How is the proliferation of global guidelines impacting sustainability reporting practices in Indonesia?

A study of selected Indonesian listed companies throughout 2019-2024

December 2025

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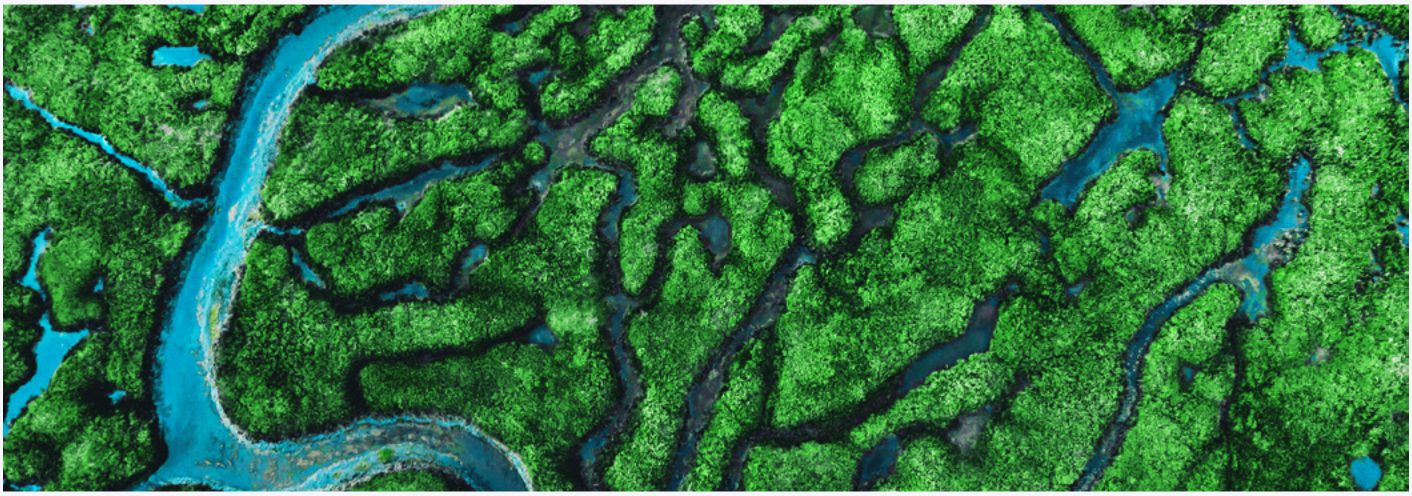
Contents



Executive summary

There is a rising focus, either mandatory or voluntary, on disclosing environmental, social and governance (ESG) information globally in the form of a sustainability report or equivalent terms. Since 2017, the Indonesian Financial Services Authority (OJK) has enforced a regulation to mandate businesses to disclose their non-financial performance. Aside from OJK regulation, there are global standards and/or guidance for sustainability reporting that may overwhelm reporters. Various stakeholders might have different interests and expectations towards the extent of information disclosed by reporting companies. With different ways of operating across sectors, there are also a staggering number of approaches to document performance, setting targets and narrating achievements to the public.

EY Climate Change and Sustainability Services (CCaSS) Indonesia developed this research to align companies, regulators and other stakeholders on the importance of sustainability reporting and the readiness of Indonesian companies for the upcoming standards. The scope of observed sustainability reports in our research was limited to reports for the year 2019-2024 published by constituent companies of the **Kompas100 index** (further referred in this research as 'observed companies') – an index that measures and ranks 100 companies' stock price performance of companies listed on the Indonesia Stock Exchange (IDX) based on market capitalization, liquidity and company fundamentals. These observed companies cover IDX-listed companies who are obligated to perform sustainability reporting under existing regulations and represent a diverse range of sectors.

Our research on the sustainability reporting practices among observed companies outlines seven key insights:

1. National regulations significantly influence the sustainability reporting practices of observed companies, which have fully adopted OJK Regulation No. 51/POJK.03/2017 (POJK 51) and OJK Circular Letter No. 16/SEOJK.04/2021 (SE OJK 16). These regulations mandate annual sustainability reports and encourage alignment with global standards such as Global Reporting Initiative (GRI) Standards. The adoption of multiple reporting guidelines reflects a commitment to transparency and investor demand responsiveness, with companies tailoring disclosures to sector-specific sustainability challenges and expectations. This trend underscores the evolving landscape of sustainability reporting in Indonesia.

2. In reporting year 2024, observed companies across all sectors exhibited diverse approaches to sustainability reporting, influenced by regulatory frameworks and industry peer practices. Sectors with higher representation in the index demonstrated a proactive stance by adopting multiple reporting guidelines, while sectors with lower representation in the index tended to focus on POJK 51 and GRI Standards. The significant uptake of GRI Standards highlights its critical role in shaping the sustainability reporting practices in Indonesia.

3. The practice of materiality assessment is beneficial in allowing companies to focus their resources on the most material and relevant sustainability topics related to their operations and business nature. With constantly evolving methods of assessing materiality, stakeholder engagement remains a crucial aspect of the process, although progress remains uneven across sectors. The growing complexity of double materiality highlights the need to treat materiality assessment as more than a reporting exercise but rather examining both 'inside-out' (impact materiality) and 'outside-in' (financial materiality) perspectives in understanding the most material topics to be reported.

4. The landscape of sustainability governance among observed companies demonstrates a growing commitment, as evidenced by the increasing adoption of formal governance structures. However, explicit disclosure of board oversight of sustainability-related risks and opportunities (SRROs) remain limited, especially outside the financials sector. Enhancing SRROs oversight disclosure is crucial to improving transparency, strengthening stakeholders' understanding of how companies manage sustainability challenges, and supporting long-term resilience.

5. More than half of observed companies in 2024 are disclosing SRROs and their risk management processes, while some adopted climate scenario analysis. IFRS S1 and S2 encourages companies to integrate SRROs into their risk management processes and utilize climate scenario analysis to anticipate future challenges and potential impacts on business strategies. While the financials sector leads in reporting these risks, many companies still lack detailed descriptions of their risk management practices.

6. Long-term climate commitments disclosures have been escalating, yet fragmented adoption across sectors persists, with complexities like Scope 3 emissions reporting, among other factors causing inconsistent transparency. To address these, the development of more rigorous standards such as the IFRS S1 and S2, which mandate comprehensive greenhouse gas (GHG) reporting across all three scopes, is essential in establishing a strong foundation for setting and achieving net-zero targets.

7. While the number of assured sustainability reports is gradually increasing, most companies still publish non-assured reports. The low rate of sustainability assurance among observed companies in Indonesia is primarily due to its voluntary nature and the absence of regulatory mandates. However, as market dynamics evolve and concerns about greenwashing and data accuracy intensify, third-party assurance is expected to surge. Looking ahead, the anticipated introduction of IFRS S1 and S2 is expected to reshape the assurance landscape. This shift will enhance credibility and align Indonesian companies with global practices.

We also developed this research to acknowledge the efforts that have been made by companies in the past few years, regulators that have set up the foundation for sustainability reporting and other stakeholders that have supported the momentum. We hope this research can serve as a channel to unite all of us in disclosing transparently and focusing on the remarkable sustainability journey for Indonesia.

About this research

Objective

Understanding the increasing global interest in sustainability information, this research is designed to help companies, regulators, policymakers, investors, and other stakeholders follow the changes in sustainability reporting trends and strategize potential actions items to close gaps between current reporting practices and both current and upcoming reporting standards.

The insights in this research cover 11 sectors, capturing different reporting needs, providing recommendations on observed challenges, and assisting in the preparation for future reporting requirements for different sectors.

Scope

The Indonesia Stock Exchange (IDX) has collaborated with an Indonesian media corporation, Kompas (Kompas daily newspaper), to develop **Kompas100 index** – an index featuring 100 companies measured by the stock price performance of relatively large market capitalizations and their liquidity. The scope of observed sustainability reports in this research was limited to reports for the years 2019-2024 published by constituent companies of the **Kompas100 index** (further referred to in this research as 'observed companies'). There are 11 sectors in the index, namely basic materials, consumer cyclicals, consumer non-cyclicals, energy, financials, healthcare, industrials, infrastructures, properties and real estate, technology, along with transportation and logistics. It is important to note that the list of companies included in the index changes based on the result of major reviews occurring every January and July each year. The analysis focuses on the result of the January review.

On average, there has been an annual change of approximately 14% of the companies listed in the index. This research analyzed a total of 176 unique companies in the past six years. The research allowed the identification of year-on-year reporting trends and an analysis of the reasoning behind such trends.

Method

This research was conducted as a desktop analysis, during which publicly available sustainability reports, sustainability information integrated into annual reports and company websites were examined.

Specifically, this research was based on the assessment of the following aspects:

- Whether the company releases a sustainability report
- Which sustainability standards are adopted
- What the processes are for assessing aspects deemed as material to the company, and whether details of the assessment are provided
- Whether the company identifies its stakeholders and engages them in the materiality assessment
- Which sustainability topics the company identified as material
- Whether the company establishes sustainability governance and board oversight
- Whether the company discloses a sustainability strategy
- Whether the company discloses sustainability-related risks and opportunities, along with the processes for identifying, assessing, prioritizing, and monitoring these risks and opportunities
- Whether the company pledges any climate targets
- Whether the company measures its greenhouse gas (GHG) emissions and discloses GHG emissions reduction targets
- Whether the company obtains external assurance for the sustainability report

Results and limitations

The seven key insights identified encompass the growth of corporate sustainability reporting and the depth of those reports. These insights are supported by quantitative and qualitative data derived both from the analysis of observed companies and EY Climate Change and Sustainability Services (CCaSS) Indonesia's experience in assisting various companies in reporting their sustainability performance. As it is based solely on desk research of publicly available sustainability reports, this research might not exhaustively cover the observed companies' actual performance.

Insight 1

Amidst the observed companies, sustainability reporting is shifting from niche to norm

The observed companies have demonstrated four consecutive years of full adoption of sustainability reporting since 2021, transitioning from annual reports containing sustainability information to comprehensive standalone sustainability reports, reflecting significant progress in corporate transparency and accountability.

The influence of national regulation on the observed companies' sustainability reporting

In 2017, OJK issued OJK Regulation No. 51/POJK.03/2017 (POJK 51) regarding the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies that mandates the publication of an annual sustainability report, using a phased implementation approach starting from 2020.[4] In 2021, OJK further reinforced the efforts by issuing OJK Circular Letter No. 16/SEOJK.04/2021 (SE OJK 16), which outlines the Form and Content of Annual Report for Issuers and Public Companies.[1] The introduction of SE OJK 16 provides comprehensive guidance on the principles, structure, format and content of sustainability reports in Indonesia, supporting the implementation of POJK 51.

Sustainability reporting practices of the observed companies may have been significantly influenced by POJK 51. However, it cannot be attributed solely to regulatory measures. Pressures from peers and the market, along with supply chain considerations and the drive for global alignment, are significantly influencing corporate behavior. Investor demand is also one of the strongest forces at play. As sustainability becomes a central focus in global investment decisions, capital providers are seeking transparent and comparable disclosures that enable them to assess risk and resilience effectively. Propelled by both regulatory alignment and investor demand, sustainability reporting serves as a universal means to transparently inform stakeholders about a company's non-financial information.

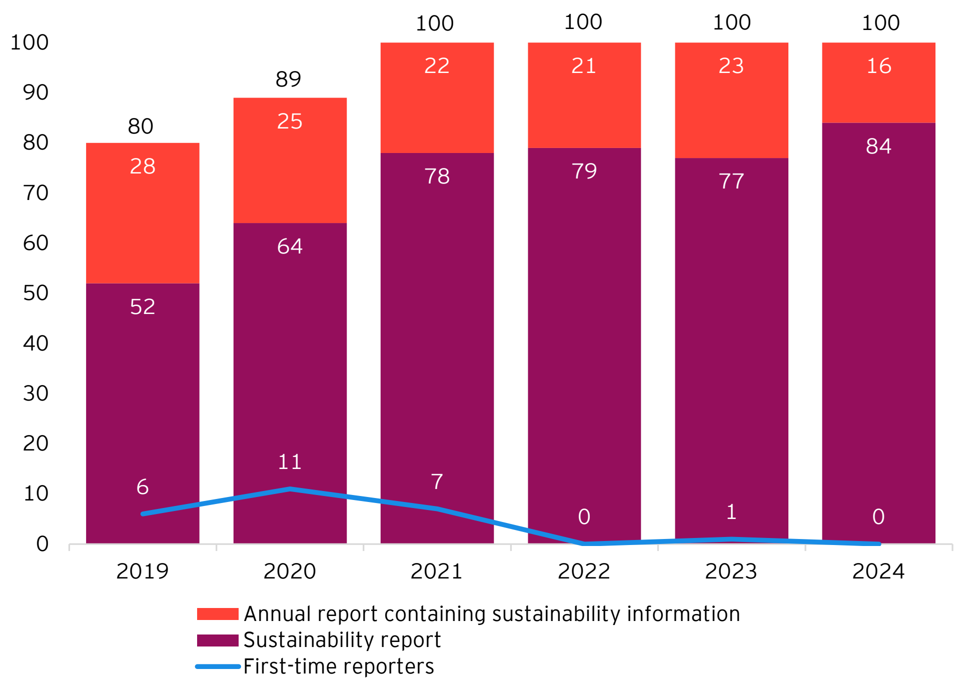
A spectrum of formats towards one goal of transparency

"Sustainability report (SR)" or "environmental, social and governance (ESG) report" refers to a standalone document containing sustainability targets, past performance and other non-financial information. This sustainability information, however, can also be integrated within an annual report (AR). SE OJK 16 allows IDX-listed companies the flexibility to choose either format.

