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ANALYSIS ON PT ASTRA AGRO LESTARI TBK'S SUSTAINABILITY REPORT

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ABSTRACT

This paper conducts a qualitative study by mapping the sustainability report of PT Astra Agro Lestari Indonesia Tbk (the "Company") which is prepared according to the GRI Standards (Global Reporting Initiative) to the perspective of the Integrated Reporting (<IR>) Standard using as a basis for mapping, recommended disclosures established by Task Force on Climate-related Financial Disclosure (TCFD). The objective is to provide an opportunity for the Company's sustainability report to better explain to the stakeholders, the organization's long-term value creation process and the associated risks and opportunities and the strategies established to respond to them and to measure these strategies' effectiveness. This paper limits the qualitative assessment to the Company's sustainability report for 2021. The findings of the qualitative study show that <IR> disclosures can help to better explain the Company's long-term value creation strategy and assist promoting and preparing the Company to adopt the ISSB Standard when they become effective and are required by regulators, investors and other stakeholders.

Keywords: Integrated Reporting (<IR>), sustainability, value creation.

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1. INTRODUCTION

The sustainability reporting initiative initially came from the public and was welcomed by a small number of socially responsible investors who aspired to be able to disclose their impact on a wider range of stakeholders. The context in which businesses now operate has been radically altered by climate change, the destruction and loss of the natural environment, social unrest caused by issues concerning inclusivity and working conditions, and changing expectations of the role of business. The global pandemic has exacerbated longstanding and fundamental failures in terms of equity and access to economic opportunity.

Research conducted by global consultant Ernst & Young (EY) through the EY 2020 Institutional Investor survey shows that sustainability reporting that supports ESG (Environmental, Social and Governance, or ESG or Environment, Social and Governance) information has never been this important, with 98% surveyed investors suggesting a more disciplined and rigorous approach to evaluating a company's non-financial performance in investment decisions (Nelson, *et al.*, 2020). Currently, 72% of the investors surveyed say they conduct a structured and methodical evaluation of non-financial disclosures, a significant jump from the 32% who said they used a structured approach in 2018 (Nelson, *et al.*, 2020).

Regulators from different jurisdictions take different approaches to sustainability reporting requirements. The US SEC requires public companies to disclose certain ESG information, such as descriptions of human resources and any actions or objectives that the management focuses on, if it is material to understanding the business. Meanwhile, the European Union (EU) adopted a proposal in April 2021 that would replace the reporting requirements under the Non-Financial Reporting Directive (NFRD). The proposed Corporate Sustainability Reporting Directive (CSRD) would broaden the scope to include large companies and all companies listed on EU-regulated markets in the EU, and bring sustainability reporting closer to financial reporting by requiring "limited guarantees" of information sustainability by an auditor company or independent assurance service provider for the financial year on or after January 1, 2023 (Nelson & Hobbs, 2021).

In Indonesia, stakeholders, including local and foreign investors and regulators, are closely watching these developments and are beginning to carefully plan steps to enrich sustainable reporting in this country. Likewise, some businesses that have recently been active in continuing to improve sustainability reporting have even gone so far as to integrate long-term value creation into their core business operations. From the important efforts to build common metrics for sustainability reporting with the main goal of providing better and more comprehensive ESG information, there are several efforts that are important in the discussion to build common metrics for comprehensive ESG information. Harmonization of sustainability reporting standards is very important to serve two very important purposes namely increasing the comparability of corporate sustainability reporting and the direct relationship between financial and non-financial information.

In September 2021, SASB, GRI, IIRC, CDSB and CDP (now SASB and IIRC have merged and formed VRF or Value Reporting Foundation) issued a statement of intent to collaborate towards comprehensive corporate reporting to provide shared market guidance on how the frameworks can be applied in complementary ways, and a shared vision of how the frameworks can complement financial reporting and serve as a starting point. When the world leaders met in Glasgow for COP26 (the UN global summit to address the critical and pressing issues of climate change) in November 2021, the IFRS Foundation announced the formation of the International Sustainability Standards Board (ISSB) to develop, in the public interest, a comprehensive basis for high-quality sustainability disclosure standards to satisfy the information needs of investors and other stakeholders.

