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Implementation of Published Ifrs S1 and S2 Standards Globaly

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Abstract: The aim of this research is to evaluate company sustainability reporting based on IFRS S1 and S2 standards. Furthermore, this evaluation will ultimately produce recommendations for the company so that the company can maximize improvement efforts in producing sustainability reports according to standards for the coming financial year. The research will be conducted using qualitative methods. Researchers will evaluate the disclosure of Company Sustainability Reports using IFRS S1 and S2 guidelines. Evaluation is carried out by comparing the Sustainability Report of PT. Bank Mandiri in 2023 with sustainability reporting standards in accordance with IFRS S1 and IFRS S2. The results of this research evaluate the Company's Sustainability Report based on IFRS S1 and S2 standards. The company generally meets the requirements of IFRS S1, especially in governance disclosures, but is deficient in aspects of strategy and risk management. Disclosure of metrics and targets is still inadequate. The IFRS S2 evaluation shows that most of the requirements are met thanks to experience with TCFD and SE-OJK 16/2021, but strategic aspects related to climate change are still lacking. Despite progress, companies need to increase transparency and thoroughness in preparing sustainability reports according to more detailed standards.

Keyword: IFRS S1 Standard, IFRS 2 Standard, Sustainability Report

INTRODUCTION

In the last few periods, discussions about sustainability have started to become hotly discussed. This was triggered by increasingly worsening environmental, social and economic issues. This condition triggers companies to provide information related to conditions other than just their financial condition. In particular, the President of Indonesia inaugurated the Indonesian Carbon Exchange in September 2023. This event reflects Indonesia's seriousness in responding to world climate issues. Indonesia's GHG emission reduction target is 31.89% without conditions and without interference in the form of international assistance by 2030 and to achieve net zero or carbon neutral by 2060.

Based on a survey conducted by KPMG (2020), as many as 80% of companies listed on world stock exchanges have published sustainability reports. BEI (2022) informs that there are 154 companies that publish their sustainability reports. This figure increased 154% from the previous year which was only 54 issuers. During 2022, 80% of companies in Indonesia will use GRI as a guideline in publishing sustainability reports (*Sustainability Counts II*, 2023). On the other hand, the use of the TCFD Framework as a basis for sustainability reporting in Indonesia will increase to 10% in 2022 (PwC, 2023). This indicates that companies in Indonesia are starting to integrate climate change risks into their risk management, both through adaptation and mitigation efforts. Several frameworks and recommendations have been launched from various institutions and agencies with their respective provisions. There are three major proposals that will be used as reporting standards, namely, EFRAG (European Financial Reporting Advisory Group) launching ESRS (European Sustainability Reporting Standards), ISSB (International Sustainability Standards Board) publishing IFRS Sustainability Disclosure Standards, and the American Stock Exchange Committee (US SEC) which launched The Enhancement and Standardization of Climate-Related Disclosures for Invest. On the other hand, there are also GRI 2021 Standards published by GRI (Global Reporting Initiative). This standard focuses on the impact of company activities on the surrounding conditions economically, environmentally and socially. GRI Standards have not been able to provide adequate information for investors regarding the impact of sustainability on the Company. Based on research conducted by PwC (2023), there are 81% of companies in Asia Pacific that use the GRI Standard as a sustainability reporting guide.

SASB Standards prepared by SASB (Sustainability Accounting Standards Board). The SASB Standard consists of 77 different industries, each company is encouraged to refer to one of the various industries in the preparation of its sustainability report so that the materiality concept expressed has been adapted for each industry. The FSB (Financial Stability Board) also published the TCFD (Task Force on Climate-Related Financial Disclosure) which focuses on the impact of company activities on climate change and the impact of climate change on the company's financial condition. In contrast to Financial Reports which are mandatory and have IFRS (International Financial Accounting Standard) as an internationally recognized reporting standard, Sustainability Reports tend to be voluntary and there are no internationally regulated standards. This results in a lack of uniformity in information between companies, making it difficult to make comparisons. Therefore, the ISSB (International Sustainability Standards Board) in June 2023 published two IFRS Sustainability Disclosure Standards, namely IFRS S1 regarding General Requirements and IFRS S2 Climate-Related Disclosures. Implementation of this Standard will come into effect in 2024.

