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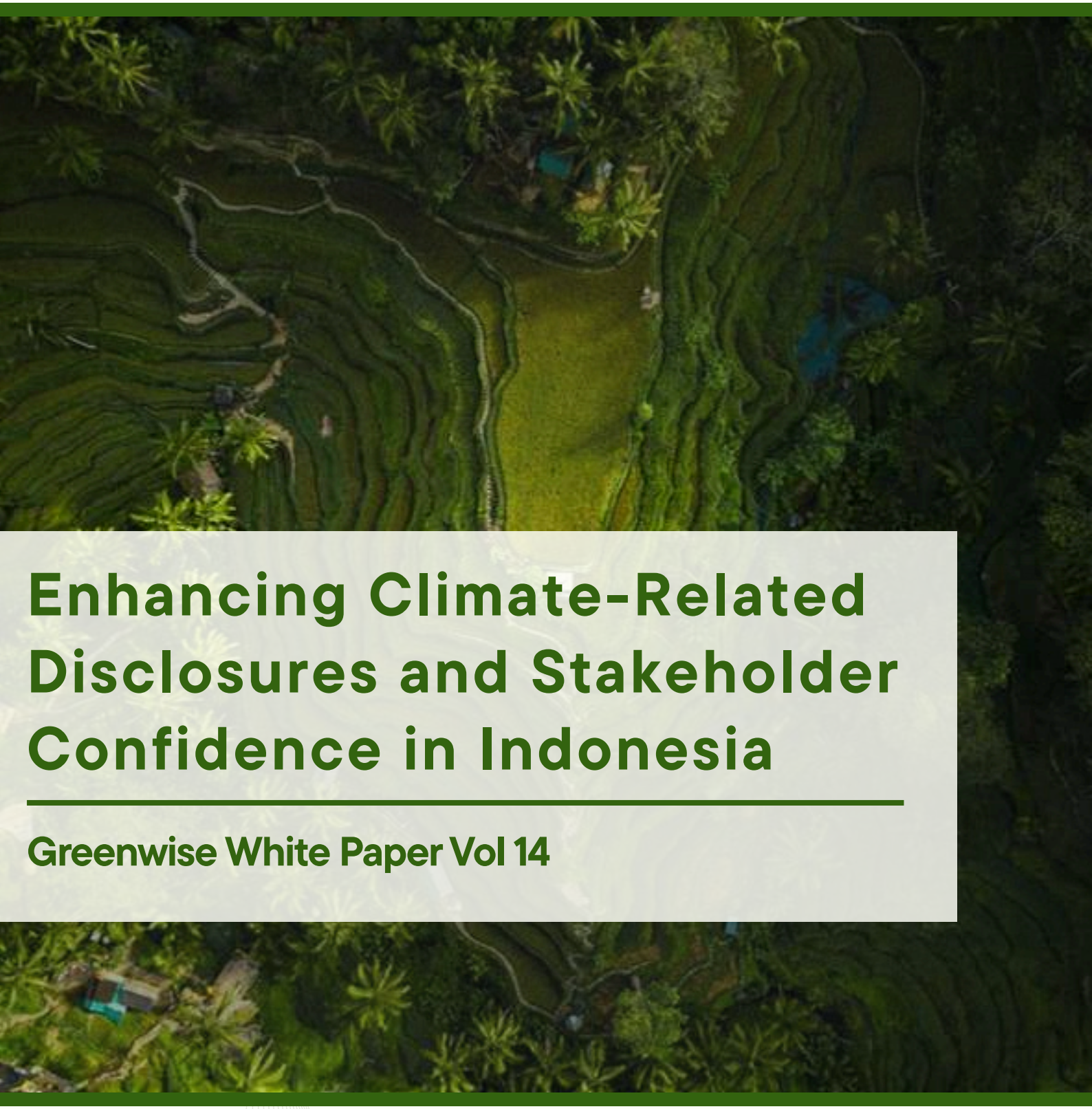

Enhancing Climate-Related Disclosures and Stakeholder Confidence in Indonesia

Greenwise White Paper Vol 14

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Foreword

The implementation of PSPK 1 and 2 represents a structural shift in Indonesian corporate reporting. These standards are a fundamental recalibration of disclosure, integrating climate-related risk and opportunity directly into the core of governance and strategy. This climate-related financial disclosure standard has already been adopted globally because CDP 2023 report found that 52% of disclosing companies identified exposure to climate-related risks and ADB research finds the impacts of climate change could reduce gross domestic product (GDP) in developing Asia and the Pacific by 17% by 2070.

The Indonesian Financial Services Authority (OJK) has clearly signaled the direction through Regulation No. 14/2023, mandating sustainability reporting for financial institutions. PSPK 1 and 2, enacted by the Ikatan Akuntan Indonesia (IAI) and effective 1 January 2027, now extend this mandate to the broader corporate landscape, creating a standardized, enforceable framework aligned with IFRS S1 and S2. The IAI's due process, involving over 700 stakeholders and 54 written responses, confirms the standards will become mandatory and have actionable progress for its reward and punishment system.

PSPK 1 and 2 mandate the integration of climate-related risks and opportunities into core financial and strategic planning. Our analysis sees that a compliance-centric approach to these standards is inadequate to accommodate future transparency demand to align with global standards. The standards require re-engineering data collection, risk management, and governance structures because investors now can systematically analyze entities with inadequate ESG data and regulatory enforcement by OJK and IAI will be monitored through government needs for Foreign Direct Investment (FDI).

Navigating the transition to a sustainable economy is today's greatest business opportunity. We firmly believe in the innovative spirit of fellow Indonesian enterprises to meet this moment and thrive. We hope this document provides valuable insights as you begin your transition toward a more sustainable business practice.