ISSB reporting standards will gain greater global legitimacy when jurisdictions adopt ESG disclosure as a mandatory requirement subject to external assurance to avoid market fragmentation. By implementing a building blocks approach, the ISSB will provide a global sustainability reporting base for greater comparability and consistency of application across standards, while also providing important flexibility on top of the basis for coordinating additional jurisdictional reporting requirements. On March 31, 2022, the ISSB issued two standard proposals that applied the building blocks approach to sustainability reporting that included general sustainability-related disclosure requirements and climate-related disclosure requirements. The ISSB will provide a global sustainability reporting base for greater comparability and consistency of application across standards, while also providing important flexibility on top of the basis for coordination of additional jurisdictional reporting requirements.

The sustainability report of PT Astra Agro Lestari Tbk (the “Company”) was chosen to be studied for two main reasons. The first is because the Company's line of business is in agribusiness and more specifically in oil palm plantations, which has always been the focus of stakeholders’ attention , including domestic and foreign consumers, competitors, complementary industries, environmental activists, indigenous people and so on. The second is considering the Company is part of one of the largest conglomerate groups in Indonesia, the Astra Group, which has a prominent and reputable reputation, not only in Indonesia, but also in the Asia Pacific region. In the context of the palm oil industry, the Company is one of the largest integrated oil palm plantations and vertical processing businesses in Indonesia in terms of revenues, planted area and number of workers employed.

This study examines the Company's sustainability report prepared according to the GRI Standards to be mapped in the perspective of another sustainability reporting framework prepared by the VRF in the <IR> Standard (Integrated Reporting). The purpose is to identify disclosures that can help the Company to better communicate the long-term value creation process and the impact of related risks and opportunities along with the strategies used to manage them as well as measuring the effectiveness of these strategies for stakeholders. This paper uses an evaluation case study to conduct a qualitative analysis so that the Company's sustainability report can reveal the value creation strategy set by those responsible for governance.

The main objective of this study is to conduct a qualitative study so that the current Company's sustainability report using the GRI Standards can better explain the sustainability strategy set by those charged with governance by mapping it to another sustainability reporting framework, namely <IR>. This paper limits the qualitative assessment to the Company's 2021 sustainability report. The previous periods' sustainability reports are only reviewed to see the direction and development of certain aspects of the Company's sustainability report. This study does also not measure the accuracy or quality of disclosures against the sustainability reporting framework used, but rather evaluates opportunities for improved disclosure that can provide clearer information about the Company's value creation process and the risks and opportunities associated with the strategies used. To reduce complexity, the mapping process is not carried out directly but is placed within the framework of the four sustainability disclosure topics recommended by TCFD, namely governance, strategy, risk management as well as metrics and targets. By mapping the Company's sustainability report to the <IR> Standard which has been consolidated and used by the ISSB framework in preparing the standard proposal above, it is hoped that it can help readiness for adoption and introduce and support the use of the ISSB Standard when it is effective or required by regulators and investors, stakeholders or other interests.

2. Literature Review

2.1. Development of sustainability reporting

In 1992, the Rio Earth Summit was held in Brazil by the United Nations' World Commission on Environment and Development (UNWCED). The United Nations concluded that sudden and irreversible environmental changes could occur if the upper limit of environmental destruction is exceeded. Five years later in 1997, the Rio+5 Conference concluded that the situation on earth and the world's population was deteriorating. The Rio+10 conference in Johannesburg was disrupted by the continued destruction of the earth and the rapidly declining sustainability of human and non-human life.

John Elkington, a consultant, and advocate for sustainability introduced the term "Triple Bottom Line" which refers to three sustainability performance factors, namely financial results (Profit), social (People) and environmental (Planet). Gray and Milne (2002) argue that the financial, social, and environmental aspects of organizational performance should be addressed with equal importance so that the world can assess and resolve gaps, and organizations should adopt standards for environmental and social reporting.

2.2. Primary theories of sustainability reporting

The accounting literature has shown a significant growth of concern for sustainability issues and accounting practices. The Sciulli study (2009) observed that the phrase environmental and social accounting research had been replaced by the term sustainability reporting research. The primary driver of Instituional Theory (IT) is organizational performance in the social matrix prompted by social conventions for acceptable manners in the environment in which they operate. IT elaborated organizations face the same institutional pressures and therefore adopt similar strategies, because they integrate societies, and their actions are influenced by stakeholders, including the government (through regulations), industry (through standards and norms), competitors (through different business models), and consumers (through loyalty).