The ISSB is supported by the G7, G20, IOSCO, Financial Stability Board, African Ministers of Finance and Finance Ministers and Central Bank Governors from more than 40 jurisdictions. The widespread adoption of ISSB Standards by jurisdictions around the world reflects confidence in implementing ISSB Standards into regulatory frameworks. The ISSB Standards provide comprehensive guidance on sustainability disclosure standards that can be collaborated with jurisdictional requirements to meet stakeholders' information needs. As with IFRS Accounting Standards, each jurisdiction has authority in deciding whether to mandate the use of IFRS Sustainability Disclosure Standards. ISSB also collaborates with jurisdictions around the world in order to encourage regulatory implementation of its Standards. These efforts benefit companies by increasing reporting efficiency and reducing the risk of uncertainty for users of the information.

In terms of improving sustainability reporting, the Indonesian Government through the Financial Services Authority (OJK) issued regulations regarding the obligation to report sustainability reports through regulation number 51/POJK.03/2017. This regulation stipulates that all issuers, financial service institutions and public companies are required to prepare and report sustainability reports. Furthermore, OJK launched SE OJK Number 16/SEOJK.04/2021 which contains the form and content of sustainability reports. In this POJK, issuers are also encouraged to convey strategies and performance achievements for each aspect in the sustainability report. According to Lloret (2015), a sustainability strategy is considered important for the continuity of a company's business, the formulation of an appropriate sustainability strategy will provide a competitive advantage for the company compared to its competitors.

In November 2023, the IAI (Indonesian Association of Accountants) determined the formation of the IAI DSK (Sustainability Standards Council) and the IAI DP-SK (Sustainability Standards Monitoring Council). This formation was carried out to provide supporting tools in the process of implementing sustainability reporting in Indonesia. The IAI DP-SK and DSK membership consists of various stakeholders, including from the Ministry of Finance, Ministry of Environment and Forestry, Bank Indonesia, Financial Services Authority, as well as industry representatives, academics and practitioners who understand sustainability aspects well. DPSK IAI is tasked with providing strategic direction and recommendations to DSK IAI regarding the preparation of sustainability disclosure standards in Indonesia. The ISSB standard is considered an adequate standard because it is a standard that allows companies to convey information that is useful, consistent, and comparable globally. The ISSB standards were formed as a result of the consolidation of previously existing initiatives such as TCFD, CDSB, SASB and Integrated Reporting. The ISSB focuses on simplifying content and allowing for additional jurisdictional requirements and GRI Standards so that companies can avoid duplication of reporting.

The possible benefits for companies that implement ISSB Standards are improved data quality, which is expected to have a positive impact on governance, strategy, access to capital, reputation, and employee and stakeholder engagement. Sustainability reporting can increase corporate value by better communicating sustainability initiatives to stakeholders (Friske et al., 2023). The implementation of IFRS S1 and IFRS S2 will help companies simplify their sustainability reporting process, providing better information to assist investors in the investment decision making process. In terms of investing, the concept of sustainability is also a topic that is considered when making decisions. The aspects considered in sustainability investments are not only related to financial objectives but also non-financial objectives such as environmental, social and governance aspects (Pástor et al., 2021). In their research, Broadstock et al. (2021) argue that by paying attention to ESG (Environment, Social, Governance) aspects, investors have more potential to improve the performance of managed portfolios and obtain maximum returns. Investments that do not only consider financial factors but also include environmental, social and corporate governance criteria are referred to as sustainable investments (Kehati Foundation, nd).

The Kehati Foundation has made a major contribution to the realization of a sustainable investment climate. The Kehati Foundation was founded in 1994 with the aim of collecting resources to be distributed in the form of grant funds to support various programs to preserve Indonesia's biodiversity and its fair and sustainable use. In 2009, the Kehati Foundation collaborated with the BEI (Indonesian Stock Exchange) to launch the SRI-KEHATI Index. The SRI-KEHATI index contains 25 companies that are considered profitable and always manage sustainable development based on SRI (Sustainable Responsible Investment) principles, as well as considering environmental, social and governance (ESG) principles. The assessment of this index is based on the United Nations' Principles for Responsible Investment (PRI). The launch of this index aims to provide guidance for investors who are interested in investing in issuers that apply SRI principles.

