SUSTAINABLE : JURNAL AKUNTANSI
Vol. 6, No. 1, Mei, 2026
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://dx.doi.org/10.30651/stb.v6i1.30580
E-ISSN : 2807-7318, P-ISSN: 2808-3482

Preliminary Study of IFRS S1 Sustainability Disclosure on Firm Value: The Role of ESG Risk

[1] **Yuliantari Astasuci Nalurita**, [2] **Fatah Mario Andaru**, [3] **Khalilul Rahman,** [4] **Tiara Rani Santoso,** [5] **Cahyaning Dewi Handayani**
[1*,2,3,4] Accounting Department, Tidar University, Indonesia
[5] Computer and Business Department, Politeknik Negeri Cilacap, Indonesia
[1] *email: yuliantariastasuci@untidar.ac.id

ABSTRACT

This study investigates the impact of IFRS S1 disclosure on firm value and examines the role of ESG risk during the pre-implementation period in Indonesia. A quantitative research design is employed using cross-sectional data from 40 companies included in the SRI-KEHATI 45 Index in 2024. The data are analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The findings reveal that, during the pre-implementation phase, IFRS S1 disclosure do not exert a significant positive effect on firm value. In contrast, ESG risk shows a partial and significant positive influence on firm value. Nevertheless, ESG risk does not function as a moderating variable in the relationship between IFRS S1 disclosure and firm value. This study contributes to the existing literature by offering empirical insights into the effects of IFRS S1 pre-implementation and the role of ESG risk on firm value. Furthermore, the findings provide practical implications for regulators and practitioners, highlighting the need to strengthen implementation guidelines, enhance disclosure quality monitoring, and improve formal compliance with IFRS S1.

Keywords: IFRS S1; Firm Value; Sustainability Reporting; ESG

Submitted: January 26, 2026
Revised: April 28, 2026
Accepted: May 18, 2026

INTRODUCTION

Sustainability reporting has become an essential instrument for companies to disclose their sustainable performance, demonstrating that beyond pursuing profit, they also address the external impacts of their operations (Rusu et al., 2024). Through sustainability reporting, firms provide accountability for their environmental, social, and governance (ESG) performance to all stakeholders, both internal and external (Vluggen et al., 2019). Sustainability information is increasingly viewed as a key factor in investment decisions, shaping market perceptions and enhancing firm value. (Loprevite et al., 2018). As a manifestation of responsibility and

E-ISSN : 2807-7318, P-ISSN: 2808-3482

transparency, sustainability reporting is capable of increasing stakeholder trust and minimizing information gaps between management and investors (Ammer et al., 2020). By providing more comprehensive information, sustainability reporting plays a vital role in mitigating information asymmetry and strengthening the foundation of investor confidence in the company (Made et al., 2023). Furthermore, firm value carries strategic implications as it reflects growth prospects, sustainability, competitiveness, and overall corporate performance (Made et al., 2023). Accordingly, various empirical studies confirm that the quality of sustainability reports is closely correlated with the strengthening of reputation and investor trust, which are the primary drivers for creating higher firm value (Aboud & Diab, 2018; Loh & Tan, 2020; Ni et al., 2024).

The implementation of sustainability reporting in Indonesia has demonstrated a significant increasing trend in recent years. Mandatory sustainability reporting was introduced through POJK No. 51/POJK.03/2017, which mandates financial service institutions, issuers, and public companies to prepare and present sustainability reports. This regulation was subsequently reinforced by SEOJK No. 16/SEOJK.04/2021, providing minimum technical guidelines for disclosure in sustainability reports. However, a study by Laskar & Gopal Maji (2018) found that the level of sustainability reporting in Indonesia remains relatively low compared to other Asian countries such as India, South Korea, Japan, and Malaysia. The 2022 Morningstar Sustainalytics survey also indicated no improvement in the quality of ESG disclosures across most ASEAN countries, with Indonesia specifically ranking in the lower tier (Sustainalytics, 2024). Furthermore, the regulatory approach in Indonesia remains oriented toward minimum compliance, potentially resulting in heterogeneous disclosure practices (Adhariani & du Toit, 2020). This underscores the need for harmonizing the sustainability reporting framework toward global standards capable of generating more relevant and reliable information for decision-making.