When an activity has negative impact on environmental management, they try to remedy reputation through the disclosure of information to ensure that their activities and performance are acceptable to society. IT shows that it is expected that organizations with -inadequate environmental performance will provide more positive environmental disclosures, in their financial statements, to negate the rising threat to their legitimacy.

2.3. Relationship and collective use of GRI Standards and <IR> Standards

The GRI sustainability reporting framework used by the Company in the preparation of its sustainability report, focuses on the economic, environmental and social impact of the company's activities, and therefore their contribution, whether positive or negative, towards sustainable development. Meanwhile, the <IR> Standard (International Integrated Reporting Framework) is an important means to this end, as corporate value reporting can improve business and investor decision making by activating an integrated thinking, management and reporting cycle to provide a clear picture of the full performance of all the factors influencing long term value creation.

According to the 2020 KPMG Sustainability Reporting Survey, 96% of the world's 250 largest companies (G250) report their sustainability performance, and 73% of them use the GRI sustainability reporting framework to do so. There are more organizations using the GRI and SASB (now <IR>) standards together than separately. Many respondents in the above survey mentioned that the two GRI Standards and VRF Standards complement each other because they provide a more complete picture. In addition, some respondents use the two Standards together to provide different perspectives and approaches to materiality and different stakeholder groups. Some of the important benefits that can be concluded from using these two Standards together, among others, are that disclosure meets the needs of various key stakeholders, supports increased stakeholder engagement and better disclosure to the public. However, on the other hand, there are also several obstacles that can be encountered in using these two Standards together, among others, the difficulty in maintaining balance as well as the relevance and completeness of the data, and different approaches to materiality, thus preferring to carry out only one materiality assessment to meet the needs of all stakeholders.

2.4. Establishment of The Task Force on Climate-related Financial Disclosures (TCFD).

TCFD was asked to develop voluntary and consistent climate-related financial disclosures that would be useful to investors, lenders and underwriters in understanding material risks. The 32 members of the TCFD are global members selected by the Financial Stability Board and come from a variety of organizations, including major banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms, and credit rating agencies.

TCFD builds its recommendations around four thematic areas that represent the core elements of how organizations operate, namely governance, strategy, risk management, and metrics and targets. The four overarching recommendations are supported by recommended disclosures that build a framework with information that will help investors and others understand how reporting organizations assess climate-related risks and opportunities. The analysis described in Section 5 of this Study compiles the mapping of the Company's sustainability report from the GRI Standard to the <IR> Standard within the framework of this TCFD disclosure recommendation, so that the mapping process is more simplecompared to a direct mapping from the GRI Standard to the <IR> Standard..

3. Research Methods

3.1. Type of Data

This study uses secondary data collected through various sources, including but not limited to, the sustainability report and the annual report of PT Astra Agro Lestari Tbk for 2021, as well as electronic and printed literature on sustainable reporting of PT Astra Agro Lestari Tbk. This study also uses guidelines from the GRI Standard and <IR> Standard as a basis for mapping from disclosures in the Company's 2021 sustainability report to the four pillars of disclosure recommended by TCFD, namely governance, strategy, risk management, and metrics and targets.