Since its launch, this Index has shown positive growth performance. Based on data from the IDX, the SRI-KEHATI Index experienced growth of 28.8 percent during 2019 (before the pandemic occurred). Tolkach (2023) stated that the total funds managed by mutual funds which refer to the ESG stock index were IDR 3.4 trillion in October 2021 and the total funds managed under investment in UNPRI (United Nations of Principle of Responsible Investment) was IDR 121.3 trillion. This is the underlying factor for the launch of a new sustainability-related index in 2021, namely the ESGSL (ESG Sector Leader) Index. The ESGSL Index contains a list of shares of several companies with ESG performance implementation values above the industry average according to the sector according to the Indonesian Stock Exchange. The ESGSL Index was launched in response to the needs of global and domestic investors to invest in shares in the Indonesian capital market that integrates ESG aspects. Based on data from the IDX, the ESGSL Index will experience positive growth, namely 14.2% during 2023.

ISSB's efforts to publish sustainability reporting standards that can apply globally are an important event for all jurisdictions in the world. In the Indonesian government, Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector requires Financial Sector Business Actors, issuers and the public to prepare a Sustainability Report. The existence of a sustainability-related index that has been launched on the capital market supports a sustainable economic climate in Indonesia. In addition, there are regulations regarding sustainability reporting for LJKs which refer to international standards published by the OJK. The implementation of sustainability reporting standards is becoming increasingly evident in Indonesia with the formation of the IAI DP-SK and IAI DSK as preparers of sustainability reporting standards that are in line with international standards. In 2024, Bank Mandiri has published an IFRS S1 and S2 based Sustainability Report for the 2023 financial year ahead of the ISSB implementation recommendation. This implementation provides greater room for improvement for the company so that for the 2024 financial year, the company can publish a Sustainability Report based on IFRS S1 and S2 with more maturity than its competitors. This thesis was carried out based on the sustainability report of PT Bank Mandiri Tbk as study material. This is based on several factors, namely that there are domestic regulations, namely POJK 51, which apply to the financial sector, which is the company's industrial sector. Apart from that, the banking sector is the sector with the largest proportion in the SRI-KEHATI Index and ESGSL Index lists.

Bank Mandiri shows its commitment to supporting Enhanced Nationally Determined Contributions (ENDC) Indonesia by establishing a strategy for the next five years with the aspiration of "Becoming Indonesia's Sustainability Champion for a Better Future". This shows Bank Mandiri's seriousness in responding to sustainability issues within its company. Bank Mandiri ranks second in the KEHATI and ESGSL Indexes for the March 2024 period. With improvements to sustainability reporting based on IFRFS S1 and S2, it is hoped that the company can improve its position. This research aims to evaluate the Sustainability Report of PT. Bank Mandiri Tbk in 2023 based on IFRS S1 and S2 to find aspects that are not in accordance with the requirements issued by the ISSB and provide recommendations for improvement.

The COVID-19 pandemic has had a significant impact on the development of sustainability reporting. The COVID-19 pandemic has had a global impact in terms of weakening supply chains, labor markets, credit quality and liquidity which are weaknesses in the financial system (Future of Sustainability in Investment Management: From Ideas to Reality, 2020). On the other hand, (Franklin, 2020) in his research stated that climate change could increasingly affect the vulnerability of the financial system and test its resilience. This suggests that there is a possibility of a pandemic emerging in the future as a result of anthropogenic climate change and deforestation.

Businesses hit by the financial crisis as a result of the pandemic, may not prioritize environmentally friendly policies and initiatives (Amankwah-Amoah, 2020). Companies that are wise in managing environmental or other social risks are said to be ready to face any situation and have quite good mitigation efforts (Whieldon et al., 2020). Research conducted by Albuquerque et al. (2020) stated that during 2020, companies with better ESG scores obtained relatively higher stock returns and experienced lower volatility. Funds with lower environmental and governance risks attract the most investment and generate greater stock returns (Broadstock et al., 2021; Ferriani & Natoli, 2021)

Stakeholders demand that companies take an economic, social and environmental approach in company activities. The results of this research are supported by research by (Nobanee & Ellili, 2016) that disclosing issues related to sustainability to stakeholders will increase the accountability and transparency of company operations, thereby helping investors carry out appropriate evaluations.