One of the most critical regulatory shifts currently is the issuance of the IFRS Sustainability Disclosure Standards—IFRS S1 by the International Sustainability Standards Board (ISSB) on June 26, 2023 (ISSB, 2023). IFRS S1 represents the first global standard to integrate sustainability information into financial reports (ISSB, 2023). This standard provides comprehensive guidelines regarding the disclosure of sustainability information, including conceptual foundations,

E-ISSN : 2807-7318, P-ISSN: 2808-3482

location, and timing of reporting (ISSB, 2023). In Indonesia, this standard is adopted through the *Standar Pengungkapan Keberlanjutan* (SPK) *Persyaratan Umum Pengungkapan* (PSPK) 1 by DSAK-IAI, which will be effective as of January 1, 2027 (IAI, 2025). The implementation of PSPK 1 reflects Indonesia's strategic commitment to enhancing transparency and aligning sustainability reporting practices with IFRS standards (IAI, 2025). Thus, this standard encourages companies to provide relevant and trustworthy sustainability information directly linked to long-term value creation (Pratama et al., 2022).

Beyond the aspect of reporting standards, ESG risk also plays a role in shaping the relationship between sustainability reports and firm value. ESG risk reflects the potential impact on future financial performance and business continuity (Berg et al., 2022). Companies with high ESG risk profiles tend to face greater uncertainty in the eyes of investors (Albuquerque et al., 2020). Consequently, sustainability disclosure becomes increasingly relevant as a mechanism to reduce information asymmetry and signal the quality of a company's non-financial risk management (Albuquerque et al., 2020). In this context, IFRS S1 is expected to play a strategic role in bridging the information gap between management and stakeholders by emphasizing the integrated disclosure of material financial and non-financial information (Fianko et al., 2025; Younis, 2023). Therefore, for companies with higher ESG risk levels, IFRS S1 disclosure is expected to have stronger value relevance, reflected in an increase in firm value (Pratama et al., 2024).

Studies examining the impact of IFRS S1 implementation remain very limited. Current research focuses more on implementation readiness, compliance levels, and descriptive disclosure quality (Fianko et al., 2025; Lulu Khansa Komala & Murtanto, 2024; Pratama et al., 2024). Moreover, existing studies are predominantly focused on the impact of standard implementation in European countries (Carungu et al., 2025; Hummel & Jobst, 2024). Distinct from previous research, this study aims to examine the pre-implementation impact of IFRS S1 on firm value in Indonesia. The focus of this research is to evaluate the readiness and direction of the early adoption of IFRS S1 disclosure. This study provides a preliminary understanding of how sustainability disclosures aligned with IFRS S1 principles potentially influence market perceptions of firm value. Testing during the pre-implementation phase is crucial because

E-ISSN : 2807-7318, P-ISSN: 2808-3482

voluntary disclosure can reflect institutional readiness and management's commitment to transparency, which often triggers a stronger investor response than mandatory disclosure (Christensen et al., 2013).

This study also analyzes the role of ESG risk in moderating the influence of IFRS S1 disclosure on firm value. ESG risk is deemed relevant as it reflects a company's risk exposure that could potentially affect financial performance and long-term value prospects, thereby strengthening or weakening the value relevance of sustainability disclosure (Berg et al., 2022). Accordingly, this research is expected to contribute to the literature by providing empirical evidence on the economic implications of IFRS S1 pre-implementation, as well as the interplay between sustainability disclosure, ESG risk, and firm value in Indonesia.