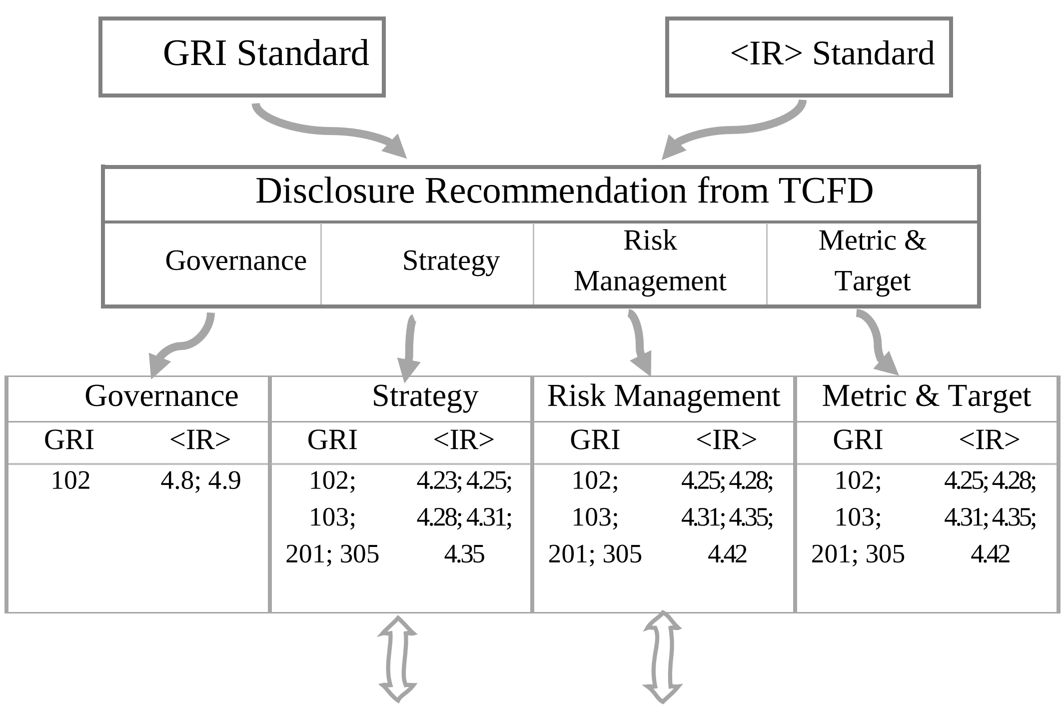
3.2. Data Collection Method

Data collection is carried out mainly through the Company's official website and the Indonesia Stock Exchange, for the Company's 2021 financial reports and sustainability reports. GRI Standards, <IR> Standards, and TCFD recommendation frameworks are compiled through their respective official websites.

3.3. Analysis Method

This study applies a qualitative analysis by examining how the Company can explain the value creation process in its current sustainability report that adopts the GRI Standards by mapping it to the <IR> sustainability reporting framework. This mapping is not done directly, but through the disclosure framework recommended by TCFD, namely governance, strategy, risk management, and metrics and targets. TCFD recommended four thematic areas that represent the core elements of how an organization operates (governance, strategy, risk management, and metrics and targets), and it is in a broader context than just climate-related analysis and mapping, as this is in line with the purpose of this paper's analysis to provide more clarity on the value creation process and the organization's strategy to respond to the associated risks and opportunities. Visualisation of the analysis is as follows (see Figure 1):

Figure 1. Research Method



THE COMPANY’S 2021 SUSTAINABILITY REPORT			
Governance	Strategy	Risk Management	Metric & Target
Opportunities for improving GRI disclosures for TCFD *governance* purposes.	Opportunities for improving GRI disclosures for TCFD *strategy* purposes.	Opportunities for improving GRI disclosures for TCFD *risk management* purposes.	Opportunities for improving GRI disclosures for TCFD *metric and target* purposes.
How <IR> disclosure can help to better explain TCFD **governance** in the context of value creation and organizational strategy.	How <IR> disclosure can help to better explain TCFD **strategy** in the context of value creation and organizational strategy.	How <IR> disclosure can help to better explain TCFD **risk management** in the context of value creation and organizational strategy.	How <IR> disclosure can help to better explain TCFD **metric and target** in the context of value creation and organizational strategy.

4. ORGANIZATION PROFILE

PT Astra Agro Lestari Tbk (the “Company”) is engaged in the plantation sector and has become a public company by listing its shares on the Indonesia Stock Exchange (IDX) since 1997. Currently, the Company is one of the largest Integrated oil palm plantation companies in Indonesia and produces products from crude palm oil (CPO) to packaged cooking oil. The company has a vision to become the most productive and most innovative agribusiness company in the world, with a mission to be a role model and contribute to the development and prosperity of the nation. Currently, the Company and its 46 subsidiaries have a planted area of 287,000 hectares, plus the development of 72,000 hectares of plasma plantations. In addition, the Company and its subsidiaries own 32 palm oil processing plants and 2 cooking oil processing plants, and employ approximately 34 thousand employees.

The corporate governance structure plays a key role in ensuring the continuity of the organization and also to keep the Company's vision and mission relevant. This structure is guided by Law no. 40 of 2007 concerning Limited Liability Companies. The highest power holder for decision making in the Company is the General Meeting of Shareholders (GMS). In the GMS forum, the shareholders can submit recommendations and directions to the Board of Commissioners and the Board of Directors which include efforts to improve the Company's performance.