To understand how sustainability reporting has changed, this research analyzed six years of reporting trends, including preferences and trends of reporting formats. Furthermore, we also reviewed the number of observed companies issuing a sustainability report—or any equivalent term—inaugurally that year, referred to as "first-time reporter". A company was classified as a first-time reporter if its initial sustainability-related report was publicly accessible.

However, data on first-time reporters are not only understood as those publishing their first standalone sustainability report, but are also for companies that have reported sustainability performance within their annual reports. For instance, disclosures on CSR programs, waste management programs, number of employee training, number of recorded injuries, policies on occupation insurances and others. Therefore, we categorized sustainability performance data within annual reports as "annual report containing sustainability information", as illustrated in Figure 1.

Figure 1. Number of companies which reported their sustainability performance (2019-2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Based on Figure 1, sustainability report issuance among observed companies has shown a steady rise over the past six years. In 2019, a total of 80 companies disclosed their sustainability performance, with 52 publishing standalone SRs and 28 publishing it as part of their ARs. By 2020, the number of reporting companies grew by 11% to 89, driven by a sharp rise in 64 standalone SR, while ARs containing sustainability information remained stable at 25. A significant increase in first-time reporters can be observed in 2020 with 11 companies reporting their sustainability performance for the first time.

The six-year statistics depict that disclosure practices have become both more widespread and more structured over time. While annual reports containing sustainability information remain relevant, standalone SRs have emerged as the preferred format, particularly in recent years. By separating sustainability disclosures from the annual report, companies can present a clearer and more comprehensive view of their ESG strategies, performance and future commitments.

Various tools used in navigating the landscape of sustainability reporting

Given the diverse audience of reporting along with differing informational needs, companies often utilize internationally recognized tools, including standards, frameworks and guidance to enhance the development of their sustainability reports which complement each other.

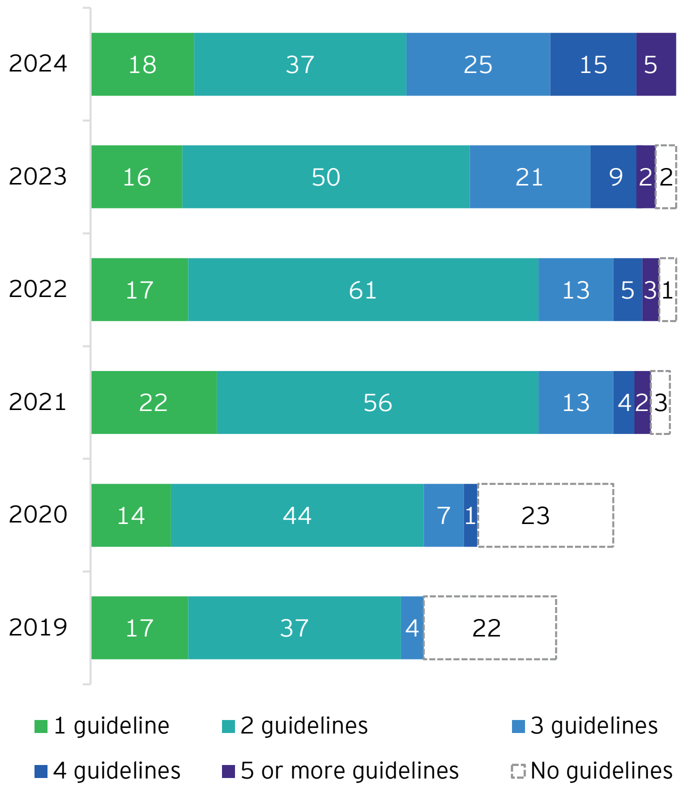
"Sustainability standards" provides formal and detailed requirements specifying what should be reported and how it should be measured. One prominent example is the Global Reporting Initiative (GRI) Standards that outline key principles and requirements for reporting on significant economic, environmental and social impacts, including those related to human rights, and detail how these impacts are managed.[2] In addition, many companies also reference the Sustainability Accounting Standards Board (SASB) Standards, which assist in disclosing industry-specific sustainability risks and opportunities that may influence long-term financial performance.[3] Moreover, the International Sustainability Standards Board (ISSB) has introduced its first set of standards focused on sustainability-related financial disclosures. These International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards include the IFRS S1, which outlines general requirements for disclosing sustainability-related financial information, and IFRS S2, which focuses specifically on climate-related disclosures. The IFRS Sustainability Disclosure Standards aim to provide companies and investors with a unified global baseline for sustainability reporting, helping to create global consistency and comparability across capital markets.[2] Looking ahead, IFRS S1 and S2 will serve as references for Sustainability Disclosure Standards (*Standar Pengungkapan Keberlanjutan*/ SPK) in Indonesia, which include two key standards: *Pernyataan Standar Pengungkapan Keberlanjutan 1* (PSPK 1) and *Pernyataan Standar Pengungkapan Keberlanjutan 2* (PSPK 2), to be discussed in Insight 2.

On the other hand, "sustainability framework" provides overarching principles for organizing sustainability disclosures, while standards prescribe specific metrics. An example is the Task Force on Climate-related Financial Disclosures (TCFD) Framework for climate-related disclosures.[3] Meanwhile, "Sustainability guidance" serves as a practical tool to help companies apply these frameworks and standards effectively, offering methodologies and examples to navigate reporting complexities, such as the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG protocol) for emissions measurement and Science Based Target initiative (SBTi) for setting science-based targets.

To avoid confusion and ensure consistency in terminology, this research will use the term "guidelines" to cover formal reporting regulations, standards, frameworks and guidance, unless a specific distinction is necessary.

As expectations from regulators, investors, and other stakeholders continue to rise, reliance on a single guideline is inadequate. Companies increasingly integrate multiple guidelines encompassing both origination from international and national sources to strengthen the quality and credibility of their disclosures. This research has compiled an overview of the reporting guidelines utilized by observed companies, focusing on POJK 51, GRI Standards, SASB Standards, TCFD Framework, as well as IFRS Sustainability Disclosure Standards, recognized as universal references. In contrast, guidelines such as the Nasdaq ESG Reporting Guide, CDP (Carbon Disclosure Project) Disclosure Framework, CDSB (Climate Disclosure Standards Board) Framework and World Economic Forum (WEF) Stakeholder Capitalism metrics tend to have limited adoption among Indonesian companies due to regional or sector-specific focus and absence of formal integration into Indonesia's regulatory framework. Consequently, this research has categorized these standards under the classification of "other guidelines."

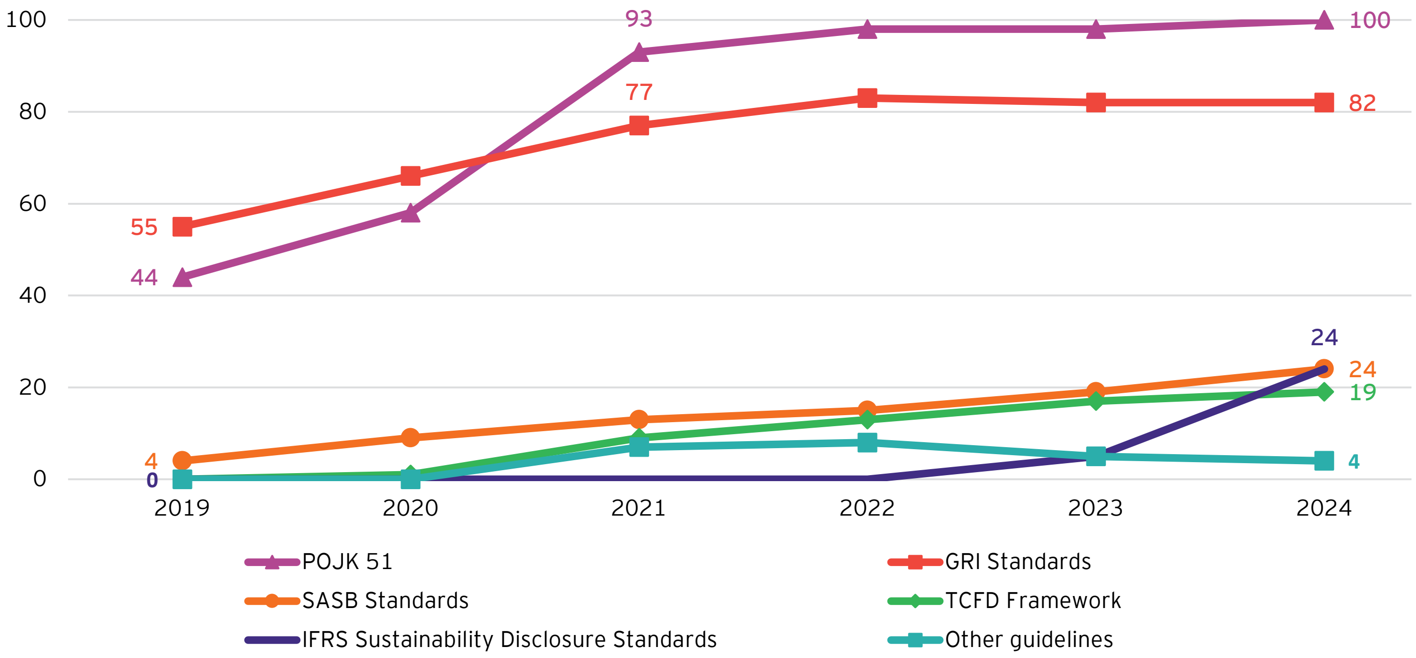
Figure 2. Multiple sustainability reporting guidelines (2019-2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

As illustrated in Figure 2, the number of observed companies referring to two or more reporting guidelines has steadily increased since 2019. Until 2020, most companies either adopted only one guideline or not at all. The adoption of multiple guidelines became more common and grew from 2021 onward. By 2024, all companies had adopted at least one reporting guideline, where 18 companies used only one guideline, 37 used two, 25 adopted three, 15 followed four, and five companies referred to five or more guidelines. This trend reflects a growing commitment to enhancing the quality and credibility of disclosures using multiple guidelines.

Figure 3. The trend of sustainability reporting guidelines (2019-2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 3 shows the distribution of guidelines used by observed companies. POJK 51 remains the regulatory baseline, with compliance rising from 44 companies in 2019 to full adoption (100) by 2024. GRI Standards are the most widely adopted international standard, growing from 55 in 2019 to 82 in 2024. References to SASB and TCFD have increased gradually, reaching 24 and 19 companies, respectively, in 2024. The newly introduced IFRS Sustainability Disclosure Standards saw 24 companies referencing them in 2024.