Lenny Hidayat
Founder & Partner Greenwise Consulting

CHAPTER 1
Introduction to PSPK 1 & 2

The growing urgency of climate change demands greater transparency and consistency in sustainability disclosures. Investors, regulators, and the public are increasingly focused on how companies assess and manage climate-related risks and opportunities. In response, the Indonesian Institute of Accountants (IAI) has issued two important standards—PSPK 1 and PSPK 2—as the first step in harmonizing national sustainability disclosure practices with global standards.

1.1 Overview of PSPK 1 and PSPK 2

Pernyataan Standar Pengungkapan Keberlanjutan (PSPK), or Sustainability Disclosure Standards, consists of two parts: PSPK 1 and PSPK 2. PSPK 1 sets out the general requirements for sustainability-related financial disclosures, while PSPK 2 addresses climate-related disclosures, officially enacted on July 1, 2025.

PSPK 1 is based on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and serves as the overarching framework. It establishes the fundamental principles of sustainability reporting, with emphasis on governance, strategy, risk management, and metrics and targets.

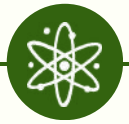
PSPK 2, on the other hand, is aligned with IFRS S2 Climate-related Disclosures and specifically focuses on climate issues. It requires entities to disclose physical risks, transition risks, and climate-related opportunities within the four core pillars: governance, strategy, risk management, and metrics and targets. PSPK 2 includes certain modifications from IFRS S2, particularly regarding the effective date and requirements for Scope 3 greenhouse gas (GHG) emissions reporting.

Together, these standards complement each other: PSPK 1 provides the general foundation, while PSPK 2 specifies disclosures on climate issues that are at the forefront of global attention.

1.2 Objective & Scope of the Standards

The primary objective of PSPK 1 and PSPK 2 is to provide relevant sustainability information for users of financial reports, particularly investors and capital providers. This information enables them to evaluate the potential impact of risks and opportunities on an entity's short-, medium-, and long-term prospects. All companies under the supervision of the Financial Services Authority of Indonesia (OJK) are required to prepare these reports.

PSPK 1 requires disclosure of all material sustainability-related risks and opportunities. PSPK 2 reinforces this by focusing specifically on climate-related disclosures, covering:



Physical risks (e.g., floods, forest fires, extreme weather),

Transition risks (e.g., regulatory changes, market shifts), and

Climate opportunities (e.g., energy efficiency, low-carbon technologies, renewable energy).

Under the principle of materiality, only issues deemed significant to an entity's prospects must be disclosed, ensuring the information remains focused and decision-useful.

1.3 Alignment with International Framework

PSPK 1 and PSPK 2 are aligned with the global standards issued by the ISSB, adopting the substance of IFRS S1 and IFRS S2, respectively. This alignment ensures that Indonesian companies can prepare internationally compatible reports, facilitating cross-jurisdictional comparability and enhancing credibility with global investors.

Nonetheless, some adjustments have been made to fit the Indonesian context. First, the effective date differs from that of the IFRS standards. Second, there is greater flexibility regarding the use of the Greenhouse Gas Protocol and Scope 3 emissions reporting. These adjustments allow Indonesian companies to gradually transition toward international best practices without undermining the substance of the standards.

1.4 Why PSPK 1 and PSPK 2 Matter for Climate-Related Disclosure in Indonesia

Indonesia is among the countries most vulnerable to the impacts of climate change. Hydrometeorological disasters, environmental degradation, and the urgent need for a low-carbon transition pose significant risks to businesses. At the same time, opportunities arise through clean energy innovation, green financing, and carbon markets.

PSPK 1 and PSPK 2 directly address these needs by

- Strengthening stakeholder trust through credible and standardized reporting.
- Expanding access to financing, as global investors demand consistent climate-related information.
- Enhancing the competitiveness of Indonesian companies in navigating the global energy transition.
- Ensuring connectivity across sustainability issues, preventing fragmented reporting.

By adopting PSPK 1 and PSPK 2, companies in Indonesia are not only complying with reporting requirements but also reinforcing their strategic position in global markets while contributing to the nation's climate resilience.

CHAPTER 2

Key Components of PSPK 1 on Climate-related Disclosures

PSPK 1, formally titled General Requirements for Sustainability-related Financial Disclosures, establishes the core framework for sustainability-related disclosure in Indonesia. It is based on the ISSB's IFRS S1 and incorporates the architecture of the Task Force on Climate-related Financial Disclosures (TCFD), which comprises four key pillars: Governance, Strategy, Risk Management, and Metrics & Targets. While PSPK 1 applies broadly to all sustainability topics, the standard mandates a "climate-first reporting" approach during the initial implementation period, making climate the primary disclosure priority. This section explains the required components under PSPK 1 in full, as these form the conceptual foundation upon which PSPK 2 introduces more technical climate-specific provisions. PSPK 1 must be understood first—PSPK 2 is built on it.

2.1 Governance

Entities must disclose how climate-related risks and opportunities are governed at both board and management levels. Specifically:

The board's responsibilities must be clearly stated, including which committees or individuals are involved, the frequency and nature of climate discussions, and how the board maintains oversight competence.

Management's role must also be defined, including which executives are responsible for climate oversight, how they are held accountable, and how climate considerations are integrated into daily operations and internal reporting.

These disclosures ensure that climate is treated as a governance issue with real accountability and not merely an ESG sub-topic.

2.2 Strategy

The strategy pillar requires disclosure of actual and potential climate-related impacts on the organization's business, financial position, and value creation.

Entities must:

01

Identify material climate-related risks and opportunities over short, medium, and long-term horizons.