THEORETICAL REVIEW AND HYPOTHESIS

This study is based on signaling theory, which is instrumental in understanding how companies communicate their sustainability practices to stakeholders through sustainability reporting (Made et al., 2023). This theory asserts that corporate sustainability reporting serves as a mechanism for signaling commitment to sustainable practices and influencing investor perceptions (Amaya et al., 2021). Companies with high-quality sustainability reporting are expected to receive positive responses from investors and maintain enhanced relationships with stakeholders (Li et al., 2020). As a result, sustainability disclosure is a reliable way for investors to reduce information asymmetry and market uncertainty (Ching & Gerab, 2017).

IFRS S1 is a standard for sustainability disclosures that sets out general rules for how companies should inform about their sustainability practices (Pratama et al., 2024). IFRS S1 aligns with the guidelines established by the Task Force on Climate-related Financial Disclosures (TCFD), which includes four main areas: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets (Pratama et al., 2024). These four pillars are designed to ensure that the disclosed sustainability information reflects management and board oversight roles; the impact of sustainability risks and opportunities on strategies and business models; the identification and management processes of ESG risks; and the measurement of performance and achievement of sustainability targets. Through this structure, IFRS S1 emphasizes the presentation of integrated,

E-ISSN : 2807-7318, P-ISSN: 2808-3482

relevant, and useful sustainability information for investor decision-making regarding long-term firm value creation (ISSB, 2023).

Prior literature indicates that the relationship between sustainability reporting and firm value remains mixed. Previous studies have found that sustainability disclosure does not always exert a positive impact on firm value, even tending toward insignificance or negative effects (Cho, Michelon, et al., 2015; Kuzey & Uyar, 2017; Loh et al., 2017; Pamungkas et al., 2023; Thuc & Nguyen, 2020). The negative impact of sustainability reporting on firm value may stem from disclosures being merely symbolic for regulatory compliance rather than reflecting substantial sustainability performance (Cho et al., 2015). Nonetheless, the emergence of more standardized sustainability reporting frameworks and the growing investor focus on ESG have transformed the function of sustainability disclosure in the corporate valuation process (Permatasari, 2022). High-quality sustainability disclosure serves as a credible signal of a company's commitment to long-term value creation and reduces information asymmetry between management and investors (Berg et al., 2022). Previous research also demonstrates that companies with higher sustainability disclosure tend to have a lower cost of capital, better stock liquidity, and higher market valuations (Dhaliwal et al., 2014).

IFRS S1 as a strategic instrument for enhancing transparency and minimizing information asymmetry between management and stakeholders (Fianko et al., 2025). IFRS S1 requires that important information about the environment, social issues, and governance should be shown together because it can affect cash flow, getting financing, and long-term value (ISSB, 2023). Under this standard, sustainability disclosure is not merely a tool for accountability but also a mechanism for value creation that can enhance corporate reputation, financial performance, competitiveness, and long-term investment attractiveness (Pratama et al., 2024). Thus, IFRS S1 disclosure is expected to influence investor decision-making by improving perceived firm value. Based on the aforementioned discussion, the first hypothesis is formulated as follows:

- **H1: Sustainability reporting disclosure based on IFRS S1 has a significant positive effect on firm value.**

E-ISSN : 2807-7318, P-ISSN: 2808-3482

ESG risk reflects the level of a company's exposure to environmental, social, and governance risks relevant to investor decisions. Effectively managing ESG risks enhances a company's resilience against non-financial uncertainties (Albuquerque et al., 2020). Furthermore, transparent and integrated ESG risk management within corporate strategy serves as a credible signal of management quality and long-term value prospects, which positively impacts firm value (Broadstock et al., 2021). Therefore, ESG risk is viewed as a critical indicator associated with firm value when managed strategically and disclosed adequately.