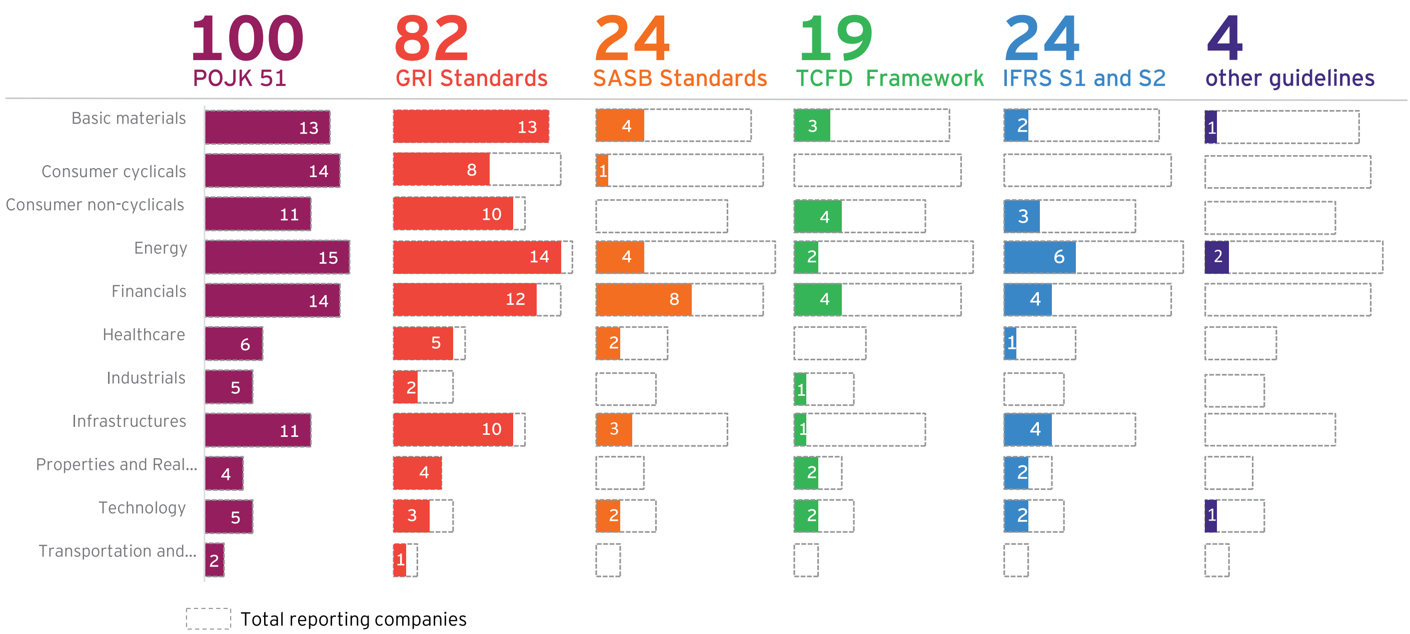
The increasing adoption of multiple sustainability reporting guidelines among observed companies reflects a more deliberate shift toward aligning national regulations with globally accepted guidelines. However, this integration is not applied uniformly across all sectors, where companies tailor their reporting to reflect the unique sustainability challenges and expectations within their industries. Understanding how different sectors within the observed companies are navigating this evolving landscape offers valuable insight into how these choices are shaping sustainability reporting in Indonesia.

Insight 2

Embracing global standards with a sectoral perspective on sustainability reporting

The implementation of global sustainability reporting guidelines, such as the GRI Standards and the IFRS Sustainability Disclosure Standards, reveals a dynamic landscape among sectors within the observed companies, influenced by regulatory requirements and sector-specific needs.

Figure 4. Reporting guideline reference by sector (2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Sector-wise adoption of global sustainability reporting guidelines

All 11 sectors across observed companies in 2024 indicate a dynamic landscape of guidelines implementation, driven by a mix of regulatory requirements and sectoral peer influence. The number of observed companies is dictated by multiple criteria and other factors; therefore, the distribution of companies across sectors varies. While all sectors comply with the mandatory POJK 51, there are distinctions in how each sector embraces global guidelines as illustrated in Figure 4. This implementation is not uniform and appears to reflect the total number of companies in each sector, as well as the distinct sustainability challenges and investor expectations they face.

Sectors with a larger presence in the index, such as energy and financials, are among the most proactive in implementing multiple guidelines. The financials sector, for instance, shows a notable implementation of SASB Standards and TCFD Framework, a trend that may be driven by increasing demand for disclosing climate-related financial risks from investors.

On the other hand, sectors with smaller representation in the index, such as industrials and transportation and logistics, have referenced to fewer guidelines. These sectors primarily prioritize POJK 51 and GRI Standards as their preferred standards. This may be attributed to the long-standing presence and maturity of the GRI Standards, while compliance with POJK 51 is obligatory for public companies in Indonesia. Overall, the pattern illustrates the variation of sustainability reporting practices across sectors with some companies utilize a combination of standards based on maturity and relevance to meet various stakeholders' informational needs.

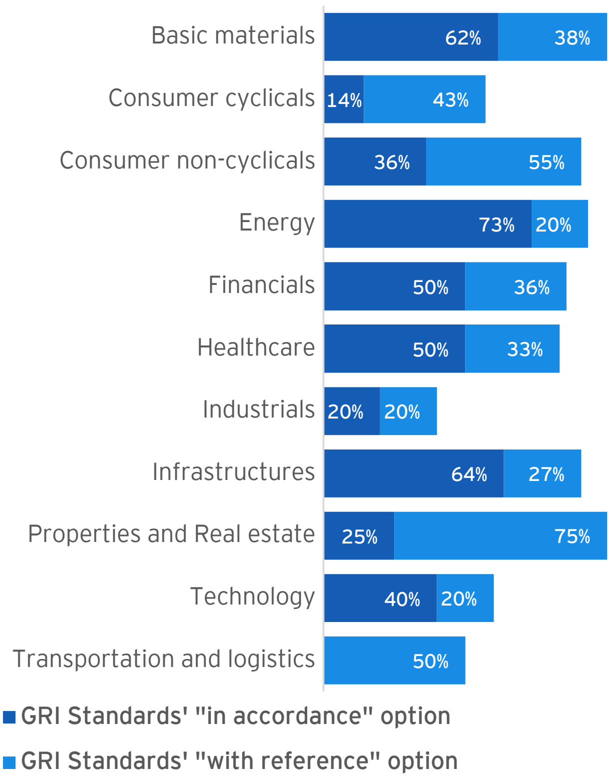
The 82% adoption rate of GRI Standards among observed companies in 2024 underlines its position as the most widely used guideline, reflecting the increasing sophistication of sustainability reporting. Therefore, a deeper understanding of the ever-evolving GRI Standards has become necessary to assess their influence on sustainability reporting across sectors.

GRI Standards in shaping sustainability reporting across diverse sectors

The GRI Standards have two distinct reporting options: "in accordance" and "with reference". The "in accordance" option requires an organization's sustainability report to provide complete disclosures of its impacts by meeting nine specific criteria, including GRI 2: General Disclosures, GRI 3: Material Topics, and disclosing information from the GRI Topic Standards for each material topic. Alternatively, the "with reference" option allows less extensive disclosures by mandating only three main requirements: publishing a GRI content index, providing a statement of use and notifying GRI, without preparing a full report in accordance with the standards.

This research observed that 46 companies reported using the "in accordance" option, 36 companies used the less rigorous "with reference" option, while the rest (18 companies) did not adopt GRI Standards at all and only followed POJK 51 requirements.

Figure 5. Comparison of the GRI Standards' "in accordance" and "with reference" adoption by sector (2024)



46% companies use GRI Standards "in accordance" option

36% companies use GRI Standards "with reference" option

Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

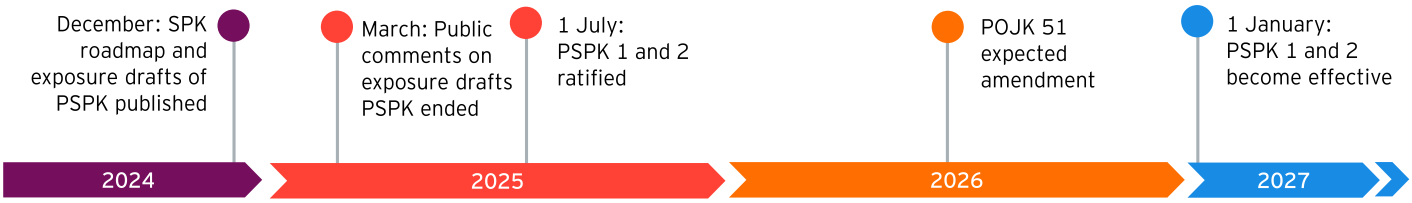
Moreover, the analysis may indicate a more complex trend at the sectoral level. Sectors such as energy, basic materials and financials appear to have a significant majority of companies reporting "in accordance," while other sectors, such as consumer cyclicals and consumer non-cyclicals, prefer to adopt the "with reference" option. "With reference" options were mainly used in consumer cyclicals and consumer non-cyclicals sectors may be attributed to the diverse business models within these sectors, ranging from from automotive, consumer electronics, to department stores. Ultimately, the choice of reporting options may depend on a wide range of sector-specific pressures and the company's individual phase in its sustainability reporting journey.

Indonesia's local adoption of IFRS Sustainability Disclosure Standards

Referring to Figure 4, 24 observed companies in 2024 have referred to IFRS S1 and S2 on top of the GRI Standards. Indonesia is now entering a new phase of sustainability reporting with the issuance of SPK Roadmap in December 2024, led by the Institute of Indonesia Chartered Accountants (*Ikatan Akuntan Indonesia*) in collaboration with Bank Indonesia, the Ministry of Finance and OJK[4]. This roadmap aligns Indonesia with ISSB and outlines a phased approach to integrating sustainability reporting into corporate practices.

The Indonesian Sustainability Standards Board (*Dewan Standar Keberlanjutan or DSK IAI*) has ratified the first two SPK adopted from IFRS S1 and S2, namely PSPK 1 and PSPK 2, on 1 July 2025. Following the issuance, OJK is planning to incorporate PSPK 1 and 2 into the amendment of POJK 51 by 2026. PSPK 1 and 2 are scheduled to take effect on 1 January 2027, requiring mandatory disclosure of climate-related information as well as voluntary disclosures on broader sustainability topics (beyond climate) to be implemented after three years of transition reliefs.

Figure 6. Timeline of Indonesia's Sustainability Disclosure Standards based on SPK Roadmap



Source: Roadmap of Indonesian Sustainability Disclosure Standards, IAI, 2025

Looking back at the implementation of POJK 51, Indonesia adopted a phased approach. The obligation to publish SR began with larger banks, and expanded to smaller banks, non-bank financial institutions, and eventually medium- and small-scale listed and public entities over time.[5] Correspondingly, a similar approach is anticipated for the implementation of PSPK 1 and 2. Within this context, observed companies are strong candidates to be among the early adopters, given their relatively large market capitalization, high liquidity and solid fundamentals in Indonesia, ensuring entities with greater resources lead implementation. While this projection draws on Indonesia's earlier experience with POJK 51, it should be noted that no official regulation regarding the applicable sectors has been announced, and the actual implementation strategy may differ.

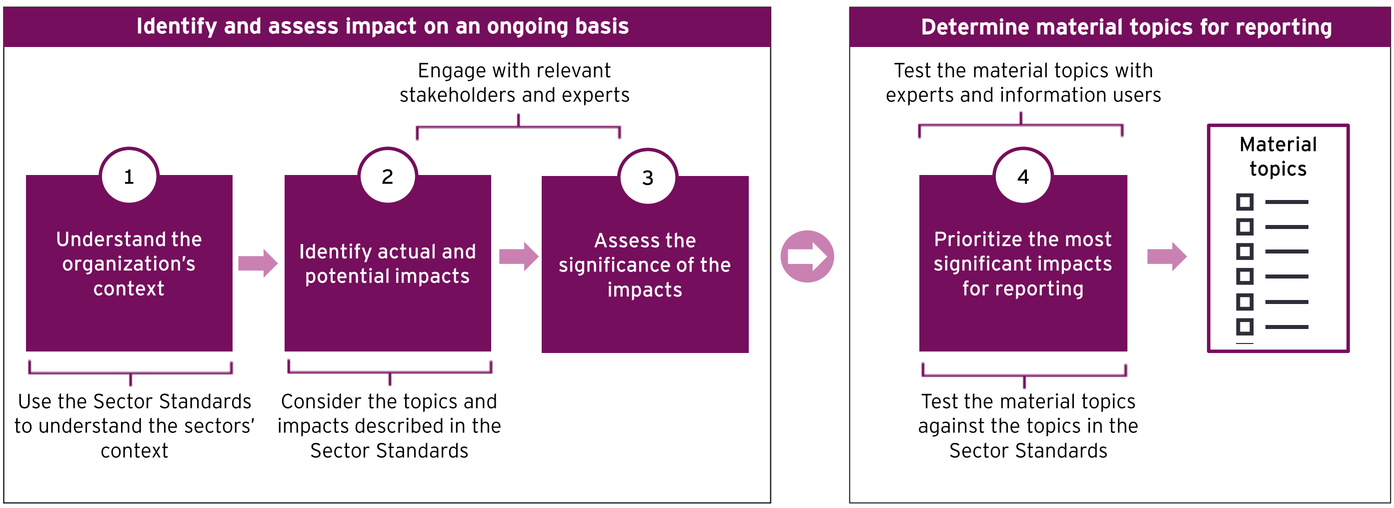
The issuance of SPK reinforces Indonesia's commitment to integrating international standards at the national level. These standards will align Indonesia's reporting practices with the global movement toward sustainability. As companies navigate sustainability reporting through various guidelines, one factor remains consistent: materiality. The materiality concept encourages companies to report on what matters most for their business and stakeholders. Despite varying perspectives on materiality among standards, materiality assessment is seen as a crucial first step that enables companies to report effectively.

Insight 3

Materiality assessment is a cornerstone in understanding common and sector-specific material topics

The observed companies increasingly adopt materiality assessment and are shifting toward double materiality, reflecting a complex landscape shaped by sector-specific impacts, operational realities and stakeholder expectations. Clear guidelines and the right approach can enhance reporting and long-term strategic planning.