The Board of Commissioners represents the interests of the shareholders to oversee the Company's policies. The Board of Commissioners consists of four members, three of whom are Independent Commissioners. Members of the Board of Commissioners are nominated and appointed through the GMS. In carrying out its functions, duties and authorities, the Board of Commissioners is assisted by the Nomination and Remuneration Committee and the Audit Committee. The Board of Directors is fully responsible for the management of the Company in achieving its vision, mission and strategy as well as Articles of Association. Members of the Board of Directors are appointed by the shareholders at the GMS by taking into account the provisions of the applicable laws and regulations.

The company shows a high commitment and continues to support the palm oil sustainability program set by the government through the ISPO scheme. By 2020, 38 of the Company's subsidiaries were ISPO certified. The Company has also fulfilled ISPO surveillance activities in 31 subsidiaries which are carried out periodically by the certification body to ensure that the Company still meets all ISPO requirements, principles, criteria and indicators. As part of its commitment to support the fulfillment of the SDGs on a national scale, at the end of this year the

Company will start a collaboration with certain universities to conduct a comprehensive study related to the Company's contribution to the SDGs to see the achievements and the gap between CSR practices that have been running and the SDGs indicators. The results of this study will be used as the basis for the preparation of a sustainability implementation plan that is integrated with the SDGs indicators.

5. Results and Discussion

To reduce the complexity of the analysis carried out in this study, it has mapped out the Company's 2021 sustainability report that adopts the GRI Standards to the <IR> Standard indirecty, by using the four pillar ESG disclosure guidelines recommended by the Task Force on Climate-related Financial Disclosure (TCFD). The four pillars recommended by TCFD are governance, strategy, risk management, and metrics and targets, with the aim of reducing the complexity of the mapping carried out directly from the Company's sustainability reporting according to the GRI Standards to the <IR> Standard.

5.1. Governance

The first pillar of disclosure recommended by TCFD is on governance, which requires disclosure of organizational governance regarding climate-related risks and opportunities, which consists of two sub-topics as follows:

Table 1. Mapping of GRI Standards and <IR> Standards to the Expanded TCFD Governance Recommended Disclosures

GRI Standard	Disclosure on Governance in Accordance with the Expanded TCFD Recommendation	<IR> Standard
GRI 102.	Directors' oversight of climate-related risks and opportunities.	<IR> 4.8; <IR> 4.9.
	Management's role in assessing and managing climate-related risks and opportunities.	

Disclosure in Accordance with GRI

In accordance with GRI 102, the Company discloses the supervisory board of directors on climate-related risks and opportunities as follows: (i) Governance structure; (ii) Frequency of review by the highest governance body on ESG topics and their impacts, risks and opportunities; (iii) Accessibility and feedback on sustainability reports. However, there is an opportunity to improve the quality of disclosure in terms of the details of how the effectiveness of the risk management process is measured, especially in relation to risks and opportunities linked to the main topics that are directly connected with the creation of the Company's value, and secondly, regarding how the Company manages these key topics in more detail, the objectives of the management approach, and targets that have not been disclosed further.

Disclosure in Accordance with <IR>

<IR> 4.8 and <IR> 4.9 on governance require disclosures of the organization's governance structure in support of its ability to create value in the short, medium and long term. With these disclosures of <IR> 4.8 for this sub-topic, the Company may also communicate other information not covered by the disclosures in accordance with GRI 102 above, including (i) actions that have been taken by those

charged with governance to monitor the direction organizational strategy, (ii) how the organization's culture, ethics, and values are reflected in the use of capital and its relationship with stakeholders, and (iii) how remuneration and incentives are linked to value creation in the short, medium and long terms.

5.2. STRATEGY

The second pillar of disclosures recommended by TCFD is strategy, which requires disclosures of the actual and potential impacts of climate-related risks and opportunities on an organization's business, strategy, and financial planning when the information is material, consisting of three sub-topics as follows:

Table 2. Mapping of GRI Standards and <IR> Standards to the Expanded TCFD Strategy Recommended Disclosures

GRI Standard	Disclosure on Strategy in Accordance with the Expanded TCFD Recommendation	<IR> Standard
GRI 102; 103; 201; 305.	Climate-related risks and opportunities that the organization has identified in the short, medium and long term.	<IR> 4.23; 4.25.
	Impact of climate-related risks and opportunities on an organization's business, strategy and financial planning.	<IR> 4.25; 4.28; 4.31.
-	Resilience of the organization's strategy, taking into account various climate-related scenarios, including scenarios of 2°C or lower.	<IR> 4.35; 4.37; 4.38.