02

Explain how these risks and opportunities affect business models, value chains, capital allocation, and overall strategic planning.

03

Disclose the anticipated financial effects on revenues, expenditures, cash flows, and access to finance.

04

- Demonstrate the resilience of the current business strategy by conducting climate scenario analysis. This includes:
  - Use of plausible scenarios (including at least a 2°C or lower scenario),
  - Timeframes considered,
  - Assumptions used (e.g., carbon prices, transition timelines),
  - Interpretation of implications, not necessarily numerical outputs.

2.3 Risk Management

PSPK 1 requires entities to describe how climate-related risks are identified, assessed, and managed, and how these processes are embedded in the organization's overall enterprise risk management (ERM)..

Required disclosures include:

- Methods for identifying climate risks, distinguishing between physical risks (e.g., extreme weather) and transition risks (e.g., regulatory changes).
- Criteria for assessing severity, likelihood, and materiality of risks.
- How risk priorities are set, how responsibilities are allocated, and what mitigation actions are taken.
- How these climate risk processes are integrated into the entity's existing ERM framework and decision-making cycles.

This ensures that climate risk is treated as financially material, not just reputational or compliance-based.

2.4 Metrics and Targets

Entities must disclose the quantitative and qualitative indicators used to assess and manage climate-related risks and opportunities, as well as performance against set targets.

Mandatory elements include:

Disclosure of Scope 1 and Scope 2 greenhouse gas (GHG) emissions; Scope 3 emissions must also be disclosed where relevant and measurable.	01
Any other climate-relevant metrics the entity uses internally, such as carbon intensity, internal carbon pricing, percentage of sustainable investments, or low-carbon revenue share.	02
Clear articulation of climate targets, including: ◦ Whether the target is absolute or intensity-based, ◦ Timeframes and base years, ◦ Progress to date and variances from prior years, ◦ Methodologies used for calculations (e.g., GHG Protocol), ◦ Whether data is independently assured.	03

The emphasis is not only on measurement, but on demonstrating progress, alignment with strategy, and internal accountability.

Recommendations and Supporting Recommended Disclosures

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosures

- Describe the organization's processes for identifying and assessing climate-related risks.
- Describe the organization's processes for managing climate-related risks.
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

- Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosures

- Disclose the board's oversight of climate-related risks and opportunities.
- Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommended Disclosures

- Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

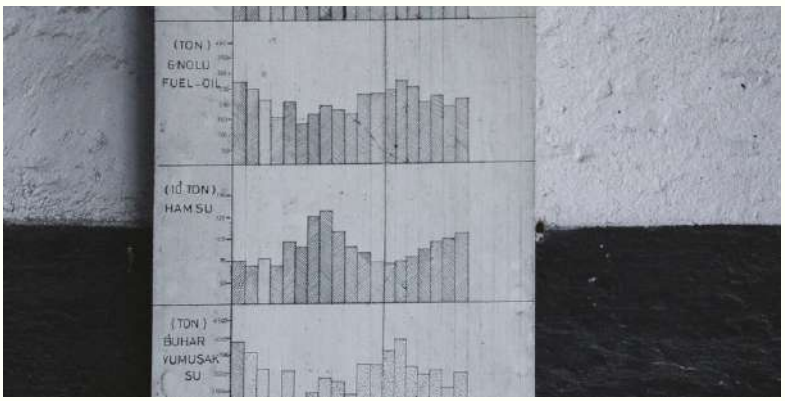
Understanding PSPK 1 is essential before engaging with PSPK 2, as the two standards are structurally and conceptually interdependent. PSPK 1 establishes the foundational architecture and guiding principles for sustainability-related disclosures—including definitions, scope, reporting entity alignment, materiality lens, and the structure of disclosure using the four TCFD-based pillars: governance, strategy, risk management, and metrics & targets. PSPK 2 builds directly upon this framework by providing **topic-specific requirements for climate-related information**, expanding the technical depth without repeating the structural concepts.

In practice, PSPK 2 does not function as a standalone document. It assumes that entities have already applied PSPK 1 and are therefore familiar with the expectations for format, integration with financial reports, and application of the materiality concept. For example, PSPK 1 requires entities to disclose their climate-related strategy using scenario analysis—but PSPK 2 expands this requirement by specifying the use of at least one scenario aligned with global temperature goals (such as a 1.5°C scenario) and detailing expected assumptions and disclosures. Similarly, while PSPK 1 introduces the obligation to disclose GHG emissions as part of metrics and targets, PSPK 2 builds on this by introducing **sector-specific metrics**, **transition plan disclosures**, and **requirements for financed emissions** for financial institutions.

Another **key difference lies in the level of prescription. PSPK 1 is principle-based and designed to apply across all sustainability topics.** It tells entities what to disclose and why, but leaves flexibility in how disclosures are developed. PSPK 2, by contrast, introduces greater specificity, especially for climate topics that have gained regulatory, investor, and public urgency. For instance, PSPK 2 mandates that entities disclose information on their climate transition plan, if one exists, and explains how the plan is resourced, governed, and aligned with national and international climate goals.

The **relationship between PSPK 1 and PSPK 2** mirrors the relationship between IFRS S1 and S2 under the ISSB framework. S1 introduces general sustainability reporting principles applicable to all ESG topics; S2 builds on S1 with detailed climate-specific requirements. Similarly, PSPK 2 does not redefine governance, materiality, or presentation expectations—it relies on PSPK 1 for those. Instead, PSPK 2 expands the technical expectations around climate-specific content and industry relevance.