Figure 7. Materiality assessment process in GRI 2021 Standards



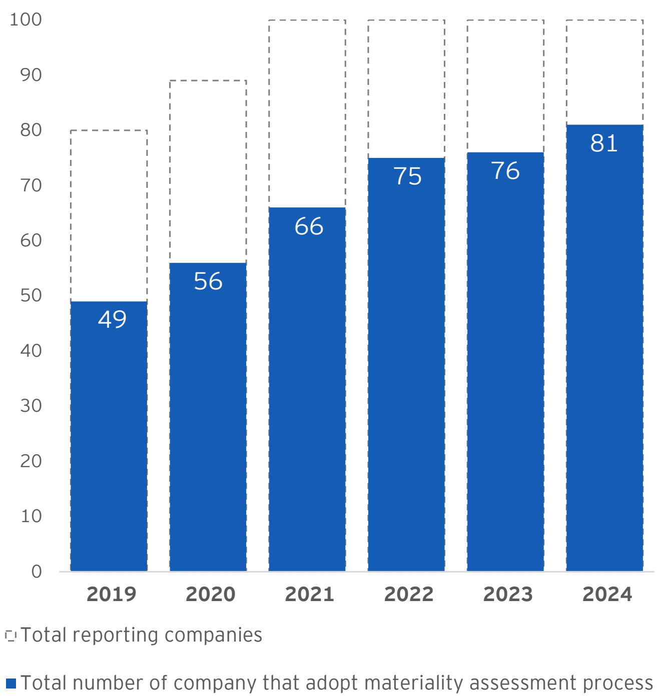
Source: Consolidated Set of the GRI Standards, GRI 3: Material Topics 2021, GRI, 2021.

Exploring the concept and methods of materiality assessment

Companies are increasingly expected to produce concise yet comprehensive sustainability reports that address material topics. This concept of impact materiality emphasizes understanding on how a company's operations affect its surroundings. Conducting a materiality assessment allows companies to systematically identify and document issues they can influence, ensuring that their sustainability reporting remains relevant. Various global guidelines, particularly the widely adopted GRI Standards, provide valuable guidance for effectively identifying and prioritizing these material topics, as outlined in GRI 3: Material Topics 2021, which includes a four-step process as illustrated in Figure 7.

The evolving adoption of materiality assessment in Indonesia's sustainability reporting from observed companies from 2019 to 2024 is depicted in Figure 8.

Figure 8. Number of companies that have adopted materiality assessment (2019-2024)

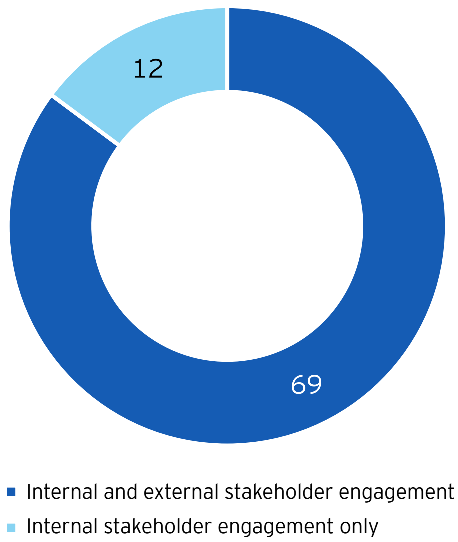


Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 8 shows that the adoption of materiality assessment grew from 61% of observed companies (49 out of 80) in 2019 to 81% in 2024, shifting from an early-adopter practice to a mainstream element of sustainability reporting. This trend reflects the rising importance of materiality assessment as tools for companies to focus on relevant material topics, align with stakeholder expectations and enhance disclosure quality. In terms of conducting a materiality assessment, the observed companies utilize various methods according to their specific capabilities and operational contexts. Those methods include consultations, focus group discussions (FGDs), surveys, consensus, workshops and other techniques such as benchmarking and interviews.

Each method balances structured guidance with stakeholder engagement, improving relevance and effectiveness in addressing specific sustainability challenges while aligning with stakeholder expectations. This engagement fosters credibility to uncover stakeholders' perspectives and concerns regarding the company's operations, as shown in Figure 9.

Figure 9. Stakeholder engagement in materiality assessment process (2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

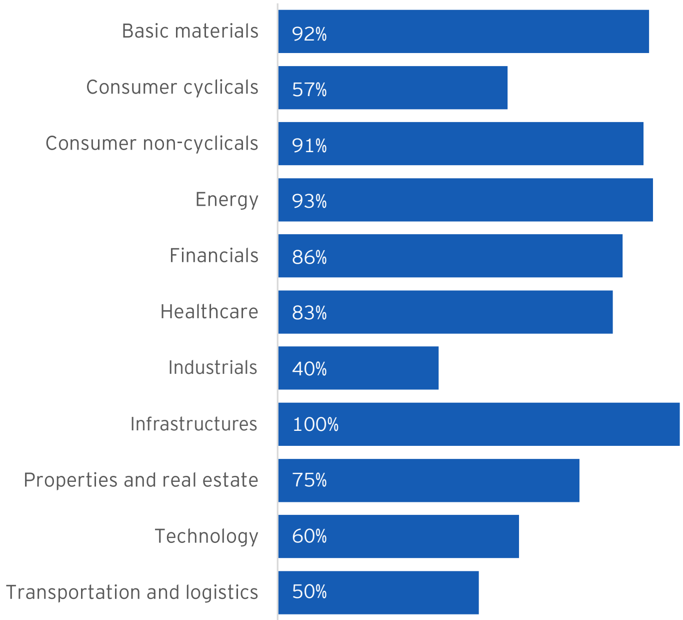
In 2024, stakeholder engagement became nearly universal among observed companies conducting materiality assessment. This trend reflects a growing recognition of the importance of incorporating diverse perspectives into their sustainability practices. Internal stakeholders typically include members of the Board of Commissioners (BOC), Board of Directors (BOD) and employees, offering valuable insights into the company's operations and culture, while external stakeholders – such as customers, suppliers, investors, regulators, community members and non-governmental organizations (NGOs) – can significantly influence a company's reputation and operations.

Sector-specific adoption of materiality and double materiality along with its results: common cross-sector material topics and sector-specific material topics

The adoption of materiality assessment among observed companies varies significantly across the 11 sectors. Figure 10 displays the adoption of materiality assessment in each sector.

This variation in materiality assessment adoption among sectors indicates that while some are integrating it into their reporting practices, others have yet to fully recognize its importance. This disparity suggests that regulatory requirements and stakeholder expectations may influence adoption rates, highlighting diverse approaches to sustainability. Materiality is evolving from a single focus on impact materiality to a broader concept of double materiality. Impact materiality takes an 'inside-out' perspective and looks at how a company's activities affect the economy, environment and society. On the other hand, financial materiality takes an 'outside-in' perspective, focusing on how sustainability issues affect the company's performance and value. Double materiality combines these two perspectives.[6] In 2024, only 22% of observed companies (18 out of 81 adopted materiality assessment) advanced to double materiality assessment (DMA), reflecting the challenges of implementation, which requires more comprehensive methods and understanding on how sustainability-related risks and opportunities affect a company's prospects.

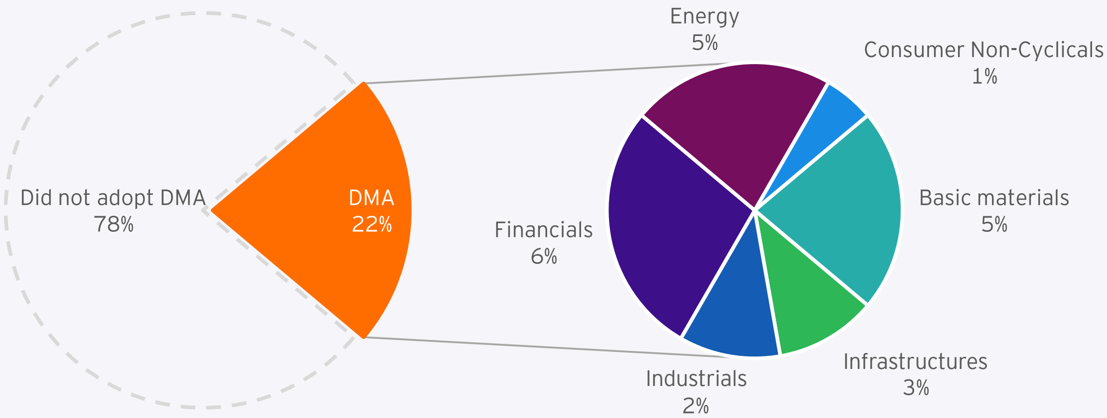
Figure 10. Materiality assessment adoption by sector (2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 11 shows that the adoption of DMA remains uneven across sectors. The financials sector leads with 6% (5 companies), followed by energy and basic materials (both at 5%), infrastructure (3%), industrials (2%) and consumer non-cyclicals (1%). Notably, the industrials sector achieved full DMA adoption with two companies within this sector that conducted materiality assessment, and both adopted DMA. In contrast, sectors such as consumer cyclicals, healthcare, properties and real estate, technology, and transportation and logistics showed no adoption at all.

Figure 11. Adoption of double materiality assessment (2024)

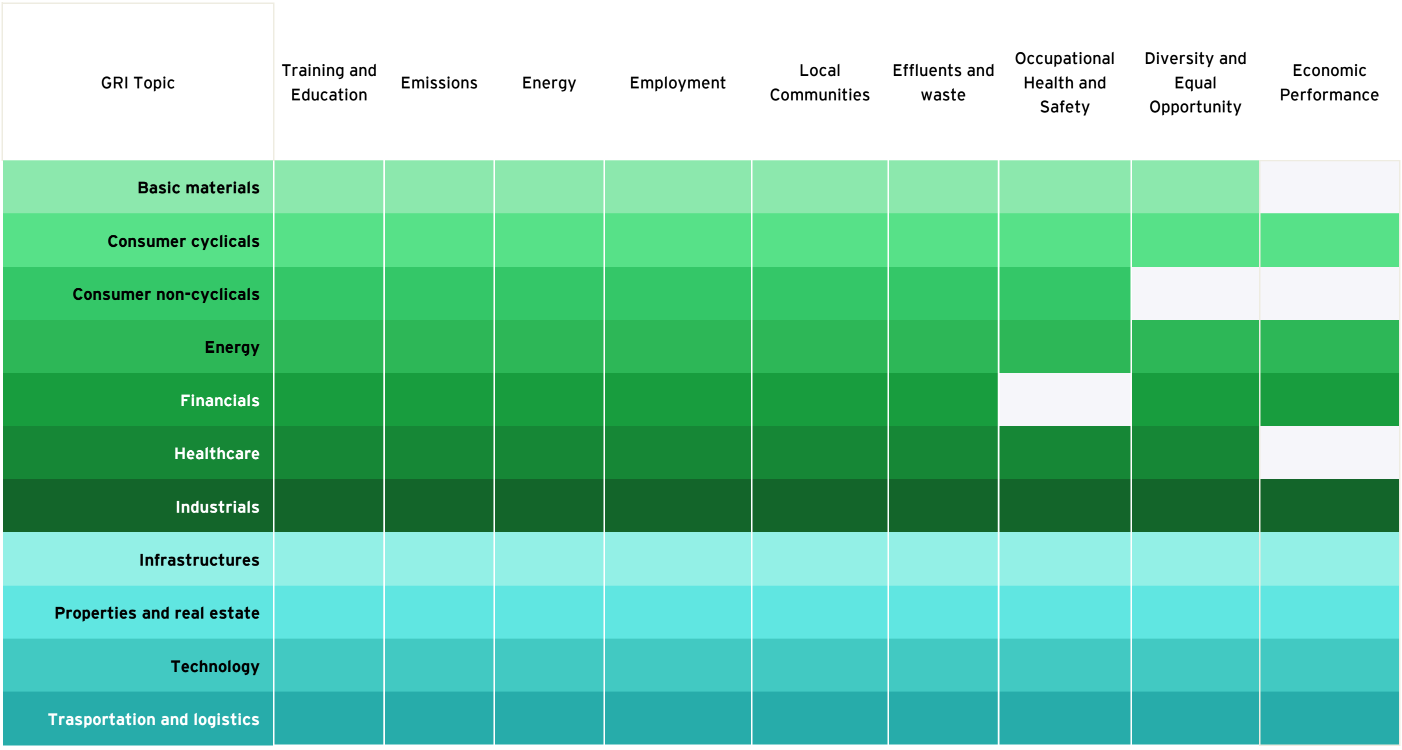


Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Common cross-sector material topics and sector-specific material topics