DISCLOSURE IN ACCORDANCE WITH GRI

GRI 102 DAN GRI 103.

The company has made disclosures on key topics that have been identified by the organization according to GRI 102-15, 102-43 and 102-44 which include economic, environmental, and social aspects. In accordance with GRI 103-2 and 103-3, the Company also prepares disclosures regarding how the organization manages key topics, objectives of the management approach, as well as policies, commitments, goals and targets, responsibilities, resources, complaint handling mechanisms and certain special actions. These cover key topics from shareholders and investors, workers, suppliers and smallholders, customers, local communities, government and academia.

What is quite important to highlight is the fact that the Company does not conduct the discussions on the key topics proposed by the stakeholders above, and the risks and opportunities faced by the Company, are not carried out comprehensively but instead they are carried out separately and as if they are not related. Meanwhile, if the discussions were carried out in an integrated manner, the Company would be able to provide a comprehensive analysis of the risks and opportunities faced related to the value creation carried out for stakeholders, along with the strategies undertaken to respond to them and how the targets are set as well as the measurement of their achievements.

GRI 201: Economic Performance

In accordance with GRI 201 regarding the role of management in assessing and managing climate-related risks and opportunities, organizations are required to disclose, among others: (i) Retained economic value, (ii) Risks and opportunities resulting from climate change. The company does not include this GRI 201 disclosure although it is quite important to show the relationship of the financial impact of the management's assessment and management of climate-related risks and opportunities. This is because it is an important analysis to show the financial impact of the previous discussions on the opportunities and risks regarding organizational value creation represented by the key topics raised by stakeholders.

GRI 305: EMISSION

In accordance with GRI 305 regarding the management's role in assessing and managing climate-related risks and opportunities, the Company makes the following disclosures: (i) direct (Scope 1) GHG emissions, (ii) indirect (Scope 2) GHG energy emissions direct, (iii) GHG emission intensity, (iv) GHG emission reduction. The disclosure of GHG emissions made above is quite complete and includes disclosure requirements that include emission metrics and intensity, the base year for calculation, as well as standards, methodologies, and assumptions for emission calculations used. In addition to these GHG emission metrics, the Company also discloses other metrics to reveal its environmental performance, such as the use of fossil fuels, organic fuels, surface water, and electricity, wastewater management, waste utilization and land rehabilitation.

DISCLOSURE IN ACCORDANCE WITH <IR>

<IR> 4.25 requires the identification of key risks and opportunities specific to the organization, including those related to the organization's impact on, and the continued availability, quality and affordability of relevant capital in the short, medium and long terms, which include: (i) sources of specific risks and opportunities, which can be internal, external, or, generally, a mixture of the two, (ii) the organization's assessment of the likelihood that a risk or opportunity will pay off and the magnitude of its impact if it does, (iii) specific steps taken to reduce or manage key risks or to create value from key opportunities, including identification of related strategic objectives, strategies, policies, targets and key performance indicators.

<IR> 4.31, including <IR> 4.32 - 4.33, regarding performance, requires disclosures that can explain the extent to which the organization has achieved its

strategic objectives for the period and how this results in its impact on capital. <IR> 4.35 on outlook, including 4.36 – 4.40, requires disclosures that can explain the challenges and uncertainties that the organization may face in carrying out its strategy, and the potential implications for the business model and future performance of the organization.

The disclosure includes anticipated changes over time and provides information on a clear and transparent analysis of the organization's expectations about the external environment that it is likely to face in the short, medium and long terms, how it will affect the organization, how the organization is currently prepared to respond to any critical challenges and uncertainties that may arise.

The integrated report can also provide lead indicators, KPI, relevant information from reputable external sources, and sensitivity analysis. If forecasts or projections are included in the organization's outlook report, a summary of the associated assumptions will be very useful to users of the report. Comparison of actual performance with previously identified targets may allow further evaluation of the current outlook.

5.3. Risk Management

The third pillar of disclosure recommended by TCFD is risk management, which requires disclosure of how organizations identify, assess and manage climate-related risks, which consists of three sub-topics as follows:

Table 3. Mapping of GRI Standards and <IR> Standards to the Expanded TCFD Risk Management Recommended Disclosures

GRI Standard	Disclosure on Risk Management in Accordance with the Expanded TCFD Recommendation	<IR> Standard
GRI 102; 103; 201; 305.	Organizational processes for identifying and assessing climate-related risks.	<IR> 4.23; 4.25.
	Organizational processes for managing climate-related risks.	<IR> 4.25; 4.28; 4.31.
-	Processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	<IR> 4.35; 4.37; 4.38.