The implications for preparers are clear: **PSPK 1 must be applied as a prerequisite for PSPK 2**. The disclosures required under PSPK 2 must be organized according to the PSPK 1 structure and filtered through PSPK 1's definitions of materiality, entity scope, time horizons, and connected information. Attempting to interpret PSPK 2 without a solid grasp of PSPK 1 will result in fragmented, non-compliant, or incomplete disclosure.



For that reason, this section—on the key components of PSPK 1—is deliberately detailed and comprehensive. It is designed to equip readers with a full conceptual map of the reporting system before engaging with the more technical disclosure expectations of PSPK 2. Section 6 will build on this framework by explaining where PSPK 2 differs, deepens, or adds specificity—particularly around scenario analysis, transition planning, climate risk quantification, and industry-linked metrics.

Ultimately, PSPK 1 and PSPK 2 must be viewed not as separate requirements, but as two parts of the same reporting obligation: PSPK 1 lays the structure and logic, while PSPK 2 introduces the topic-specific content required to disclose climate-related financial information in a complete, credible, and decision-useful manner.

CHAPTER 3

Key Components of PSPK 2 on Climate-related Disclosures

The Sustainability Disclosure Standards (Pernyataan Standar Pengungkapan Keberlanjutan or PSPK), developed by the **Sustainability Standards Board of the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia – IAI)**, represent Indonesia's effort to align domestic sustainability reporting with global practices. While **PSPK 1** establishes the General Requirements for Disclosure of Sustainability-related Financial Information, **PSPK 2 focuses specifically on climate-related disclosures**. It is largely converged with the **IFRS S2 Climate-related Disclosures** issued by the International Sustainability Standards Board (ISSB), with certain contextual adaptations.

The overarching objective of PSPK 2 is to require entities to disclose decision-useful information about climate-related risks and opportunities that are material to their financial prospects. This information is particularly relevant for investors, lenders, and other creditors, enabling more informed economic decisions.

3.1 The Role of the Greenhouse Gas Protocol

A critical component of PSPK 2 is the requirement to measure and disclose greenhouse gas (GHG) emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).
Scope 1 – Direct emissions from sources owned or controlled by the entity.
Scope 2 – Indirect emissions from purchased electricity, heating, cooling, or steam consumed by the entity.
Scope 3 – Indirect emissions across the value chain, both upstream and downstream.
To accommodate the readiness of Indonesian entities, PSPK 2 introduces transitional provisions:

- During the first three years of adoption (2027–2029), entities may use methods other than the GHG Protocol and are not required to disclose Scope 3 emissions.
- Post-implementation review will then be conducted by IAI to determine full application of Scope 3 and the GHG Protocol going forward.

This staged approach strikes a balance between aligning with global standards and acknowledging current data and capacity constraints within Indonesian organizations.

3.2 The Four Core Pillars of PSPK 2

PSPK 2 adopts the Task Force on Climate-related Financial Disclosures (TCFD) framework, structured around four interconnected pillars:

Governance

Entities must disclose the role of the board of directors and management in overseeing climate-related risks and opportunities. This includes:

- Governance structures, mandates, and responsibilities.
- The frequency and quality of information flow to decision-makers.
- Integration of climate considerations into strategy oversight and remuneration policies.

Strategy

Disclosures should explain how climate-related risks and opportunities affect the entity's business model and long-term strategy. Specifically, entities must:

- Identify and categorize climate-related risks (physical and transition) and opportunities.
- Assess both current and anticipated impacts on value chains, financial performance, and strategic decision-making.
- Conduct climate scenario analysis to evaluate resilience under different climate futures, covering short, medium, and long-term horizons.

Risk Management

Entities must describe their processes for identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities. This includes:

- The role of climate scenario analysis in risk assessment.
- Integration of climate risk processes into the organization's overall risk management framework.
- How prioritization is determined relative to other categories of risk.

Metrics and Targets

To measure and monitor progress, PSPK 2 requires disclosure of:

- GHG emissions (Scopes 1, 2, and 3) measured in line with the GHG Protocol.
- Exposure to transition and physical climate risks, as well as climate-related opportunities.
- Capital allocation, internal carbon pricing, and links between executive remuneration and climate-related performance.
- Climate targets (e.g., net-zero commitments, sectoral decarbonization pathways, or intensity-based targets) and the use of carbon credits, including transparency on type, certification, and reliance on offsets.

Implications for Indonesian Companies

The adoption of PSPK 2 carries significant implications:

1. Enhanced Transparency – Entities will provide consistent, comparable climate-related information in line with international norms.
2. Data Preparedness – Scope 3 emissions pose the greatest challenge, requiring collaboration across value chains.
3. Integration with Financial Reporting – PSPK 2 explicitly connects sustainability reporting with financial statements, ensuring a holistic view for stakeholders.
4. Investor Confidence – High-quality disclosures will support capital market credibility and access to sustainable finance.

Conclusion

PSPK 2 marks a transformative step in Indonesia's sustainability reporting landscape. By incorporating the GHG Protocol and the TCFD's four-pillar framework, the standard ensures that companies:

- Increase accountability in managing climate-related risks and opportunities.
- Provide decision-useful, comparable information for global investors.
- Strengthen long-term competitiveness through improved transparency and governance.

CHAPTER 4

Challanges in Implementing

Enhancing Climate-Related Disclosures and Stakeholder Confidence in Indonesia

The promulgation of PSPK 1 (General Requirements) and PSPK 2 (Climate-related Disclosures) on 1 July 2025—effective 1 January 2027—marks Indonesia's adoption of IFRS S1/S2. PSPK 1 structures disclosures across governance, strategy, risk management, and metrics & targets; PSPK 2 applies the same architecture to climate topics. The intent is clear: sustainability information must be decision-useful and meaningfully connected to financial statements. This raises a practical question: what systemic prerequisites ensure disclosures are credible, auditable, and relevant for capital providers?