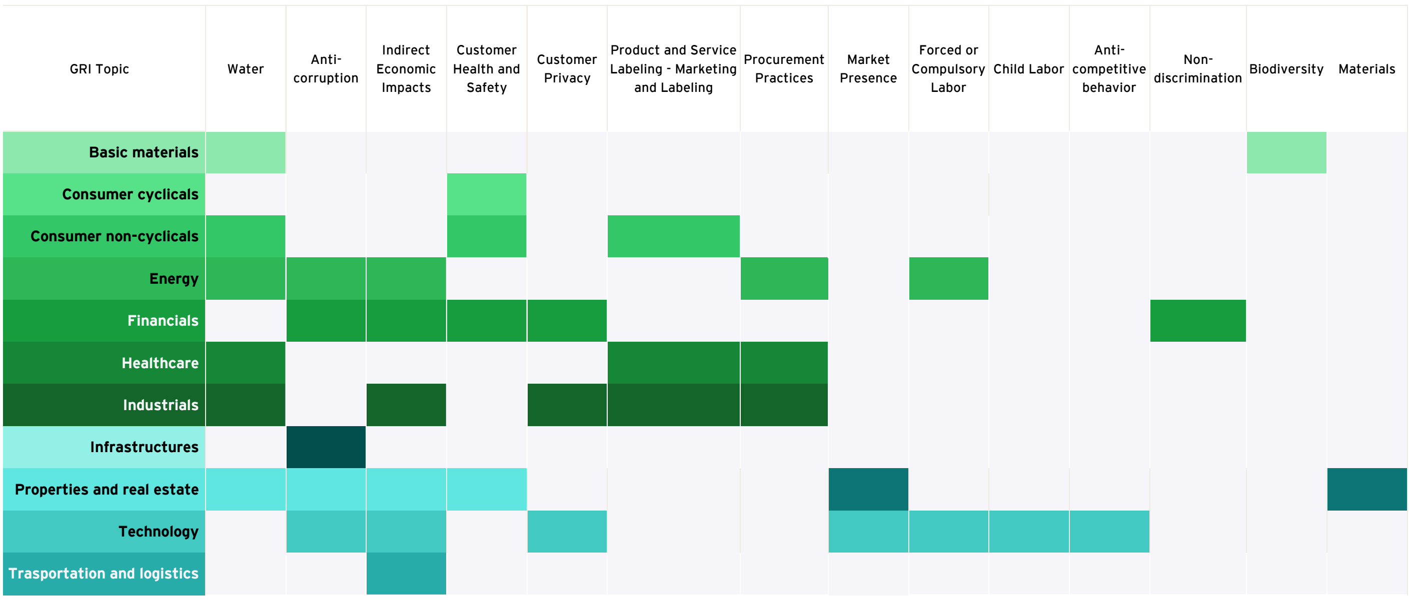
Conducting a materiality assessment allows companies to focus their attention and resources on certain material topics. This analysis also tracks the spread of material topics across diverse sectors. In 2024, this research analyzed the material topics reported by 11 sectors of the observed companies. The analysis categorized the topics into common cross-sector material topics (i.e., reported by 70% or more of the sectors) and sector-specific material topics (i.e., reported by fewer than 70% of the 11 sectors) as shown in Figure 12 and Figure 13.

Figure 12. Cross-sectoral specific material topics commonly reported by observed companies (2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 13. Sector specific material topics commonly reported by observed companies (2024)



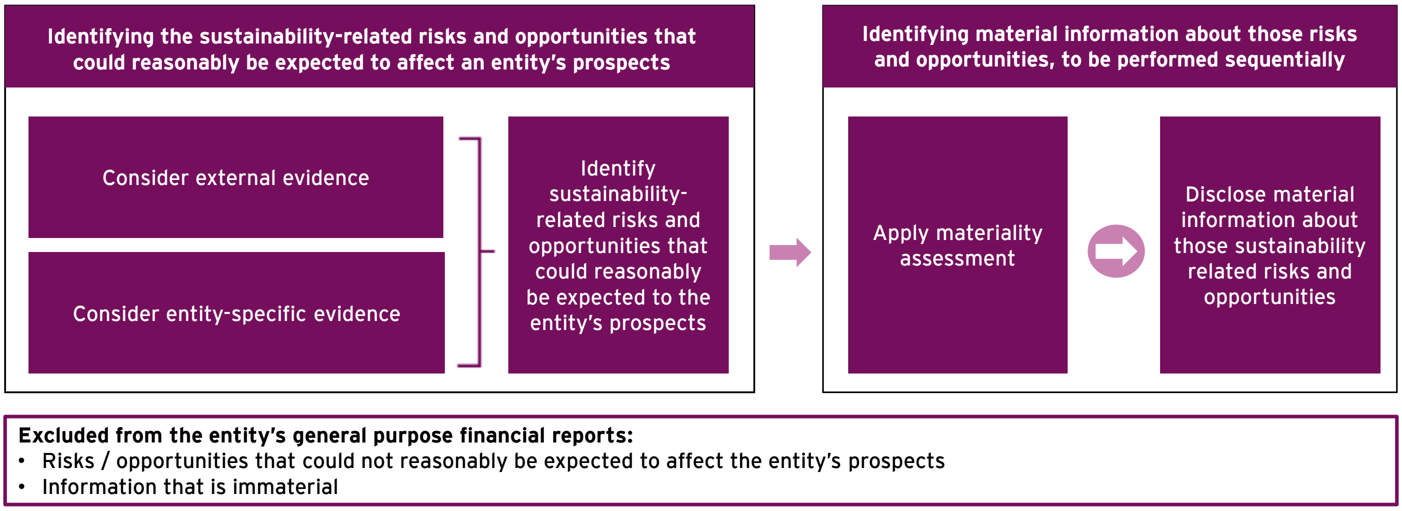
Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 12 reveals a strong emphasis on environmental-related reporting across all sectors, with Emissions and Energy indicators being disclosed by all 11 sectors, indicating a growing awareness and commitment to this topic. Other topics may be less common but sector relevant, for example, Figure 13 reveals that the financials sector prioritized Customer Privacy due to their handling of sensitive personal information. This sectoral alignment is also reflected in the SASB Materiality Map, which highlights customer privacy as a financially material issue for the financials sector.

Unveiling the importance of materiality assessment from IFRS Sustainability Disclosure Standards' perspective

Materiality assessment process in IFRS S1 is illustrated in Figure 14. IFRS S1 does not require a rigid, linear process; instead, materiality assessment is often iterative, allowing companies to revisit risks and opportunities as needed. Under the IFRS Sustainability Disclosure Standards, materiality is viewed from a financial impact perspective, focusing on sustainability-related risks and opportunities that could affect the company's financial position and performance.

Figure 14. Materiality assessment process in IFRS S1[7]



Source: Applying IFRS: Introduction to IFRS S1 and IFRS S2 Updated June 2025, EY, 2025

Companies that continue to rely solely on a single-materiality approach may find themselves at risk of falling behind peers that adopt the double materiality assessment. Navigating today's sustainability landscape requires companies to approach materiality as a dynamic and evolving process. By fostering cross-functional engagement and integrating two lenses of materiality into decision making, companies can better manage risks, capture opportunities and build long-term resilience. To move forward, companies must shift from compliance-driven reporting to strategic use of materiality assessment and ensure a proper presence of sustainability governance to oversee this transition. When thoughtfully executed and governed, materiality assessment helps companies identify material topics that are truly relevant, actionable and impactful, enabling them to integrate sustainability into their decision-making processes and long-term strategies.

Insight 4

The transition of sustainability governance to unveil oversight roles for sustainability practices, risks and opportunities

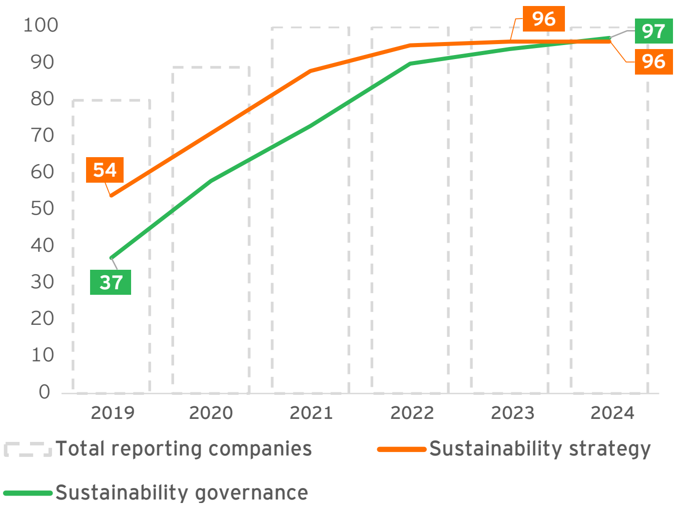
The rising adoption of sustainability governance and sustainability strategy in companies highlights their commitment to improving sustainability practices yet also signifies the need for clearly defined roles of board oversight on SRROs in future reporting.

Increasing recognition of the importance of sustainability governance and sustainability strategy

Sustainability governance is essential in helping companies integrate sustainability into their corporate agenda. This should include a clear framework that outlines the roles, responsibilities and decision-making mechanisms for managing and overseeing sustainability practices. Based on the analysis of the observed companies, the form of sustainability governance is not a 'one-size-fits-all' model. In practice, it may vary from the assignment of roles and responsibilities to the board or existing functional teams to the establishment of a board-level committee, an executive task force, or a centralized department, with responsibilities often anchored to defined leadership roles (e.g., a Chief Sustainability Officer or a specific board member). The core tasks of these governance bodies include setting sustainability directions and policies, ensuring regulatory alignment, addressing stakeholder expectations, supervising sustainability disclosures and embedding sustainability issues into corporate governance.[8]

Additionally, as sustainability reporting continues to mature, companies are also expected to disclose their sustainability strategy. Sustainability strategy has long been understood as a concept encompassing commitments, targets and action plans related to sustainability. The TCFD defines strategy as a company's future goal, and the plan to monitor and measure progress toward achieving that goal.[9] Sustainability strategies are often reflected in disclosures such as ESG pillars, roadmaps and other forward-looking frameworks.

Figure 15. Number of companies with established sustainability governance and strategy (2019-2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

In 2019, less than half of the observed companies disclosed having a sustainability governance structure in place. Substantial increases were observed over the four-year period, with 90 companies reporting sustainability governance in 2022, and rising slightly to 97 companies by 2024. This analysis suggests that between 2019 and 2021, most companies integrated their sustainability governance into existing structures by assigning additional responsibilities related to sustainability matters to board members or functional teams.

On the other hand, sustainability strategy disclosure among the observed companies showed a consistent upward trend from 2019 to 2023, rising from 54 to 96 companies, and remained stable at 96 in 2024. This demonstrates that sustainability strategy has shifted from largely aspirational statements to standard business practice. This shift may have been driven in part by reporting regulations, such as POJK 51, which mandated sustainability strategy disclosure in companies' sustainability reports.

The development of standards and regulations has underscored the importance of governance and strategy disclosures. IFRS S1, for instance, mandates companies to explain how sustainability is integrated into their governance framework and strategy. The incorporation of sustainability considerations into a company's existing processes necessitates the establishment of a streamlined cross-function collaborative framework, also emphasizing the significance of ensuring the role of proper oversight in the effective implementation and accountability of sustainability practices.

Board oversight of risks and opportunities is as essential as governance of general sustainability practices

An effective board oversight involves setting objectives, ensuring accountability for sustainability goals and disclosing the governance structures and processes in order toto manage these risks. As part of this research, board oversight is divided into two key areas, which are general sustainability practices and SRROs.

According to IFRS S1, the term "governance body" may include boards, committees, or equivalent bodies, including individuals responsible for overseeing SRROs as well as setting sustainability targets and monitoring progress towards these targets. Further disclosures may also include linking the achievement of sustainability metrics and targets to their remuneration policies.

As sustainability oversight is a relatively new topic, this analysis (as illustrated Figure 16) covers information from 2023 and 2024 alone, during which most observed companies have disclosed board oversight for general sustainability practices; however, only a few have explicitly mentioned SRROs.

Figure 16. Board oversight of sustainability practices and SRROs

Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

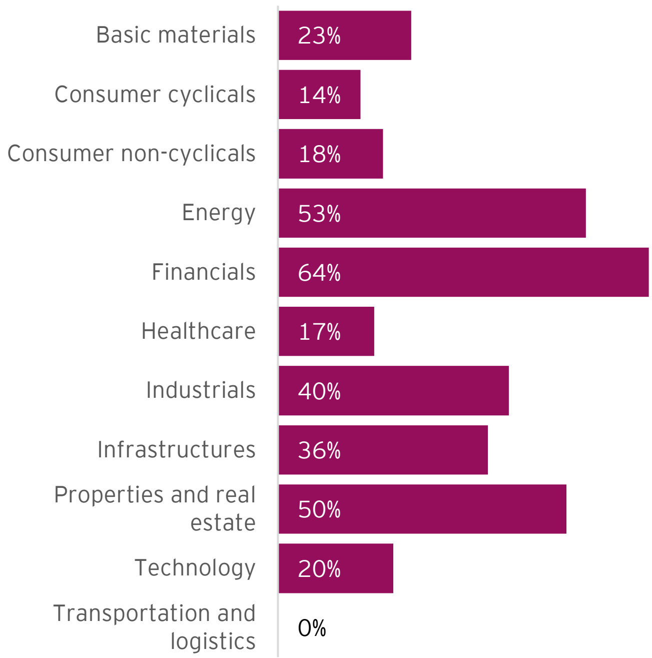
Board oversight of general sustainability practices was observed in 90 companies in 2023 and increased to 92 in 2024. However, the number of companies providing explanations on oversight of SRROs remains relatively low, with only 26 in 2023 and 34 in 2024. This may suggest that many companies consider board oversight of SRROs as a compliance-driven obligation, rather than a value-creating initiative. The lack of disclosure on risks and opportunities oversight may hinder stakeholders' ability to understand how companies are managing their SRROs. Across the 11 sectors in 2024, the highest rate of disclosure regarding oversight of SRROs can be observed in the financials sector (64%), as illustrated in Figure 17.