According to IFRS S1, information about a company's sustainability must focus on risks and opportunities that are important to its financial performance and value (ISSB, 2023). Companies with high ESG risk are more likely to disclose how they identify, manage, and mitigate such risks (Baig & Khan, 2016). Cho et al, (2015) state that firms with high ESG risk face greater legitimacy pressure from stakeholders; thus, comprehensive, internationally standardized sustainability disclosure serves as a mechanism to maintain corporate trust and reputation. Additionally, sustainability disclosure for high-ESG-risk companies is a primary concern for investors, as it provides substantive information regarding risk mitigation strategies, business resilience, and long-term value creation (Krüger, 2015). Consequently, the second and third hypotheses are articulated as follows:

- **H2: ESG risk has a significant positive effect on firm value.**
- **H3: ESG risk moderates the relationship between sustainability reporting disclosure based on IFRS S1 and firm value.**

RESEARCH METHOD

This study employs a quantitative approach. The research subjects comprise companies listed on the SRI-KEHATI 45 Index. The selection of this index reflects companies with high performance and quality ESG disclosure, as determined by thorough ESG evaluations (Pratama et al., 2022). Companies that practice high sustainability tend to have more stable finances and attract more investors (Pratama et al., 2024). The research period focuses on the year 2024,

E-ISSN : 2807-7318, P-ISSN: 2808-3482

marking the initial phase following the effective adoption of IFRS S1. Sampling was conducted using a purposive sampling technique based on specific criteria. The data used in this study is cross-sectional, consisting of 40 observations. Secondary data were collected from the sustainability reports and annual reports of each company. Table 1 below details the sampling process:

Table 1.

Sampling Criteria

No	Criteria	Total
1	Companies listed on the IDX SRI-KEHATI 45	45
2	Companies without annual reports for the 2024 period	0
3	Companies without sustainability reports for the 2024 period	0
4	Companies with incomplete data regarding research variables	-5
	Total Final Sample	40

Source: Data Processed, 2025

The dependent variable in this study is firm value (*FV*). Prior studies measures *FV* using Tobin's Q, Market Value, or the Price-to-Book Value (PBV) ratio (Friske et al., 2023; Thuc & Nguyen, 2020; Younis, 2023). Consistent with previous research, this study use Market Value as the proxy. Market Value directly reflects market perceptions of a company's worth and investor responses to available information, including sustainability disclosures (Thuc & Nguyen, 2020). The independent variable is IFRS S1 disclosure (*SRD*), which is measured in accordance with the IFRS S1 standards. In alignment with IFRS S1, there are 38 disclosure items serving as the basis for assessing sustainability disclosure (ISSB, 2023; Pratama et al., 2022). Following previous literature, this variable is measured using a dummy variable: a score of 1 is assigned if the item is disclosed, and 0 if it is not disclosed (Badar et al., 2025; Pratama et al., 2022). The scores are then aggregated to determine the total disclosure value. Meanwhile, the ESG risk (*ESG*) variable is measured using the ESG Risk Rating provided by Morningstar Sustainalytics for the observation period.

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 6, No. 1, Mei, 2026
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://dx.doi.org/10.30651/stb.v6i1.30580
E-ISSN : 2807-7318, P-ISSN: 2808-3482

Furthermore, this study incorporates control variables such as firm size (*SIZE*), Return on Assets (*ROA*), and leverage (*LEV*). *SIZE* is proxied by the natural logarithm of total assets (Alsahali, 2025). *ROA* is calculated as the ratio of net income after tax to total assets (Helfaya et al., 2023). *LEV* is defined as a measure of a firm's risk level, calculated by comparing total liabilities to total assets (Kuzey & Uyar, 2017). The research equation is formulated as follows:

$$FV_{i,t} = \alpha + b_1 SRD_{i,t} + b_2 ESG_{i,t} + b_3 SRD * ESG_{i,t} + b_4 SIZE_{i,t} + b_5 ROA_{i,t} + b_6 LEV_{i,t} + e$$

Description:

α	: constant
$FV_{i,t}$	: market value of firm i at time t
$ESG_{i,t}$	: ESG risk rating of firm i at time t
$SIZE_{i,t}$	: firm size of firm i at time t
$ROA_{i,t}$	: *return on assets* of firm i at time t
$LEV_{i,t}$	: *leverage* of firm i at time t
e	: *error*

This study applies Partial Least Squares-Structural Equation Modeling (PLS-SEM) using SmartPLS software. Hypotheses are considered supported if the significance value (p-value) is < 0.05 and the coefficient direction aligns with the proposed hypothesis. The results that produce a statistically significant positive coefficient b_1 and b_2 indicate that IFRS S1 disclosure and ESG risk, respectively, has a positive effect on firm value. Furthermore, a statistically significant positive value for the coefficient b_3 indicates that ESG risk moderates the relationship between sustainability reporting disclosure based on IFRS S1 and firm value.