Due to the close relationship between the second and third topics recommended by TCFD, the analyses of the Company's disclosures on these topics, which include the GRI Standards and the <IR> Standards mentioned in the table above, have been carried out simultaneously in topic 5.2 above.

5.4. Metrics and Targets

The fourth pillar of disclosure recommended by TCFD is metrics and targets, which requires disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities if the information is material, consisting of the following three sub-topics:

Table 4. Mapping of GRI Standards and <IR> Standards to the Expanded TCFD Metric & Target Recommended Disclosures

GRI Standard	Disclosure on Metric & Target in Accordance with the Expanded TCFD Recommendation	<IR> Standard
GRI 102, 103, 201, 302, 303, 305, 306.	The metrics an organization uses to assess climate-related risks and opportunities are in line with its risk management strategy and processes.	<IR> 4.25; 4.28; 4.31; 4.35; 4.42.
	Scope 1, Scope 2 and, where appropriate, Scope 3 GHG emissions and associated risks.	

GRI Standard	Disclosure on Metric & Target in Accordance with the Expanded TCFD Recommendation	<IR> Standard
	Targets used by organizations to manage climate-related risks and opportunities and performance against targets.	

Disclosure in Accordance with GRI

The analysis of the disclosure of metrics and targets in the Company's sustainability report has been carried out on the analysis of the second topic above regarding strategy because it is closely related to the disclosure of organizational strategies to manage risks and opportunities for creating Company value.

Disclosure in Accordance with <IR>

As discussed in section 5.3 above, disclosure <IR> 4.25 regarding risks and opportunities that affects the organization's value creation, <IR> 4.28 regarding the organization's direction and goals and strategies to achieve them, <IR> 4.31 regarding the extent to which the organization has achieved its strategic objectives for the period, as well as <IR> 4.35 regarding the challenges and uncertainties that the organization may face in carrying out its strategy.

5.5. Adoption of ISSB Standard

Background to Support Adoption

In just six months since the announcement of its formation at COP26, the ISSB has made important institutional and technical progress. Based on input from its consultancy process, the ISSB remains on track to deliver by the end of the year its first phase of formation, a global baseline of sustainability disclosure for capital markets, which was welcomed by the G20 and G7.

The future success of this global baseline standard will depend on the combined actions of each jurisdiction's regulators to incorporate it into their reporting requirements, and the market demands through investors and other stakeholders that encourage the use of the ISSB-defined Standards. The ISSB reaffirms its commitment to working collaboratively with jurisdictions and stakeholders in pursuit of these public interest objectives and stands ready to engage proactively as jurisdictions and other stakeholders begin their evaluation of the ISSB standards.

PREPARATION FOR ADOPTION

The <IR> and ISSB standards disclosed and discussed above are very different from the GRI Standards, because these frameworks require multi-disciplinary information disclosure and relate ESG information directly to financial information. This requires a transformation inthe organization to develop a sustainability information system that can ensure the accuracy of the linkage of financial and non-financial information and in sufficient time for the preparation of a timely sustainability report.

This sustainability information system will also greatly assist the process of providing assurance for the Company's sustainability report. Al-Shaer and Zaman (2019) found that there is a positive relationship between the Board of Directors-level sustainability committee and assurance on sustainability reporting, while Braam and Peeters (2018) revealed that companies with superior corporate sustainability performance are more likely to hire third parties to provide assurance on their sustainability reports than companies with lower sustainability performance. In addition, the provision of assurance will certainly increase the investors' and stakeholders' confidence in the reliability and accuracy of the Company's sustainability reports.

6. Conclusion and Recommendation

6.1. Conclusion

The findings show two main themes: (i) disclosures using the GRI Standard can be improved to better explain the value creation process of the organization, and (ii) the use of the <IR> Standard, either together with the GRI Standards or alone, can assist the Company to communicate more clearly the value creation process and the related risks and opportunities and the strategies devised to manage them and measurement of such strategies effectivity.