The financials sector, particularly the banking industry, has demonstrated efforts to enhance executive board oversight of SRROs, especially regarding climate-related risks. This shift is influenced by IFRS S1 and S2 disclosure requirements and the national adaptation of these standards through PSPK 1 and PSPK 2. The banking sector are preparing their governance structures for compliance with the upcoming POJK 51 amendment, as highlighted in Insight 2 – Embracing global standards with a sectoral perspective on sustainability reporting.

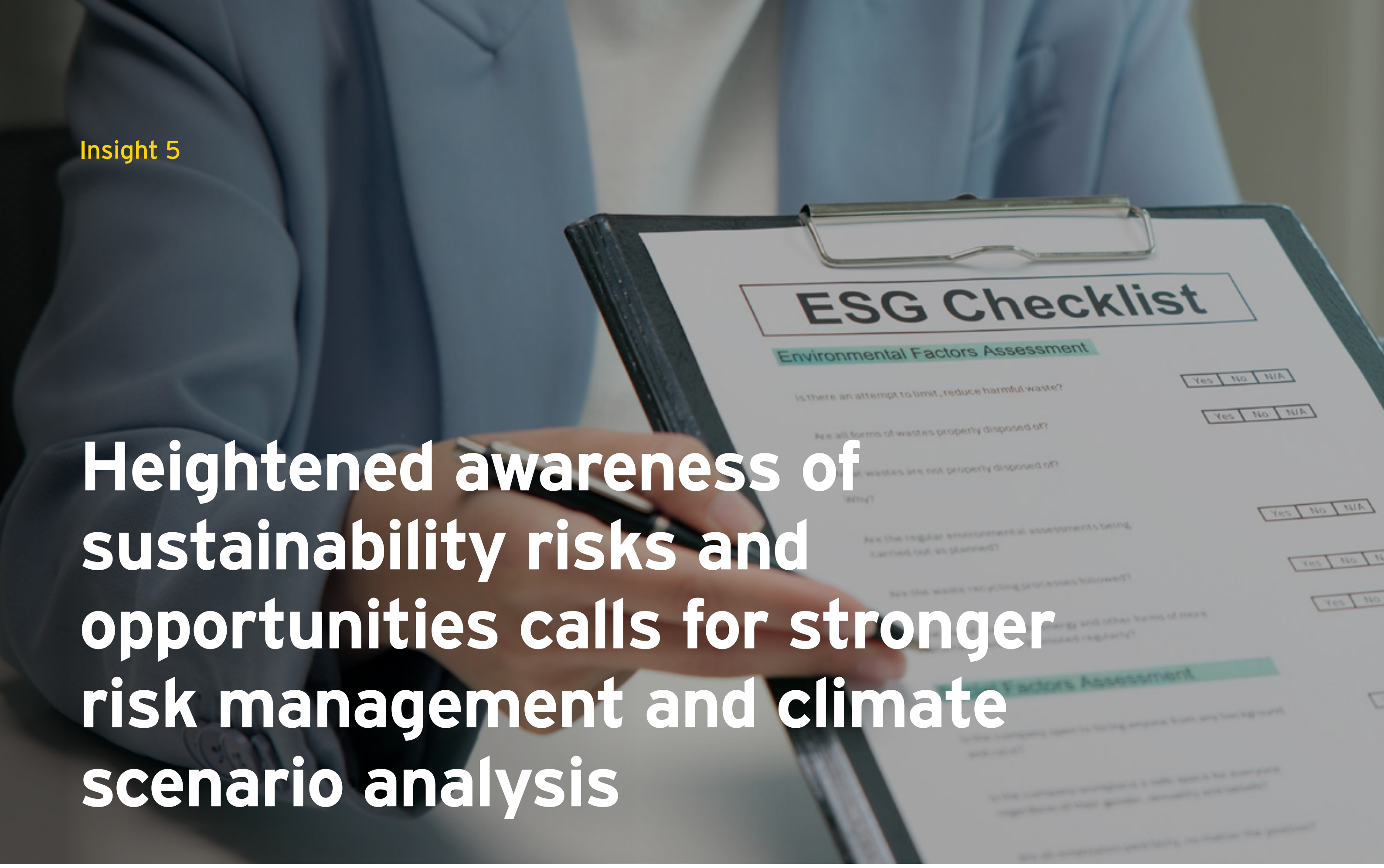
Despite potentially initiating board oversight of SRROs with a compliance mindset, companies can realize several benefits, including but not limited to enhancing credibility, building trust with stakeholders and demonstrating a strong commitment to sustainability. A strong governance structure helps identify and manage SRROs, essential for effective sustainability strategies. Board oversight can enhance risk management and support the transition to a low-carbon economy, attracting investment and promoting long-term stability.

To foster a more proactive approach in adopting sustainability oversight, companies should conduct training for employees, review sustainability policies, and define integration into management strategies. The board should engage with various units to gather insights on operations affected by SRROs and report on sustainability metrics and targets.

Figure 17. Oversight of SRROs by sector



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies



Insight 5

Heightened awareness of sustainability risks and opportunities calls for stronger risk management and climate scenario analysis

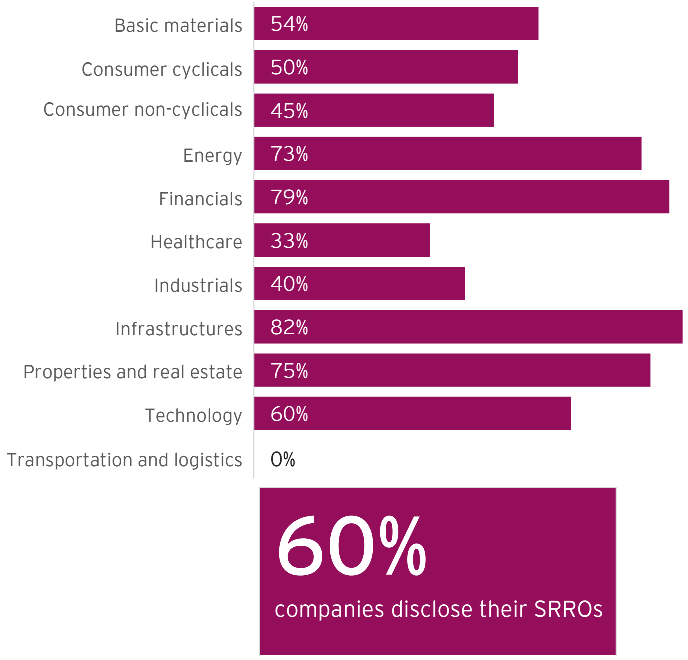
As sustainability reporting evolves, observed companies are increasingly disclosing SRROs. However, the depth of disclosure varies, especially in climate-related risks. Stronger integration of SRROs into risk management processes and the use of climate scenario analysis are essential to anticipate challenges and make informed decisions.

Risk management process and climate scenario analysis in observed companies

This analysis examines 2024 disclosures of SRROs among observed companies. Despite being voluntary, 60% of analyzed companies disclosed information related to SRROs. Figure 18 suggests growing awareness and early alignment with IFRS S1 and S2. SRROs disclosures vary from one company to another, with TCFD Framework adopters showing better grasp of the concepts and practices involved. This analysis also suggests that most risks and opportunities reported primarily cover climate-related topics, likely driven by the availability of more robust guidelines compared to broader sustainability topics.

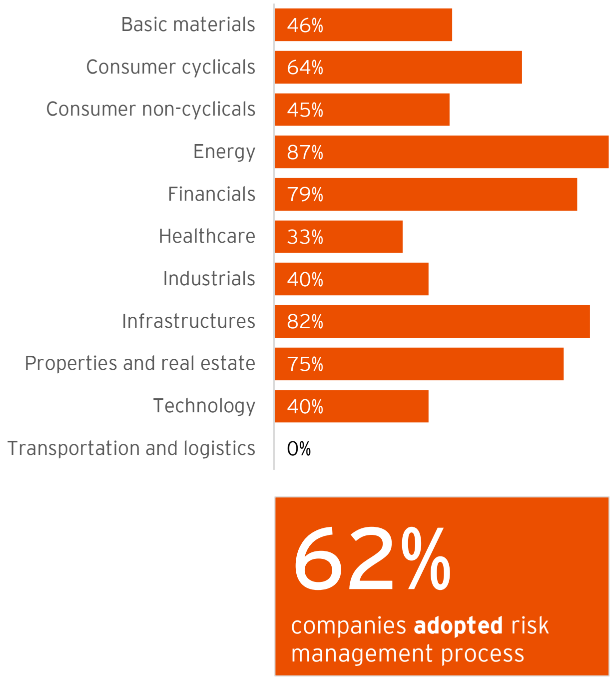
The extent of each company's disclosure is significantly influenced by the resources available during the reporting year. Subsequently, IFRS S1 and S2 introduce the concept of proportionality, clarifying that companies are not required to conduct exhaustive research that may impose a greater burden than the benefits of reporting, and that they should consider their skills and capabilities in reporting quantitative information.[10] Further analysis of the 60 companies disclosing SRROs shows varying levels of disclosure across sectors.

Figure 18. Sectoral sustainability-related risks and opportunities disclosures (2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 19. Risk management process disclosure (2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 18 highlights disparities across sectors, as the infrastructure sector led with 82% followed by financials with 79%, while transportation and logistics sector did not disclose any sustainability-related risks. These differences may reflect varying degrees of regulatory exposure, stakeholder pressure and operational vulnerability across sectors.

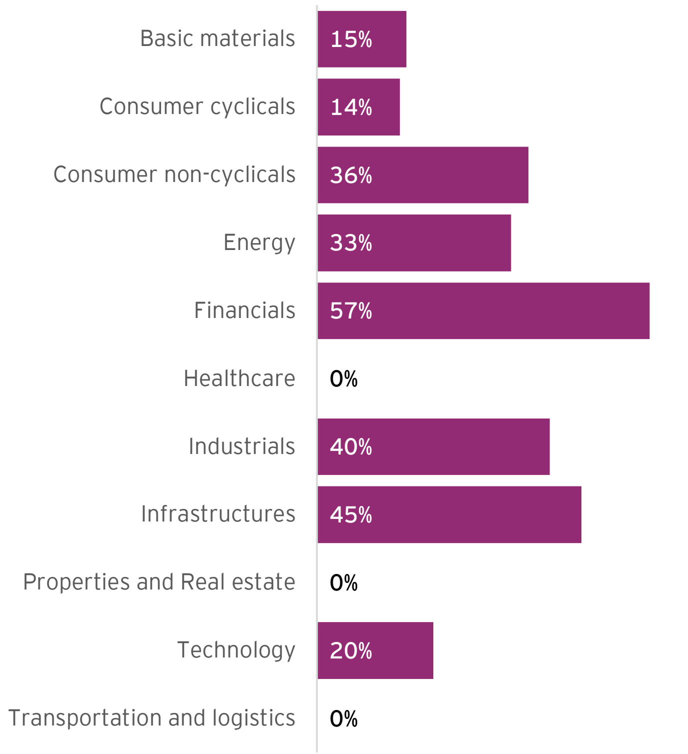
Risk management process helps companies identify, assess and respond to risks that could affect their objectives. Companies are increasingly integrating sustainability into their overall risk management frameworks, embedding SRROs and climate-related risks and opportunities (CRROs) into core decision-making through defined stages and processes. This research analyzed whether the observed companies disclosed their risk management process over sustainability issues in 2024.

Figure 19 suggests that 62 of the reporting companies disclosed the risk management process, while 38 companies did not. Some of the 38 companies claim integration, but details are often lacking. To meet global standards, companies must disclose these processes to build trust and accountability. Sector analysis suggests that the energy sector led, with 13 out 15 companies (equivalent to 87%), while other sectors, such as healthcare, provided only general commitments rather than detailed descriptions of their risk management processes.

While sustainability covers a wide range of topics, climate change dominates because its concepts, methodologies and data, such as carbon emissions and measurable impacts are well defined, making climate policies and frameworks more advanced compared to those for nature, which is inherently more complex. However, efforts are underway to develop nature-related frameworks with similar clarity. Building on this maturity, climate scenario analysis has become a key risk management tool, enabling forward-looking assessments that strengthen strategic planning and resilience in the face of climate-related uncertainties.