The answer unfolds across four interlinked challenge areas—starting with data quality, moving to reporting infrastructure, progressing to human capability & process, and culminating in integration with risk policy and the financial system. This sequence matters: weak data undermines systems; without systems, capabilities lack a stable home; and without integration, reports have limited impact on risk and capital decisions.

1

Data complexity and uncertainty of information

Foundational issues include methodological diversity and emission-factor variability, incomplete Scope 3 coverage, and uneven scenario granularity (physical vs transition risks). PSPK/IFRS expect entities to disclose assumptions and uncertainty sources that shape metrics and targets. In parallel, registry alignment between SRN-PPI and IDXCarbon is essential to prevent duplication and mis-statements. On the governance side, ISO 31000 provides a familiar backbone for controls, traceability, and cross-period consistency. Clarity on definitions, units, and data lineage becomes the launchpad for building reliable reporting infrastructure. Put simply, success in the next stage depends on disciplined data in this stage.

2

Gaps in ESG data collection and reporting infrastructure

With data foundations clarified, the focus shifts to system architecture. Many organizations still rely on ERP/Excel with limited metadata, weakening the narrative–metrics–targets chain required by PSPK 1. TKBI v2 (2025) mandates taxonomy tagging (green/transition) embedded in CoA, products, and portfolios. POJK 14/2023 requires carbon units to be registered and eligible before trading on IDXCarbon, with proper linkage to SRN-PPI. For financial institutions, OJK CRMS 2024 offers a six-book toolkit—from technical guidance and measurement methods to macro datasets and reporting templates—to accelerate climate-risk data aggregation and scenario-based stress testing. Once architecture and connectivity are in place, the next requirement is people and process readiness. Capability building ensures the systems are used consistently and effectively.

3

Limited technical capacity of internal and external team

A steep cross-functional learning curve remains to meet PSPK 1/2 structures. Many entities are early in ISO 50001 adoption, even though an EnMS provides the scaffolding for measurement, target-setting, and continuous improvement of energy and emissions-intensity data; the 2024 amendment further aligns EnMS practice with climate action. Complementing this, CRMS 2024 supplies locally relevant measurement approaches, Indonesia-specific macro datasets, and templates that can be directly mapped to PSPK 2, including scenario use in stress testing. As teams master the data, tools, and templates, the logical next step is to embed these outputs into ERM/ICAAP, sector limits, and capital/pricing plans, ensuring reporting translates into a real risk profile.

4

Integration with broader risk management and financial system

Embedding climate disclosures into ERM/ICAAP requires a clear thread linking governance, strategy, risk measurement, and financial implications. CRMS 2024 articulates the governance–strategy–risk–disclosure chain and promotes scenario-based stress tests tied to risk appetite, sector limits, and capital allocation. TKBI v2 supports portfolio classification and use-of-proceeds; POJK 14/2023 and IDXCarbon require alignment with SRN-PPI; and IFRS S2 standardizes metrics & targets (including financed emissions). Above all, ISO 31000 underpins risk-governance routines so cross-functional execution remains consistent. With policy integration in place, the cycle loops upstream: stress-test outputs and performance evidence feed back into data standards, system refinements, and capability programs, raising disclosure quality over time—well beyond mere compliance.

Summary

PSPK 1 (General Requirements) and PSPK 2 (Climate-related Disclosures)—aligned with IFRS S1/S2 and effective 1 January 2027—require climate information to be decision-useful and connected to financial statements; delivering this hinges on four interlinked steps: (1) data discipline—standardizing definitions and emission factors (incl. Scope 3) and aligning SRN–IDXCarbon registries under robust risk governance; (2) reporting infrastructure—a connected data model and system interoperability that link narrative–metrics–targets while embedding TKBI v2 and POJK 14/2023 compliance; (3) capabilities—operationalizing ISO 50001 (Amd. 2024) and leveraging OJK CRMS 2024 (methods, macro datasets, templates) for scenario analysis; and (4) integration—cascading stress-test outputs into ERM/ICAAP, limits, pricing, and capital planning, with metrics/targets structured per PSPK 2/IFRS S2 so disclosures guide real risk and capital decisions

CHAPTER 5

Benefit of Implementation (example of implementation)

If investors have an improved understanding of the sustainability-related risks and opportunities of a company and its peers, it will be easier for them to predict future cash flows and the uncertainties associated with future cash flows, leading to lower risk of owning the company, and, as a result, lower cost of capital.	01
Improves interoperability among other sustainability reporting frameworks, helping companies streamline their sustainability reporting processes; and	02
Enables greater transparency of information, resulting in improved access to capital, governance and strategy for companies.	03
Improve the transparency and comparability of sustainability information, which permits investors and other stakeholders to make more informed decisions. • Help companies to identify and manage risks related with sustainability and the climate, improving in this way long term resilience.	04
Strengthen their reputation and credibility within the market, demonstrating a genuine commitment to sustainable and responsible practices	05

Likely benefits for companies applying ISSB Standards include positive effects on governance, business strategy, access to capital, reputation and employee and stakeholder engagement. Applying IFRS S1 and IFRS S2 will help companies streamline their sustainability reporting processes, providing better information to help investors make better investment decisions.

	Cost reductions or savings, including increased efficiency, of disclosure processes
	Improved performance and lower cost of capital
	Enhanced integration with other corporate strategies
	Ability to leverage current protocols, frameworks and standards

CHAPTER 6

Stakeholder Implication

The introduction of the Sustainability Disclosure Standards (PSPK) by the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia – IAI) represents a critical turning point in the country's approach to sustainability reporting. While PSPK 1 establishes the general requirements for sustainability-related financial disclosures, PSPK 2 addresses climate-related disclosures in particular, drawing heavily from the global IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB).