RESULT AND DISCUSSION

The descriptive statistical analysis presented in Table 2 reveals that *FV* has a mean of 2,959.23 with a broad range, as evidenced by the minimum and maximum values of 204.00 and 22,700.00, respectively, alongside a relatively high standard deviation. This indicates substantial variation in firm value across the sample. *SRD* shows a mean of 29.90 with relatively low dispersion, suggesting a fairly homogeneous level of sustainability disclosure. *ESG* has a mean of 25.23 and a standard deviation of 8.10, reflecting significant variation in ESG risk profiles

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 6, No. 1, Mei, 2026
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://dx.doi.org/10.30651/stb.v6i1.30580
E-ISSN : 2807-7318, P-ISSN: 2808-3482

among the firms. *SIZE* exhibits a stable distribution with a low standard deviation, indicating uniformity in firm size within the sample. Meanwhile, *ROA* and *LEV* show moderate variation, reflecting differences in profitability levels and capital structures among the companies during the observation period.

Table 2

Descriptive Statistic

	N	***Mean***	***Median***	***Min***	***Max***	***Std. Deviation***
FV	40	2,959.23	1,780.00	204.00	22,700.00	3,972.98
SRD	40	29.90	31.00	18.00	36.00	3.66
ESG	40	25.23	25.50	7.10	42.60	8.10
SIZE	40	28.88	28.67	26.20	32.62	1.62
ROA	40	0.08	0.06	0.01	0.29	0.07
LEV	40	0.57	0.46	0.11	3.66	0.55

Source: Data Processed, 2025

Based on results in Table 3, all indicators in this study exhibit Outer Loading values > 0.7. This confirms that all items satisfy the convergent validity criteria and are valid in representing their respective constructs. Reliability testing demonstrates that all constructs achieve Cronbach's Alpha and Composite Reliability (CR) values > 0.7, further supported by Average Variance Extracted (AVE) values > 0.5. These results indicate high instrument reliability and validity. Furthermore, multicollinearity testing ensures the model is free from inter-variable bias, as the Variance Inflation Factor (VIF) values remain below 10. Overall, these findings confirm that the both measurement and structural models are valid and suitable for path analysis and hypothesis testing.

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 6, No. 1, Mei, 2026
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://dx.doi.org/10.30651/stb.v6i1.30580
E-ISSN : 2807-7318, P-ISSN: 2808-3482

Table 3

Validity, Reliability, and Multicolinearity

	Outer Loading	*Cronbach's Alpha*	*Composite Reliability*	AVE	VIF
FV	1,000	1,000	1,000	1,000	1,000
SRD	1,000	1,000	1,000	1,000	1,000
ESG	1,000	1,000	1,000	1,000	1,000
*SRD*ESG*	0.952	1,000	1,000	1,000	1,000
SIZE	1,000	1,000	1,000	1,000	1,000
ROA	1,000	1,000	1,000	1,000	1,000
LEV	1,000	1,000	1,000	1,000	1,000

Source: Data Processed, 2025

Based on the results presented in Table 4, *SRD* does not have a statistically significant effect on *FV*, with a p-value of 0.347 > 0.05 and a negative coefficient of -0.080. Conversely, the second hypothesis testing indicates that *ESG* has a p-value of 0.030 < 0.05 with a positive coefficient of 0.388. Regarding the third hypothesis, which examines whether ESG risk moderates the relationship between sustainability reporting and firm value, the results show that the interaction term (*SRD*ESG*) has a negative coefficient of -0.414 with a p-value of 0.073 > 0.05. For control variables, *SIZE* exhibits a highly significant positive effect with a p-value of 0.000 < 0.05 and a positive coefficient of 0.551. This result confirms that larger firms in the SRI-KEHATI 45 index have higher market valuations. *ROA* exhibits a significant positive relationship with *FV*, indicating that profitability remains a core driver of market value. Conversely, *LEV* does not significantly affect *FV*, suggesting that the capital structure does not play a primary role in determining value for this specific group of companies.