This research found that some observed companies have assessed and disclosed their climate-related risks. Although companies still primarily focus on climate-related risk disclosure rather than also conduct a full climate scenario analysis, these disclosures represent an important step toward the ultimate goal of comprehensive scenario analysis.

Figure 20. Climate scenario analysis disclosure



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 20 on the disclosure of climate-related risks reveals varying levels of preparedness and response across different sectors regarding CRROs. The financials sector led with 8 out of 14 companies, equivalent to 57% disclosure rate, suggesting a strong recognition of climate impacts and proactive measures to mitigate risks. The infrastructure and industrial sectors followed closely at 45% and 40%, respectively. In contrast, the transportation and logistics, properties and real estate, and healthcare sectors showed no disclosure, indicating varying levels of disclosures relating to climate-related risks.

The relatively high percentage of companies which disclosed climate-related risks in the financials sector reflects the integration of climate risk into business strategies, supported by frameworks such as OJK's Climate Risk Management Scenario (CRMS). In Indonesia, OJK Regulation No. 17/2023, followed by OJK Circular Letter No. 14/2025 regarding Implementation of Governance for Commercial Banks, formally pushes for embedding climate-related governance and risk management into the core operations of banks, a key industry of the financials sector, reinforcing the importance of climate risk in financial decision-making.

Next steps: Managing SRROs through systematic process and analysis

IFRS S1 mandates entities to disclose their processes and policies for identifying, assessing, prioritizing, and monitoring SRROs, and how these processes integrate with the entity's overall risk management.[10] Disclosures should include inputs and parameters used, such as data sources and operational scope; the use of scenario analysis; assessment of the nature, likelihood and magnitude of these risks; the prioritization of sustainability-related risks relative to other risks; the monitoring methods employed; and any changes made from the previous reporting period.[10]

The complexity of climate scenario analysis

To identify CRROs, IFRS S2 requires companies to use all reasonable and supportable information—past events, current conditions, and future forecasts—available at the reporting date without undue cost or effort. Scenario analysis is optional for identifying CRROs but required in climate resilience disclosure requirements for the purpose of assessing the resilience of the entity's strategy and business model to climate-related changes.[11]

As the financials sector is starting to align with IFRS S2, it sets out the precedent that is likely to encourage other sectors within observed companies to adopt IFRS Sustainability Disclosure Standards. The financials sector's leadership in this area is crucial, as it plays a pivotal role in tracking investments and capital usage. With increasing scrutiny from investors and regulators regarding exposure to transition and physical climate risks, other sectors will face increasing pressure to align their practices accordingly.

Through climate scenario analysis, companies can identify and map both risks and opportunities across different time horizons. However, identification alone is not sufficient. To effectively address and measure these risks and opportunities, companies must establish clear metrics and targets that translate strategic intent into measurable outcomes. This naturally leads to the next critical element of sustainability reporting: the setting of climate targets.

Insight 6

The rising momentum of climate targets and GHG reporting highlights the inconsistent disclosures across sectors

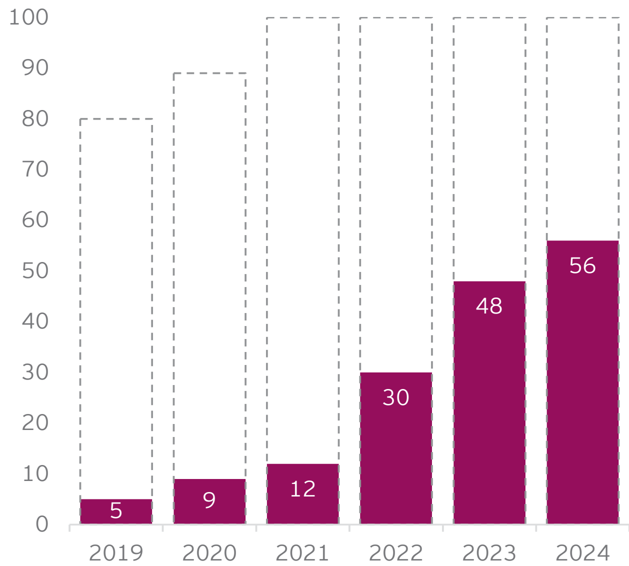
Disclosures on long-term climate commitments are accelerating, yet fragmented adoption across sectors highlights the challenge of building a consistent path toward net-zero.

The upward trend of climate ambition

Climate targets disclosures, particularly on carbon and GHG emissions reductions, have seen a significant increase among observed companies. The number of companies that have publicly disclosed their climate targets has surged rapidly in the past three years, from just 12 in 2021 to 56 in 2024. This notable jump of 44 additional companies suggests a significant path toward enhanced climate action as Indonesian corporations align with the global momentum, building toward the 10-year anniversary of the Paris Agreements.

This rapid surge is heavily influenced by the government's climate commitment, such as the Nationally Determined Contribution (NDC). As reflected in Figure 21, the number of observed companies disclosing climate targets nearly doubled, from 30 companies in 2022 to 56 companies in their 2024 reports. A more progressive national policy may encourage a direct response from the corporate sector, which further indicates the link between corporate strategy and national climate goals. Furthermore, the submission of the Second NDC in October 2025, which covers additional sectors, may catalyze more companies to establish and disclose their climate targets.

Figure 21. Comparison of climate targets disclosures (2019-2024)

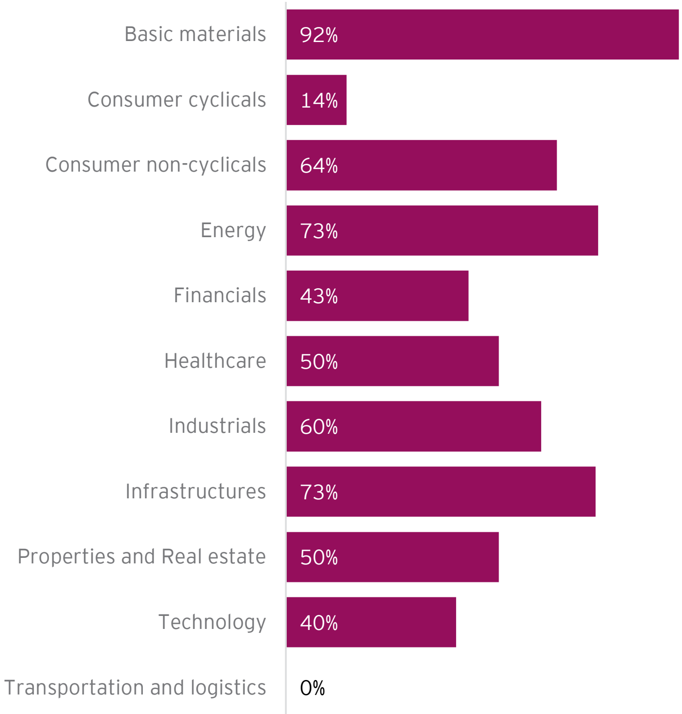


Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Navigating the disclosure gap across sectors

Despite the overall progress in sustainability reporting, the sectoral gap in climate targets disclosures remains significant. The inconsistency suggests that while some industries are becoming more transparent about their environmental impact, others are stagnant. This created a fragmented picture of climate disclosures, making it difficult for stakeholders to have a comparable view of the companies' climate readiness.

Figure 22. Climate targets disclosures rate between sectors (2024)



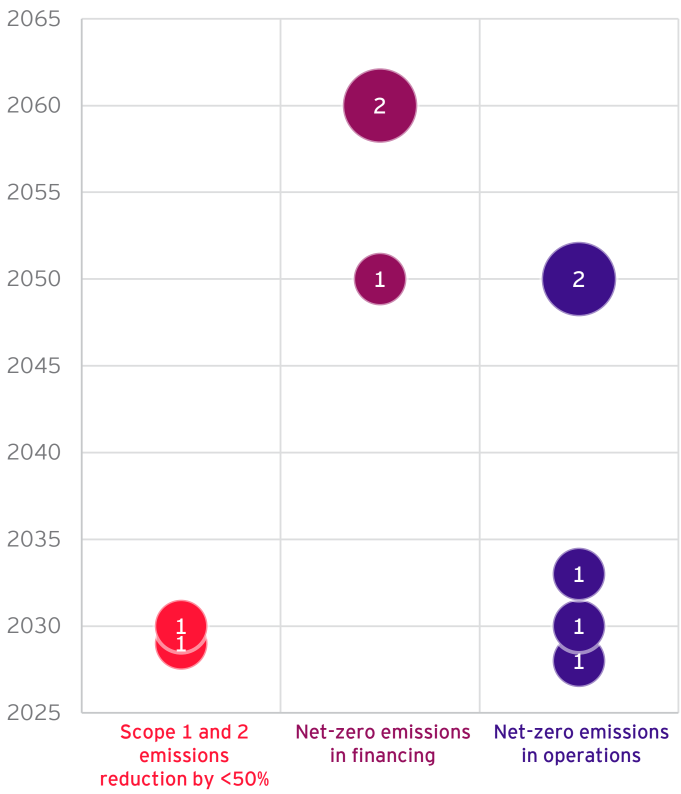
Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

This climate disclosures gap is prominent when analyzing disclosure percentages across multiple sectors. The basic materials sector shows a high rate of 92% in climate targets disclosures, a performance that is expected since the sector is classified by the WEF as a high-emitting sector. Thus, they have a greater responsibility for more transparent climate reporting. In contrast, other sectors, such as consumer cyclicals, technology and financials, are falling behind which may be attributed to the complexity of GHG emissions reporting. The widespread disparity in disclosure rate leads to inconsistent transparency across diverse business models.

The GHG Protocol categorizes GHG emissions into three different scopes. Scope 1 emissions are direct emissions from sources owned or controlled by the company. Scope 2 covers indirect emissions from the generation of purchased energy that the company consumed. Lastly, Scope 3 emissions are all other indirect emissions that occur across the value chain. Without clear and verifiable data, it becomes challenging in practice to set measurable targets, monitor progress and identify which sectors are accountable for their environmental footprint. This research further analyzed the climate targets disclosures in the financials sector, as these companies may have influence towards other sectors through their investments, particularly as reflected in their financed emissions (part of Scope 3 GHG emissions). Financed emissions are emissions resulting from financing activities such as investment and lending, which makes them susceptible to GHG emissions generated by other sectors they invest in.

Less than half (6 out of 14) of the companies in the financials sector have committed to addressing their carbon footprint in 2024. As shown in Figure 23, only three companies have simultaneously specified their target to address financed emissions, while more common targets primarily focus on reducing Scope 1 and Scope 2 emissions or achieving net-zero for operational emissions. The major challenge in addressing financed emissions is obtaining data from debtors, which varies depending on the business and the maturity of each company.

Figure 23. Climate targets disclosures among financials sector companies (2024)

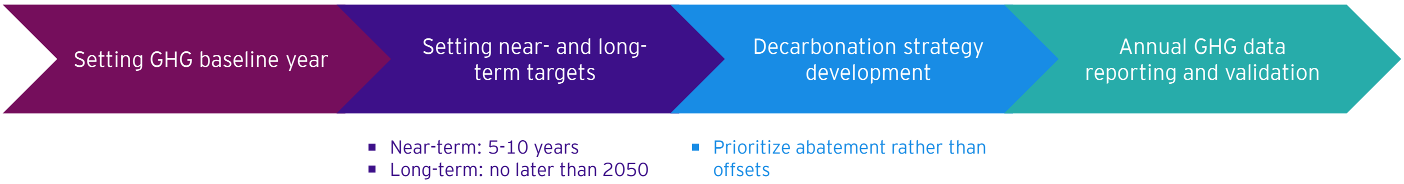


Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Next steps: Standardization ensures credible climate reporting in the pathway to realize climate ambitions

The accuracy of long-term climate commitments, such as the net-zero emissions target, requires companies to address several complex technical challenges. SBTi outlines the process in setting net-zero commitment in Figure 24.[12,13]

Figure 24. Steps to establish net-zero commitment (non-exhaustive)



Source: Getting Started Guide for Developing Science-based Targets, Version 1.2, SBTi, 2025

Developing targets following SBTi's methodology may be beneficial in preparing IFRS S2-aligned report, as IFRS S2 also requires climate-related targets to be measurable and time-bound.

Disclosing GHG emissions performance is essential in ensuring that companies are on track to achieve their ambitious long-term targets. When preparing the data, several key considerations must be taken into account. First, it is essential to adopt appropriate GHG accounting methodologies, such as the GHG Protocol or other sector-specific guidelines. Second, a clear definition of reporting boundaries is necessary to determine which entities and operations are included in the company's calculations. Lastly, it is important to assess the availability of reliable data. To further understand observed companies' GHG emissions reporting, this research mapped their target and performance disclosures in 2024.

