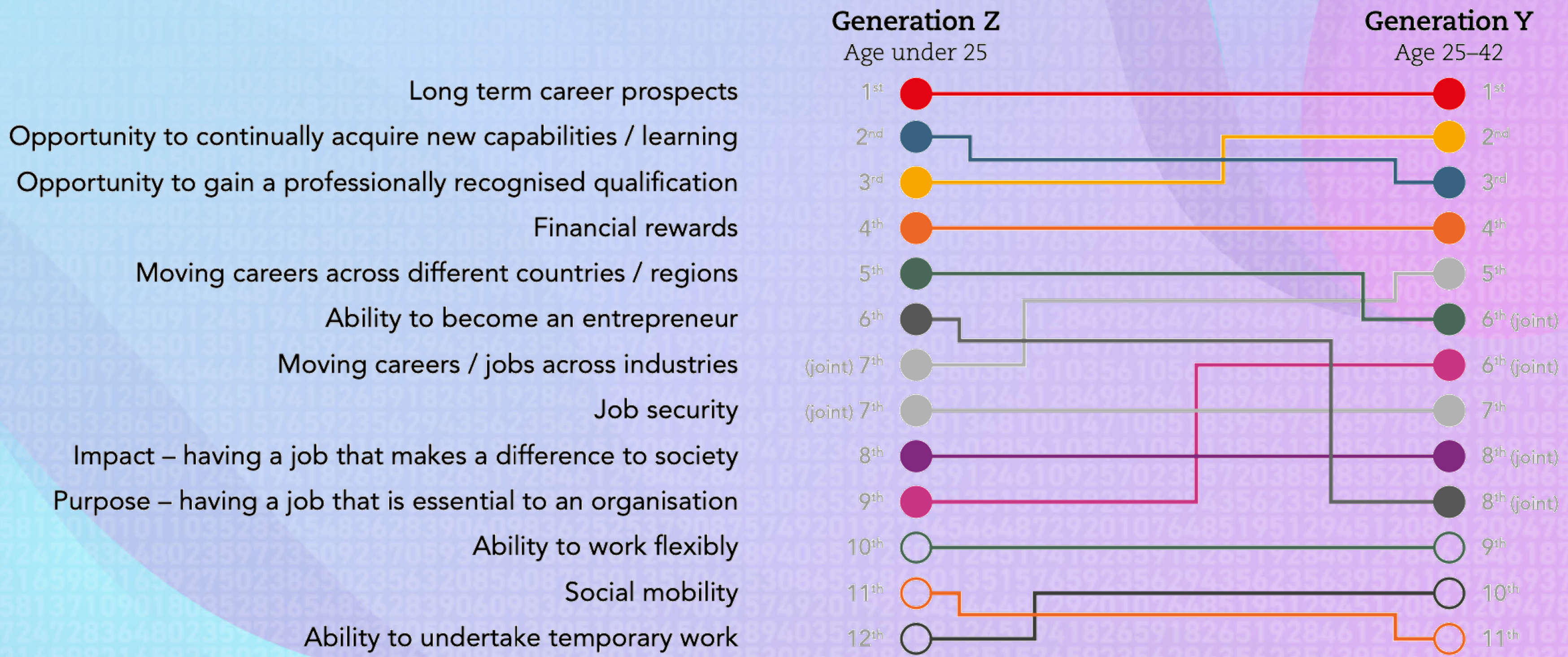
Attraction to Accountancy: The Fundamental Remain

43% of respondents agree their **current role contributed to** helping their organization or their client **respond to sustainability and climate change issues**



Source: ACCA (2023)

How Accounting Education Could Be More Prepared

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Students should understand the role the role of accountants in sustainability initiatives in organizations

Accountants are at the center of information flows and decision making—uniquely positioned to capture, analyze, report on, and assure sustainability information

Accountants have the relevant skills & competencies

- able to understand the company's business model and risks/opportunities
- able to identify sustainability-related risks and opportunities which has financial impacts and translate it into the financial statement
- able to to collaborate with experts

Accountants are subject to an ethical code, public oversight, and charged with acting in the public interest.

Accountants are globally connected to meet the needs of global capital markets, global clients and global supply chains**.**

Students should learn about:

- Updated reporting frameworks or standards
- The concept of sustainability/climate-related risks and opportunities
- The concept of physical risk and transition risk
- The climate-related risk management process, including risk identification, risk analysis, etc.

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TERIMA KASIH

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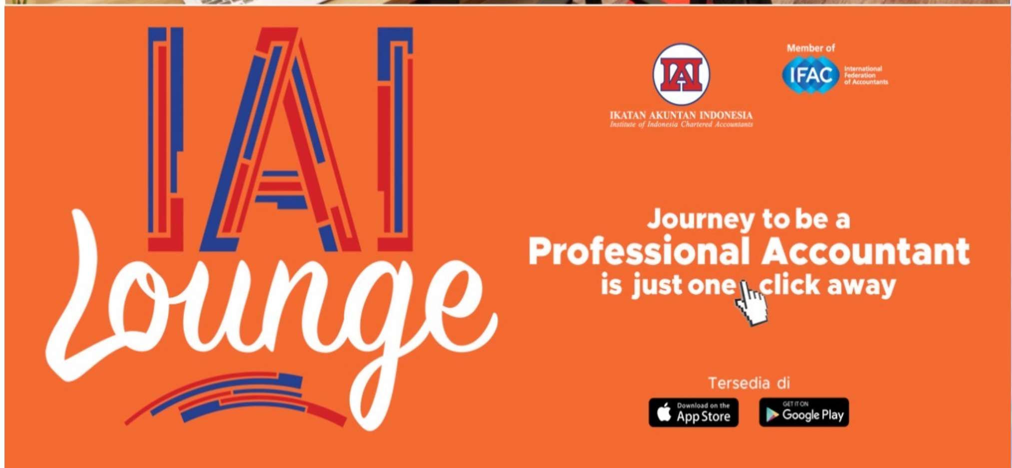

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