The sustainability report prepared will improve the company's achievements so that in the long term, it can increase the company's income, as well as become a guide for assessing company performance. By conducting research on 95 American public companies in 2015 - 2016, information was obtained that there was a positive and significant influence between sustainability reporting on return on equity, return on assets and profit margin of a company in the following year (Whetman, 2018). Sustainability, reporting has a negative impact on company performance in the short term and a positive impact on company performance in the long term (Garg, 2015). Research conducted by Eccles et al. (2014) with a sample of 180 companies in the United States shows that companies with a high level of sustainability significantly outperform similar companies in the long term, both in stock market performance and financial performance. Disclosure of environmental, social and governance (ESG) sustainability reporting shows a positive relationship to reputation changes in companies listed on the China Stock Exchange in 2018 - 2023 (Ul Abideen & Fuling, 2024).

As part of the G20, Indonesia is working to implement IFRS S1 and S2 standards which are published globally. This aims to provide disclosure of sustainability information that can be compared globally. For this reason, IAI (Indonesian Accountants Association) as a professional organization for professional accountants in Indonesia, initiated the formation of the Sustainability Standards Council (DSK IAI). In 2023, the IAI DPN formed the IAI DP-SK (Sustainability Standards Monitoring Council) and IAI DSK (Sustainability Standards Council) which have the authority to prepare sustainability standards in Indonesia and monitor the process of their preparation. The formation of these two sustainability councils is a continuation of the formation of the TF CCR IAI (Task Force Comprehensive Corporate Reporting) which was formed in 2020 as an effort to support preparations for the implementation of sustainability reporting in Indonesia. These two councils were formed based on a two tiers governance mechanism to increase accountability in the preparation process. As a supervisory board, DP-SK IAI has a governance function, strategic function and supervisory function over DSK IAI. On the other hand, DSK IAI has the authority to prepare, formulate and implement sustainability standards. The formation of the IAI DP-SK and IAI DSK reflects Indonesia's active efforts to ensure that the sustainability reporting standards used in Indonesia are in harmony with and follow global developments.

The banking industry in Indonesia is closely related to the publication of the latest sustainability reporting standards, namely IFRS S1 and S2 by the ISSB. The Financial Services Authority (OJK), as the institution that supervises the financial services sector, launched POJK 51 in 2017 which requires all financial services entities to present sustainability reports. So, with the launch of IFRS S1 and S2, there is a big possibility for the banking industry to implement it in the near future. The formulation of the problem in this research is related to how to evaluate company sustainability reports based on new concepts in sustainability reports, namely IFRS S1 and S2 which have been applied globally and how sustainability aspects have been internalized within the Company.

METHOD

This research was carried out using secondary data sources collected from various sources which are not limited to company sustainability reports but also from various electronic literature sources. In addition, researchers will collect additional data in the form of interviews with related parties if the required data sources are inadequate. This research evaluates the company's 2023 Sustainability Report, especially on the presentation of indices according to IFRS S1 and S2 with the provisions stipulated in IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

RESULTS AND DISCUSSION

Discussion of Sustainability Report Evaluation Results based on IFRS S1

Based on the results of the evaluation of aspects of disclosure in the Company's Sustainability Report that has been carried out, it was found that in general the Company has fulfilled the sustainability reporting requirements referring to IFRS S1 regulations. According to (Heinzle, 2023), there are several challenges in implementing IFRS S1 in preparing sustainability reports, including the need for precise definitions of the information to be disclosed. In the governance aspect, information disclosure by the Company is close to 100%. Governance disclosures aim to enable readers to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities. These results are in line with research (Tenuta, 2010)which states that sustainability reports are a means of communication with stakeholders. Investors often consider corporate sustainability disclosures in their portfolio assessments (Schramade, 2017). On the other hand, publishing reports can give companies better access to capital (Dhaliwal et al., 2011).