Figure 25. Disclosures on GHG emissions targets and performance (2024)

2024 Heatmap	GHG emissions targets			GHG emissions performance		
Sector	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3
Basic materials	62%	62%	23%	100%	92%	69%
Consumer cyclicals	7%	7%	0%	86%	86%	7%
Consumer non-cyclicals	64%	55%	27%	100%	91%	45%
Energy	33%	33%	7%	100%	100%	60%
Financials	36%	36%	14%	86%	93%	71%
Healthcare	33%	33%	17%	83%	100%	67%
Industrials	40%	40%	0%	100%	80%	0%
Infrastructures	55%	55%	18%	100%	100%	73%
Properties and real estate	25%	25%	25%	100%	100%	100%
Technology	40%	40%	20%	80%	100%	40%
Transportation and logistics	0%	0%	0%	50%	50%	50%

Key: Higher – Lower

Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Among sectors in the observed companies, GHG emissions performance disclosure is far more common than GHG emissions target disclosure. Most sectors report performance for Scope 1 and 2 at a very high rate (often 80–100%), while GHG emissions targets are disclosed by fewer companies, typically below 65%. Scope 3 disclosure remained low for both targets and performance, reflecting its complexity.

Sector-wise, consumer non-cyclicals (64% Scope 1, 55% Scope 2) and basic materials (62%) led in target disclosure, while transportation and logistics, and consumer cyclicals, lagged significantly (0% and 7%, respectively). Properties and real estate stood out for achieving 100% performance despite only 25% target disclosure. Conversely, industrials sector disclosed moderate target (40%) but did not disclose Scope 3 performance (3%). Overall, companies prioritized reporting actual results over future targets.

Addressing the inconsistency in targeting and disclosing GHG data across sectors requires a standardized approach. The complexity of data collection, specifically for Scope 3 emissions, often leads many companies to rely on estimates rather than accurate measurements. Therefore, the adoption of universal guidelines, such as IFRS S1 and S2, might encourage the development of comparable and consistent reporting of climate disclosures. While IFRS S1 provides reporting foundations, IFRS S2 outlines thorough requirements for measuring and reporting GHG emissions under metrics and targets disclosure. IFRS S2 requires companies to disclose all three scopes of emissions in accordance with the GHG Protocol. Given the intricacy, IFRS S2 also elaborates on a measurement framework specifically for Scope 3.

Additionally, incorporating independent third-party assurance is also crucial for enhancing data credibility. By combining standardization with assurance, companies will be able to demonstrate a credible pathway to their long-term climate targets and strengthen their competitive position.

Insight 7

Independent third-party assurance and the future of trust in sustainability reporting

The low sustainability assurance rate (39%) among observed companies is likely due to its voluntary nature and the absence of regulatory requirements. However, future reporting trends indicate that obtaining third-party assurance will become necessary to strengthen transparency and accountability.

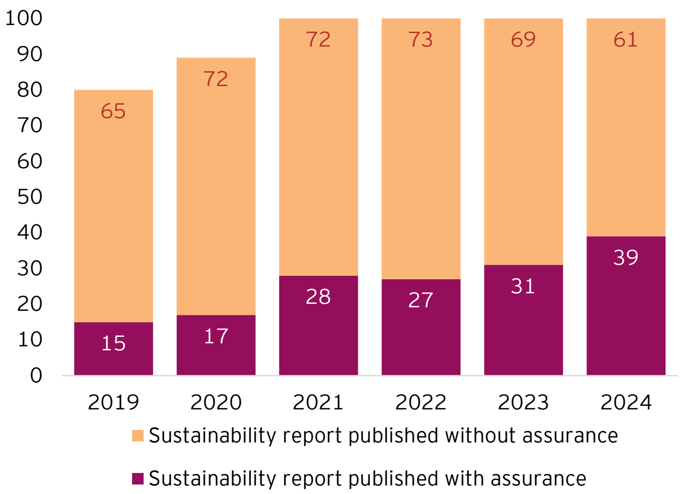
Investigating the real interest in sustainability reports through third-party assurance

Market dynamics are anticipated to drive an increasing demand for independent external assurance of sustainability data. While investors are increasingly engaging with sustainability, many are also raising concerns about "greenwashing." The EY Institutional Investor Survey 2024, conducted globally, found that more than four out of five investors (85%) believe that greenwashing has become a major problem. The survey further revealed that 80% of investors highlight data accuracy as a critical issue, pointing out sustainability information as often incorrect, incomplete, inconsistent, or outdated. These quality gaps erode investor confidence and limit the reliability of reports for decision-making.[14]

In this context, sustainability assurance emerges as a vital bridge of credibility. It involves an independent third-party examination of the subject matter including information related to ESG that is considered material for the reporting company.[15] While sustainability assurance is similar in practice to financial audits, it remains voluntary in several jurisdictions to validate non-financial data, such as greenhouse gas emissions, diversity metrics, governance practices and others.[16]

As international investors increasingly demand consistent and reliable ESG information to address greenwashing and data inconsistency, Indonesian companies, particularly the observed companies are gradually responding to this shift. The current state of observed companies' assurance in sustainability reporting is illustrated in Figure 26.

Figure 26. Sustainability report assurance within observed companies (2019-2024)



Source: Sustainability reports, sustainability information integrated into annual reports and websites of the observed companies

Figure 26 depicts the trend of assurance practices among observed companies between 2019 and 2024. Until 2024, the majority continued to publish sustainability reports without third-party assurance. In 2019, only 15 companies had their reports assured, compared to 65 that had not. This number gradually rose, from 28 in 2021 to 39 companies by 2024. Despite this growth, non-assured reports still represent a larger share, with 61 companies in 2024 choosing not to seek external assurance. This indicates that assurance is gaining traction within a stable reporting universe. The market is shifting from "more reports" to "more assured reports," signaling a focus on quality and transparency rather than quantity.

Standards that shape assurance and verification

In the context of sustainability reporting, the term assurance refers to a structured and formal process conducted by an independent practitioner, usually in accordance with recognized international assurance standards such as International Standards on Assurance Engagement (ISAE) 3000, AA1000 assurance standard (AA1000AS), ISAE 3410 (on greenhouse gas statements), or the more recent International Standard on Sustainability Assurance (ISSA) 5000. These assurance standards outline the principles and procedures that independent evaluators must follow to assess the quality and reliability of sustainability data. Importantly, assurance standards do not dictate what companies should report but rather about verifying whether the disclosed information is accurate, balanced and supported by evidence.[17]

In Indonesia, this global framework is mirrored through *Standar Perikatan Asurans* (SPA) 3000, which adapts ISAE 3000 into the local regulatory and professional context. SPA 3000 is issued by the Indonesian Institute of Certified Public Accountants (*Institut Akuntan Publik Indonesia* or IAPI) to ensure that sustainability assurance practices in the country align with international standards. ISAE 3000 defines two types of assurance engagements, the first one being limited assurance. Limited assurance offers a lower level of confidence, where the independent party reviews selected data and processes to identify whether anything has come to their attention that suggests the report is materially misstated. It is less detailed and often used as a starting point for companies new to assurance process. In contrast, reasonable assurance provides a higher level of confidence, closer in rigor to a financial audit. This involves deeper testing of data, verification of underlying systems and a more thorough evaluation of whether disclosures are free from material misstatement. IAPI also adapts ISAE 3410 into SPA 3410, which governs assurance engagements related to greenhouse gas reporting.[18]

In November 2024, IAASB has issued the ISSA 5000, as a modernized and comprehensive global baseline for sustainability assurance. Effective for periods beginning on or after 15 December 2026 (early application is permitted), ISAE 3000 will remain effective and ISAE 3410 will be withdrawn, as its content has been integrated into this new standard.[19]

Looking ahead for assurance of sustainability information within the IFRS Sustainability Disclosure Standards

Assurance practices in sustainability reporting serve as an independent framework applicable across various disclosures, remaining neutral to the reporting standards used, such as GRI Standards, SASB Standards, TCFD Framework, or IFRS Sustainability Disclosure Standards. Historically, these practices have been tied to GRI standards, which is predominant among Indonesian companies. However, as global capital markets increasingly demand investor-focused information, the introduction of IFRS S1 and S2 by the ISSB is poised to transform the assurance landscape.

Currently, the assurance of sustainability reports by independent parties remains voluntary. However, with OJK in the process of revising POJK 51, it is likely that the new regulation will strengthen the sustainability reporting ecosystem, including third-party assurance and PSPK 1 and 2 adoption as the foundation for reporting. Over time, this integration could also pave the way for mandatory independent assurance under IFRS S1 and S2 standards.[5]

The transition towards assured sustainability reporting under IFRS S1 and S2, supported by PSPK, offers significant advantages for Indonesian companies. Climate risk, as highlighted in IFRS S2, is among the most significant disruption businesses will face over the next two to three decades. Credible assurance reduces information risk and enhances disclosures' reliability for both domestic and international stakeholders. Consistent assurance standards also promote comparability across industries, enabling better evaluation of SRROs. Ultimately, aligning with global assurance practices positions Indonesian firms to meet the expectations of international supply chains and capital markets, where assured sustainability disclosures are becoming essential.

Next steps: Strengthening the foundation for credible assurance

As Indonesia prepares for the adoption of PSPK 1 and PSPK 2, the assurance landscape stands at a pivotal turning point. The next critical step lies in ensuring the credibility and comparability of the information disclosed. Despite these advancements, several foundational gaps persist. The absence of a specific assurance standard under the upcoming PSPK framework creates uncertainty for companies aligning with international practices. Many firms still lack awareness of the legal frameworks, enforcement mechanisms and standardized methodologies for credible assurance engagements. The variability in statistical approaches, data quality and disclosure levels further complicates the establishment of consistent benchmark, potentially undermining objectivity.

To take corrective action, regulators, professional associations and industry stakeholders must collaborate to develop a robust assurance infrastructure. This includes publishing practical implementation guidelines on assurance processes, defining the scope and level of assurance, and setting standards for assurance that align with PSPK 1 and 2. OJK has already included these priorities in the roadmap for revising POJK 51, which will clarify assurance requirements and reporting scopes.[5]

At the same time, companies and assurance practitioners must also strengthen internal readiness by improving their data management systems, enhancing transparency in materiality assessment and engaging early with assurance providers. For professionals, investing in capacity building and cross-disciplinary expertise are essential. Ultimately, Indonesia's journey toward assured sustainability reporting is a strategic effort to build trust, resilience, and competitiveness in a sustainability-focused global market.

Call to action

In recent years, there has been an increasing recognition for companies to regard sustainability reporting as a necessity driven by compliance and stakeholder expectations. This shift has resulted in the development of more structured and comprehensive guidelines. It is important to expect that these guidelines will continue to evolve in the future to keep up with the dynamic momentum of sustainability reporting advancement.

Undoubtedly, regulations remain essential to enhance the quality and accountability of sustainability reporting through effective governance. The collective objectives should focus on fostering transparency and integrating sustainability considerations into corporate practices. In order to do that, companies can consider undertaking the following actions:

- Prepare for the upcoming mandatory climate-related disclosures under the new SPK standards. As these regulations are set to take effect in 2027, organizations should begin integrating IFRS S1 and S2 into their sustainability reporting practices and conduct materiality assessment to identify and address the most relevant sustainability issues. Staying informed about regulatory developments and participating in the phased implementation process can ensure compliance and enhance their sustainability reporting capabilities.
- Conduct climate scenario analysis using robust methodologies to identify CRROs that are currently affecting and are anticipated to affect the company's operations. Climate scenario analysis also enables companies to identify financial implications from physical and transition CRROs and informs the development of strategies to effectively adapt with and mitigate identified climate risks.
- Explore the concept of double materiality assessment to allow a holistic view from both financial impacts to the company, and the environmental and social impacts of the company to its stakeholders, which ultimately helps to identify and manage a broader range of risks.
- Establish robust sustainability governance frameworks (i.e., decision-making processes for managing and overseeing sustainability practices) and clear board's oversight roles and responsibilities. Provided with the latest trends, it is crucial to also have governance on SRROs as mandated by IFRS S1, and CRROs as mandated by IFRS S2. This will enable companies to enhance accountability and integrate sustainability into corporate strategies effectively.
- Increase transparency in climate targets disclosures, particularly regarding GHG emissions, to align with national and global climate ambitions. If no climate targets have been set yet, then it is critical to establish clear near- and long-term climate targets and develop comprehensive decarbonization strategies.
- Obtain assurance to ensure the credibility of disclosed data or explore pre-assurance to understand the gap of existing reporting practices and assist in preparing for future assurance. On top of enhancing consistency and accountability, this proactive approach will help companies effectively manage data and eventually manage risks and opportunities.

Reporting on sustainability disclosures have been and will continue to be an ongoing collective effort to achieve Indonesia's sustainable development goals, while improving these disclosures serves as a critical step toward a larger objective: to cultivate businesses that can strategically thrive in a sustainable manner over the long-term.

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