6.1 Investors Demand for Transparent ESG Data

In recent years, investors have become increasingly vocal in demanding reliable and comparable environmental, social, and governance (ESG) information. They are not simply seeking glossy sustainability reports, but data that can genuinely inform capital allocation and risk assessment. PSPK 2 addresses this demand by mandating disclosures that provide a comprehensive picture of an entity's exposure to climate-related risks and opportunities.

Under PSPK 2, companies are required to disclose greenhouse gas (GHG) emissions across Scopes 1, 2, and 3, following the Greenhouse Gas Protocol. They must also explain how resilient their business models are under different climate scenarios, providing forward-looking insights into how they intend to transition toward a low-carbon economy. These disclosures matter because they reduce information asymmetry. For investors, understanding how a company plans to manage transition risks, adapt its business model, and allocate capital is fundamental to making informed investment decisions.

In essence, PSPK 2 gives investors what they have long been asking for: standardized, decision-useful ESG data that moves beyond narrative promises into measurable and comparable performance. This is particularly important as global capital markets increasingly reward companies with credible climate strategies and penalize those that fail to demonstrate preparedness.

6.2 Impact on Corporate Governance and Board Accountability

PSPK 2 also places climate-related issues firmly within the realm of corporate governance. It requires boards of directors and senior management to demonstrate how they oversee climate-related risks and opportunities. This includes clarifying which governance bodies hold responsibility, how often climate issues are discussed, and how they are integrated into strategic decision-making processes.

For many Indonesian companies, this will mean a cultural shift. Climate considerations can no longer be relegated to corporate social responsibility teams or sustainability officers; they must be embedded in the highest levels of governance. Boards are expected to have the necessary expertise to oversee complex climate-related challenges and ensure that management has the systems in place to generate accurate, reliable data. Furthermore, PSPK 2 draws a direct link between climate performance and executive remuneration, reinforcing accountability at the leadership level.

The implication is clear: effective governance in the age of climate risk requires both structural oversight and personal accountability. Boards must evolve to meet this expectation, equipping themselves with the competence and information needed to respond to the rapidly changing sustainability landscape.

6.3 The Role of Regulators and Industry Associations

The effectiveness of PSPK 2 will not depend solely on companies, but also on the regulators and industry associations tasked with guiding and overseeing its implementation. The Sustainability Standards Board of IAI has provided a transition period, with full effectiveness set for January 1, 2027. For the first three years, companies may defer Scope 3 reporting and are allowed flexibility in applying the GHG Protocol. This phased approach acknowledges the current challenges of data availability and readiness within Indonesian companies.

Nevertheless, regulators and associations are expected to play a proactive role in closing these gaps. This includes developing technical guidance, building capacity through training, and creating mechanisms to monitor and enforce compliance. Industry associations, too, can facilitate peer learning and sector-specific best practices. Over time, the regulatory framework will align Indonesia more closely with the ISSB standards, ensuring that local disclosures remain internationally comparable.

This collaborative approach—between standard setters, regulators, and industry players—will determine how effectively PSPK 2 shapes corporate behavior. It is not merely about enforcement but about building an ecosystem that enables companies to deliver high-quality, credible climate disclosures.

6.4 Expectations from Civil Society and the Public

Beyond investors and regulators, civil society and the broader public have growing expectations for corporate transparency. Citizens, advocacy groups, and the media are increasingly scrutinizing whether corporate claims on sustainability stand up to reality. PSPK 2 provides a framework that can help companies respond to this scrutiny.

For example, by requiring disclosures on the use of carbon credits and offsets, PSPK 2 prevents vague or misleading statements about “net zero” commitments. Similarly, by mandating scenario analysis and detailed GHG reporting, it ensures that climate strategies are not just aspirational but grounded in data. This transparency empowers civil society organizations to hold companies accountable, while giving the public a clearer picture of how business activities affect both the environment and future generations.

The inclusion of these expectations into a formal disclosure standard represents a recognition that climate accountability extends beyond financial markets. It is also about trust, legitimacy, and the social license to operate. Companies that meet or exceed these expectations are more likely to earn public credibility, while those that fall short risk reputational damage.

CHAPTER 7

Practical implementation

7.1 Data Collection Methods

The implementation of PSPK 1 and PSPK 2 requires organizations to ensure that the data underlying their disclosures is reliable, consistent, and decision-useful. A structured data collection system is therefore critical, bridging financial and non-financial information to meet both investor expectations and regulatory requirements. Several methods are commonly adopted in practice:

01 Internal Data Systems

Companies can leverage existing enterprise systems such as ERP (Enterprise Resource Planning), HRIS (Human Resource Information System), and accounting platforms to extract relevant sustainability-related data. For example, energy consumption, employee travel, and operational costs can be tracked alongside financial metrics. Integrating these systems ensures that sustainability reporting is embedded within the broader corporate reporting framework, as emphasized by IFRS S1 and PSPK 1 (IFRS Foundation, 2023; Ikatan Akuntan Indonesia, 2025a).

02 Operational Monitoring

Direct measurement of operational activities provides primary data for climate-related disclosures. This includes the use of electricity meters to capture energy use, water flow meters for consumption, as well as emission sensors and waste management logbooks. Such monitoring aligns with the requirements of IFRS S2 and PSPK 2, which call for metrics and targets related to physical and transition risks (IFRS Foundation, 2023; Ikatan Akuntan Indonesia, 2025b). Regular measurement allows companies to identify trends and implement corrective strategies, thereby enhancing the credibility of reported figures (Qian & Schaltegger, 2017).