Disclosures Using the GRI Standard Can be Improved to Better Explain the Value Creation Process of the Organization

Improving the quality of disclosure using the GRI Standards can help the Company to communicate the strategies established in response to the risks and opportunities identified in the key topics proposed by each stakeholder, as well as how targets and objectives are measured and setthe measurement of strategy effectiveness and its relation to the management performance evaluation keys, as described below. In the disclosure regarding governance according to the topic of the first recommendation of TCFD, the Company did not elaborate how the effectiveness of the risk management process was measured after it is stated in the strategy determined by the party responsible for governance. In making disclosures regarding strategy, risk management and metrics and targets, the Company has not revealed a direct link between the key topics proposed by stakeholders and the risks and opportunities faced by the Company and the strategies established by the Company responding to these risks and opportunities.

The Company has not prepared disclosures that can help explain the strategy and risk management. The Company can also prepare GRI 201 disclosures to explain the financial impact of the Company's assessment and management of climate-related risks and opportunities. The company can improve disclosure of the metrics in its sustainability report by providing relevant contexts to enable users of the sustainability report to better understand the role of these metrics in risk management and the strategies used by the company to manage the related risks and opportunities within the Company's value creation process.

<IR> Standards Can Assist the Company to Better Disclose Value Creation Processes and the Associated Risks and Strategies

The Company can use the <IR> Standard, either alone or in conjunction with the GRI Standard, to communicate more clearly the value creation process and the associated risks and opportunities as well as the strategies established to manage them and measure the effectiveness of these strategies. In terms of governance disclosures in accordance with TCFD's first recommendation topic, with disclosure of <IR> 4.8 the company can also communicate other information that has not been covered by disclosures for this topic in accordance with GRI 102 above. In the disclosure of strategy and risk management according to the second and third recommendation topics of TCFD, the Company can use the <IR> Standard (4.25, 4.28, 4.31 and 4.35) to comprehensively explain the risks and opportunities of the Company's value creation process and related strategies (short term, medium term) and determined by the Company as well as measuring the effectiveness of the strategy.

THE USE OF THE <IR> STANDARD IS THE FIRST STEP IN ADOPTING THE ISSB STANDARD.

The IFRS Foundation is currently finalizing the consolidation of the VRF (Value Reporting Foundation) that contains the <IR> Standard and the SASB Standard. In the future, the IASB and ISSB will use the principles and concepts from the <IR> reporting framework in setting ISSB standards, which include aligning and combining the concepts in <IR> with similar ones in the IASB and SASB conceptual frameworks into a single cohesive standard. Thus, the initial step of adoption and preparation of the Company's sustainability report using the <IR> Standard will be the right transition in preparation for the adoption of the ISSB Standard when it becomes effective and is required by regulators, investors and other stakeholders.

6.2. RECOMMENDATION

The short-term recommendations for the Company are as follows:

• Evaluate the adequacy of relevant data and prepare for GRI Standard disclosures that have not been included in the sustainability report to provide clearer disclosures regarding the management of risks and opportunities on key topics raised by stakeholders (value creation process) as described in section 6.1.1 above.

• Establish a task force to determine measures needed to prepare <IR> Standard disclosures as described in section 6.1.2 above to provide to the stakeholder information regarding the Company's value creation process and the management of the related risks and opportunities and establishing metrics and targets and measuring their effectiveness.

The medium and long term recommendations for the Company are as follows:

• Based on the evaluation of the task force approved by those charged with governance, the Company should take the necessary measures to prepare disclosures in accordance with the <IR> Standard in its sustainability report, either in conjunction with the GRI Standards, or alone, in accordance with decisions of those charged with governance.

• Obtain assurance on the Company's sustainability reports from independent and reputable firms. Such assurance is valuable to exhibit the reliability and credibility of the Company's sustainability reports, which can assure stakeholders of the quality of the sustainability report while at the same time ensure access to the capital market which in the future is likely to require either limited or full assurance on the sustainability report.

• Prepare integration of different functions within the Company to support comprehensive sustainability reporting, which must be reliable, credible and relevant for the information needs of key stakeholders and demonstrate a clear relationship between financial and non-financial information. The Company needs to instill discipline in sustainability reporting processes and controls to establish a sustainability information system to assist effective governance and support accuracy and reliability as well as sufficient time to prepare the sustainability report.

6.3. Future Research

Future research could study the sustainability reports of other organizations, both in similar and in other industries, to compare with the results of this study. In addition, other research could use the same research object but employ different research methods, such as using primary data in the form of interviews and questionnaires or focus on the stakeholder's perspective to observe whether the information they need for decision making is appropriate.

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