Figure 1. Governance Disclosure

Governance		
a) Board's oversight of sustainability-related risks and opportunities	Responsibilities for sustainability-related risks and opportunities, skill	129
	Process and frequency of information	129
	Influence on business planning and goals	129
	How the board assesses progress against goals	129
b) Management's role in assessing and managing sustainability-related risks and opportunities	Responsibilities for sustainability-related risks	263
	Description of organization structure	263
	Process of communication	263
	Process for monitoring	263

Source: Bank Mandiri, 2023 Sustainability Report p. 312

In disclosing aspects of the Strategy, there are many provisions that have not been fulfilled by the company. Companies have not even been able to identify the risks and opportunities related to sustainability that they may face. A company's inability to comply with IFRS S1 requirements can be caused by the lack of resources involved in collecting, structuring and evaluating data due to the implementation of IFRS S1 reporting (Heinzle, 2023). In addition, considering that this guide is a new standard, it requires a comprehensive process and implementation of appropriate policies. This requires additional work and possibly increased costs for the company (Heinzle, 2023).

Figure 2. Strategy Disclosure

Strategy		
a) Strategy for managing sustainability-related risks and opportunities	Sustainability-related risks and opportunities	82
	Effects on the business model and value chain	82
	Effects on strategy and decision-making	82
	Effects on financial position, financial performance and cash flows	82
	The resilience of the strategy and business model	82
b) Sustainability-related risks and opportunities	Sustainability-related risks and opportunities that could reasonably be expected to affect the prospects and time horizons	82
c) Business model and value chain	Current and anticipated effects of sustainability related risks and opportunities on the business model and value chain and where it concentrated	82
d) Strategy and decision-making	Respond to sustainability-related risks and opportunities, progress, and trade-offs	82
e) Financial position, financial performance and cash flows	the effects of sustainability-related risks and opportunities on the financial position, financial performance and cash flows and anticipated effects	82
f) Resilience	Qualitative and, if applicable, quantitative assessment of the resilience of strategy and business model in relation to its sustainability-related risks	280

Source: Bank Mandiri, 2023 Sustainability Report p. 312

In disclosing aspects of the Strategy, there are many provisions that have not been fulfilled by the company. Companies have not even been able to identify the risks and opportunities related to sustainability that they may face. A company's inability to comply with IFRS S1 requirements can be caused by the lack of resources involved in collecting, structuring and evaluating data due to the implementation of IFRS S1 reporting. In addition, considering that this guide is a new standard, it requires a comprehensive process and implementation of appropriate policies. This requires additional work and possibly increased costs for the company (Heinzle, 2023).

Figure 3. Strategy Disclosure

Strategy		
a) Strategy for managing sustainability-related risks and opportunities	Sustainability-related risks and opportunities	82
	Effects on the business model and value chain	82
	Effects on strategy and decision-making	82
	Effects on financial position, financial performance and cash flows	82
	The resilience of the strategy and business model	82
b) Sustainability-related risks and opportunities	Sustainability-related risks and opportunities that could reasonably be expected to affect the prospects and time horizons	82
c) Business model and value chain	Current and anticipated effects of sustainability related risks and opportunities on the business model and value chain and where it concentrated	82
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e) Financial position, financial performance and cash flows	the effects of sustainability-related risks and opportunities on the financial position, financial performance and cash flows and anticipated effects	82
f) Resilience	Qualitative and, if applicable, quantitative assessment of the resilience of strategy and business model in relation to its sustainability-related risks	280

Source: Bank Mandiri, 2023 Sustainability Report p. 312

The results of the risk management aspect disclosure evaluation indicate that the Company has not been able to fulfill all IFRS S1 requirements. This is because the Company has not been able to identify risks and opportunities related to its sustainability so that the risk management's process cannot be assessed as correct even though the Company has provided an explanation of the risk management's process in the Sustainability Report. Risk disclosure positively influences stock return volatility and increases market liquidity (Kassamany et al., 2023).