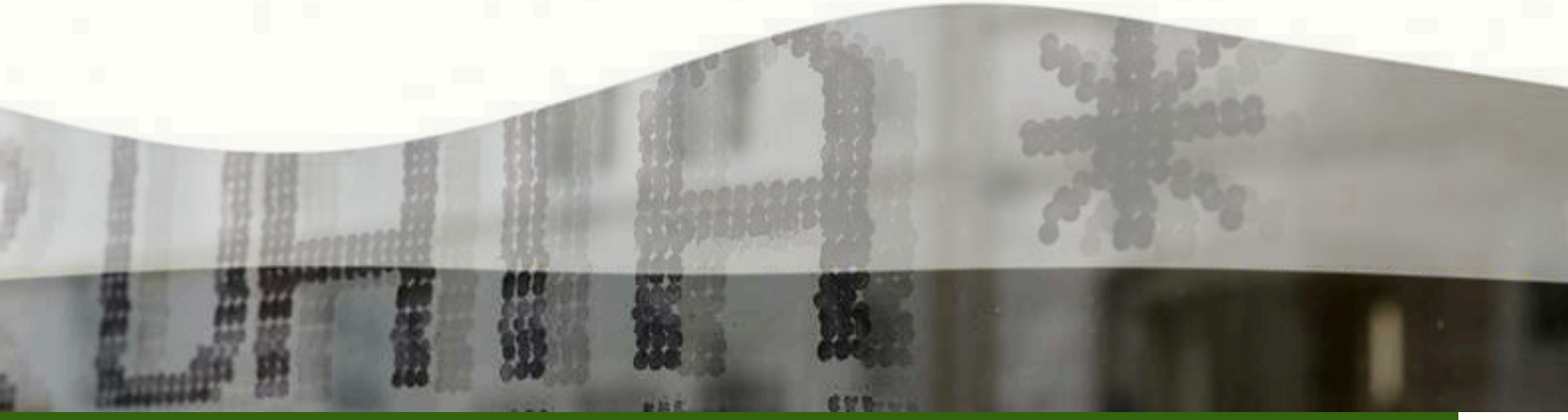
03 Supply Chain & External Data

Scope 3 emissions, highlighted in PSPK 2, require organizations to gather information from suppliers and business partners. This can be achieved through standardized questionnaires, supplier surveys, or third-party certifications (e.g., ISO 14064). For instance, logistics partners may provide data on mileage and fuel consumption, while energy suppliers disclose official emission factors. Engagement across the value chain is essential not only for compliance but also for maintaining legitimacy and stakeholder trust (Hahn & Kühnen, 2013; CDP, 2022).

04 Hybrid Approach

In practice, organizations rarely rely on a single method. A hybrid approach—combining manual reporting tools (e.g., spreadsheets, internal surveys) with digital solutions such as IoT devices or sustainability reporting software—improves both accuracy and efficiency. This dual approach also provides flexibility, enabling companies to gradually transition toward international best practices while meeting immediate compliance requirements (Lozano & Huisingh, 2011; Eccles et al., 2019).

Overall, the robustness of data collection underpins the quality of sustainability disclosures. Without credible data, compliance with PSPK 1 and PSPK 2 risks becoming a mere formal exercise, rather than a driver of improved climate governance and resilience.



7.2 Types of Data

Aligned with PSPK 1 and PSPK 2, companies are expected to collect and disclose data across the four core pillars: governance, strategy, risk management, and metrics & targets. The nature of the data required is both qualitative and quantitative, ensuring a balanced view of how organizations address climate-related risks and opportunities.

Governance Data

This includes information on board and management oversight of climate-related issues, decision-making processes, and internal accountability structures. Examples include organizational charts, board minutes, and records of committees responsible for sustainability oversight. Governance data ensures transparency on who within the organization holds responsibility for climate-related decision-making (IFRS Foundation, 2023; TCFD, 2017).

Strategy Data

Companies must disclose how climate-related risks and opportunities affect their business models and strategies. This may involve scenario analysis (e.g., transition pathways under a 1.5°C or 4°C world), resilience assessments, and capital allocation decisions. Data here can include financial projections under different climate scenarios, as well as qualitative narratives on long-term business adaptation (Ikatan Akuntan Indonesia, 2025b; Qian & Schaltegger, 2017).

Risk Management Data

Risk management disclosures require organizations to present how they identify, assess, and mitigate both physical and transition risks. Data sources include compliance records on emissions regulations, carbon pricing exposure, and internal risk registers. Such data connects directly to enterprise risk management frameworks, ensuring consistency across financial and sustainability reporting (Hahn & Kühnen, 2013; IFRS Foundation, 2023).

Metrics and Targets Data

This is the most quantitative component, covering greenhouse gas (GHG) emissions (Scope 1, 2, and 3), energy consumption, water usage, and waste generation. PSPK 2 emphasizes the disclosure of emission factors, carbon intensity ratios, and progress toward targets such as net-zero commitments. Beyond environmental data, social and financial indicators—such as employee training hours on sustainability or the percentage of green investment—may also be required, reflecting the integrated nature of PSPK 1 and 2 (Lozano & Huisingh, 2011; CDP, 2022).

Overall, these categories of data enable stakeholders—particularly investors—to assess not only compliance, but also the company's resilience, adaptability, and competitiveness in a low-carbon economy. Without comprehensive data collection across these dimensions, disclosures risk being superficial rather than strategic.