Figure 4. Risk Management Disclosure

Disclosure		Page
Risk Management		
a) Process to assess sustainability-related risks	Risk management process	277
	Existing and emerging regulatory requirements	277
	Process for assessing size and scope of risk	277
b) Process to manage sustainability-related risks		277
c) Integration of risk process into overall risk management		277

Source: Bank Mandiri, 2023 Sustainability Report p. 313

In disclosing aspects of Metrics and Targets in sustainability reports, companies have not fulfilled the requirements to present information on the methods used to calculate metrics and the input for their calculations. It is important to develop financial reporting formats in which beneficiaries of ecosystem services can make management decisions based on the information contained therein (Arbidane et al., 2023). Subramaniam et al. (2020) found that significant and transparent disclosure of measurements related to the SDGs has not yet become a common practice considering that regulations regarding non-financial reporting are relatively new.

Figure 5. Disclosure of Metrics and Targets

Metrics And Targets	
a) Metrics used to applicable IFRS Sustainability Disclosure Standard	82
b) Describe targets used	82

Source: Bank Mandiri, 2023 Sustainability Report p. 313

The results of this sustainability report disclosure evaluation are in line with research conducted by Kılıç & Kuzey (2018) that the aspects that are most frequently disclosed are the general description of the organization and external environment, governance, risks and opportunities, while the prospect and strategy aspects have the least level of disclosure. Companies that disclose higher ESG aspects have a lower risk of default (Atif & Ali, 2021). This aims to attract investors with a guarantee that the company will try to fulfill its obligations. Furthermore, companies with a higher level of transparency in the dissemination of ESG information benefit from access to third-party financial resources on better terms (Sierra-Garcia et al., 2018).

Discussion of Sustainability Report Evaluation Results based on IFRS S2

Based on the results of the evaluation of aspects of disclosure in the Company's Sustainability Report that has been carried out, it was found that in general the Company has fulfilled the sustainability reporting requirements referring to IFRS S2 regulations. One factor is that Bank Mandiri has experience in preparing sustainability reports based on TCFD and SE-OJK 16/2021. Considering the fact that IFRS S2 was developed based on the same four components as TCFD. According to Lundholm & Van Winkle (2006), there are several possibilities for companies not disclosing information, namely not knowing any information to disclose, not being able to provide information without incurring costs, or not caring about their company's current share price. Discussion regarding the evaluation of governance disclosures has been carried out in the previous sub-chapter because the data used is the same so as to produce the same evaluation output. Evaluation of disclosure of strategic aspects in the sustainability report states that the Company is still unable to fulfill all provisions in accordance with IFRS S2. In conveying its strategy, the company has not stated its consideration of the risks and opportunities resulting from climate change. The strategies outlined have not been allocated for each time period. Furthermore, the company does not disclose the impact of risks and opportunities related to climate change on its financial performance and financing plans. These results are supported by research by Albetairi et al. (2018) which states that companies are careful in disclosing information about opportunities and risks because they can influence stakeholder decision making. Companies tend to avoid disclosing unfavorable information or produce disclosure practices that have the potential to have a negative impact (Caputo et al., 2021).

Figure 6. Governance Disclosure

Governance		
Board's oversight of climate related risks		
	Process and frequency of information	129
	Influence on business planning and goals	129
	How the board assesses progress against goals	129
b) Management's role in assessing and managing climate-related risks		
	Responsibilities for climate-related risks	263
	Description of organization structure	263
	Process of communication	263
	Process for monitoring	263

Source: Bank Mandiri, 2023 Sustainability Report p. 314

Companies seek to increase strategy disclosure by prioritizing prudence, but there are internal challenges and busines risks that prevent them from disclosing too much of their strategy (Al Amosh & Mansor, 2021).