CHAPTER 8

Strategic Recommendation for Organization

The following recommendations provide a practical framework for organizations to align with these requirements while enhancing resilience and competitiveness.

1. Strengthen Governance for Sustainability and Climate Oversight

Organizations should embed clear accountability for sustainability and climate related matters at both the board and senior management levels. Governance structures should ensure that oversight responsibilities are explicitly defined in mandates, role descriptions, and policies, including:

1	Integrating ESG and climate oversight into existing governance committees.
2	Ensuring that decision-makers have the requisite expertise through targeted training and recruitment.
3	Linking sustainability performance to executive remuneration where appropriate.

2. Integrate Sustainability and Climate into Core Strategy

Sustainability and climate considerations should be fully integrated into strategic planning and decision making processes, and this requires:

1	Identifying and prioritizing material sustainability and climate related risk and opportunities both physical and transition across the organization value chain
2	Embedding these factors into capital allocation, product development, and market positioning strategies
3	Conducting scenario analysis to test the resilience of the business model under various future condition, in line with PSPK 2 climate resilience requirements

3. Enhance Risk Management Processes

To comply with PSPK 1 and PSPK 2, organizations should align sustainability and climate risk assessment with organization enterprise risk management framework. Key action that can be taken include:

1	Using both qualitative and quantitative methods to assess potential impacts on financial performance, operation and supply chains.
2	Integrating climate related risk assessments into broader business continuity and crisis management planning

4. Implement Robust Metrics, Targets and Reporting System

Accountable, comparable and decision useful data is central to PSPK 1 and PSPK 2 compliance. To achieve this organization should:

1	Establish measurable, time bound sustainability and climate targets aligned with international framework and local regulatory requirements.
2	Monitor progress through standardized metrics, such as GHG emissions across Scope 1, 2, and 3 using the Greenhouse Gas Protocol

5. Build Data and System Capability

Data reliability is critical to both compliance and credibility. Organizations need to invest in integrated data management systems capable of capturing sustainability and climate performance across the value chain. Verification processes must be established to ensure accuracy and reduce measurement uncertainty. Data processes should also be aligned with financial reporting systems to enable integrated disclosures, as emphasized in PSPK 1.

6. Foster Stakeholder Engagement and Transparency

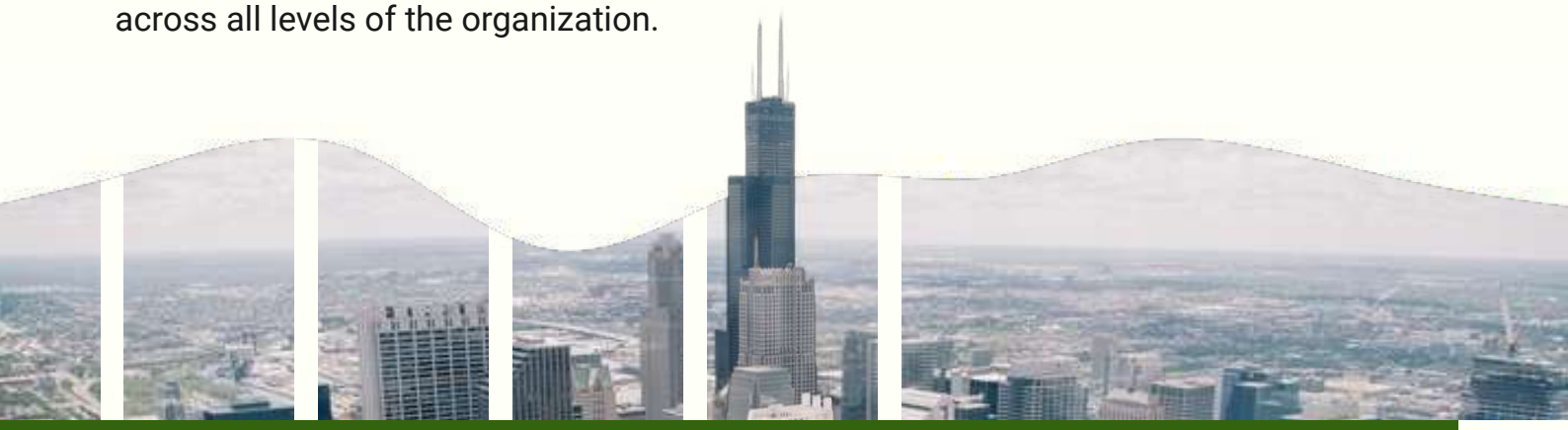
Effective communication of sustainability and climate performance builds trust and supports investor confidence. Organizations are expected to engage proactively with stakeholders—including investors, regulators, customers, and communities—to discuss performance, risks, and opportunities. Transparency must be balanced with the protection of commercially sensitive information while ensuring disclosures remain material and relevant. Collaboration with supply chain partners is also essential to extend best practices and reporting coverage beyond direct operations.

7. Ensure Continuous Compliance and Adaptation

Given the evolving nature of sustainability and climate disclosure standards, organizations must adopt a dynamic compliance approach. This involves monitoring updates to related regulatory frameworks. Governance processes, risk assessments, and reporting practices should be reviewed and updated periodically. Continuous training for governance bodies and operational teams is necessary to maintain competence and readiness.

8. Engage Consulting Expertise

Organizations should consider engaging specialized sustainability and climate consulting firms to strengthen internal capabilities and ensure compliance with PSPK 1 and PSPK 2. Consultants can provide support for gap analysis, scenario modeling, and compliance alignment. External expertise can also be leveraged to facilitate independent assurance, benchmarking, and stakeholder communication strategies. Furthermore, consulting firms can serve as facilitators for capacity-building programs and training across all levels of the organization.



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Thank You

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