Figure 7. Strategy Disclosure

Strategy		
a) Near, medium and long-term climate-related risks		
	Description of time horizons	84
	Specific risks that could be material for each time horizon	84
	Process to determine material risks	84
b) Impact on business, strategy and planning		
	Impact on business and strategy	86
	Impact on financial planning, timing and prioritization	86
	How risks are integrated into current decision-making and strategy formulation	86
	Describe climate-related strategies	86
c) Resilience of strategy using 2-degree or lower scenarios		85

Source: Bank Mandiri, 2023 Sustainability Report p. 314

The company's risk management aspects have been disclosed in accordance with the requirements according to IFRS S2. The purpose of this disclosure is to provide an understanding of the entity's processes for managing and monitoring risks and opportunities related to sustainability. Disclosure of risk management due to climate change can be influenced by investors' requests to disclose climate risks (Ilhan et al., 2023). The company also provided a presentation regarding the scenario analysis process which shows the company's response to facing risks and opportunities related to climate change. Fulfillment of requirements based on IFRS S2 by a company can be caused by the company wanting to attract more foreign investors considering that more than 30% of the proportion of company shareholders are foreigners. This is supported by research (Madyan & Widuri, 2023) that foreign investors invest more in companies with better ESG performance, and the influence is stronger on companies that disclose information due to climate change.

Figure 8. Risk Management Disclosure

Risk Management		
a) Process to assess climate-related risks		
	Risk management process	86
	Existing and emerging regulatory requirements	86
	Process for assessing size and scope of risk	86
b) Process to manage climate-related risks		277
c) Integration of risk process into overall risk management		277

Source: Bank Mandiri, 2023 Sustainability Report p. 314

The company's performance in disclosing aspects of metrics and targets is still far from what is required in IFRS S2. The company does not provide information regarding cross-industry metrics which include the amount of Greenhouse Gas emissions, business activity plans in responding to climate change risks, the amount of financing used to deal with climate change risks and how entities in different industries include climate change elements in decision making. Apart from that, Bank Mandiri has also not reported detailed industrial metrics along with comparisons with the company. Research by Sierra-Garcia et al. (2018) states that there is a legislative role in increasing the disclosure of non-financial information by entities. In Indonesia itself, regulations regarding disclosure of sustainability information are regulated in POJK 51/2016 and the reporting structure is in SE-OJK 16/2017. Regarding the two regulations that apply to financial services institutions in Indonesia, there are no provisions for companies to present metric information between industries and within similar industries.

Figure 9. Disclosure of Metrics and Targets

Metrics And Targets	
a) Metrics used to assess climate-related risks	82
b) Scope 1 and Scope 2 emissions	82
c) Describe targets used	82

Source: Bank Mandiri, 2023 Sustainability Report p. 314

CONCLUSION

This research evaluates Company Sustainability Reports based on IFRS S1 and IFRS S2 standards. The findings show that the company generally meets the requirements of IFRS S1, especially in disclosure of governance aspects, which is almost 100%. This supports Heinzle's (2023) statement regarding the challenges in defining the information that must be disclosed. However, there are deficiencies in the strategy and risk management aspects, which show that the company still has difficulty identifying risks and opportunities related to sustainability and has not fulfilled all IFRS S1 reporting requirements. In disclosing metrics and targets, the company has not presented the calculation methods and inputs adequately. This is in line with the findings of Subramaniam et al. (1968) that transparency in measurements related to SDGs has not yet become common practice. This evaluation of IFRS S1 disclosures is consistent with research by Kılıç & Kuzey (2018) which found that governance aspects were disclosed the most, while prospects and strategies were disclosed the least. The limitations of this research are that this research is only based on the Annual Report and Sustainability Report published by Bank Mandiri and information published by the company. Evaluation based on IFRS S2 shows that the company has fulfilled most of the requirements, especially due to experience in preparing reports based on TCFD and SE-OJK 16/2021. Disclosure of governance and risk management is adequate, but strategic aspects are still lacking, especially regarding consideration of risks and opportunities due to climate change and its impact on financial performance. In terms of metrics and targets, the company is still far from meeting the requirements of IFRS S2. There is insufficient information regarding cross-industry metrics, greenhouse gas emissions, and business plans to respond to climate change risks. Sierra-Garcia et al. (2018) emphasize the role of the legislature in increasing the disclosure of non-financial information. In Indonesia, existing regulations (POJK 51/2016 and SE-OJK 16/2017) do not yet regulate inter-industry metric provisions in detail. Overall, despite progress in meeting IFRS standards, companies still need to increase transparency and rigor in preparing sustainability reports according to newer and more detailed standards.

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