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 6, No. 1, Mei, 2026
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://dx.doi.org/10.30651/stb.v6i1.30580
E-ISSN : 2807-7318, P-ISSN: 2808-3482

Tabel 4

Hypothesis Testing

	Original Sample (O)	*Sample Mean (M)*	*Standard Deviation (STDEV)*	*T Statistics (|O/STDEV|)*	*P Values*
ESG -> FV	0.338	0.309	0.175	1.928	0.030*
LEV -> FV	0.077	0.011	0.191	0.400	0.346
ROA -> FV	0.292	0.257	0.172	1.699	0.049*
SIZE -> FV	0.551	0.591	0.142	3.875	0.000*
SRD -> FV	-0.080	-0.058	0.201	0.396	0.347
SRD*ESG -> FV	-0.414	-0.332	0.28	1.481	0.073

Source: Data Processed, 2025; *Significance level 5%

Discussion

Based on the first hypothesis testing, *SRD* shows no significant impact on *FV*, with negative direction. These results indicate that during the pre-implementation phase, sustainability reporting based on IFRS S1 has not been able to enhance firm value and even demonstrates a tendency toward a negative relationship. This study does not provide sufficient evidence to conclude that IFRS S1 has a significant positive effect on firm value. Consequently, Hypothesis 1 in this study is not supported.

This finding is attributed to the fact that IFRS S1 in Indonesia is still in the pre-implementation stage. In this phase, corporate sustainability disclosures remain narrative, partial, and not yet fully standardized; thus, they have not provided optimal decision-making benefits for investors (Cho et al., 2015). Investors tend to require sustainability information that is measurable, consistent, and integrated with financial performance to be utilized effectively in the corporate valuation process (Christensen & Hail, 2021). The relatively new nature of the IFRS S1 standard means it is not yet fully understood or utilized by investors in the firm valuation process. In general, new sustainability reporting standards require an adaptation period before delivering tangible economic impacts (Christensen & Hail, 2021). Therefore, the negative

E-ISSN : 2807-7318, P-ISSN: 2808-3482

relationship between sustainability reporting and firm value can be associated with increased information uncertainty, which triggers a negative market response (Hummel & Jobst, 2024).

The results of the second hypothesis find that *ESG* provides a positive and significant contribution to increasing *FV*. The direction of this relationship can be interpreted such that the higher the ESG risk faced by a company, the greater the attention and valuation from investors regarding the company's ability to manage its risks, which is reflected in an increase in firm value. Therefore, Hypothesis 2 in this study is empirically supported. Previous research proves that ESG risk has a significant positive effect on firm value (Aydoğmuş et al., 2022; Rui et al., 2024; Wu et al., 2022). In accordance with signaling theory, companies with high levels of ESG risk tend to be driven to improve governance quality, transparency, and risk mitigation strategies to respond to pressure from investors and stakeholders (Friede et al., 2015). These efforts are perceived as positive signals regarding the company's long-term resilience, management quality, and adaptability to non-financial risks, thereby increasing investor confidence and being reflected in an increase in firm value (Albuquerque et al., 2020). Investors do not always view ESG risk as a negative factor but rather as an indicator of potential value when the company is able to manage and disclose those risks adequately (Bolton & Kacperczyk, 2021).

Meanwhile, the results of the third hypothesis testing indicate that the interaction term (*SRD*ESG)* is not statistically significant, suggesting that ESG does not moderate the relationship between *SRD* and *FV*. This result can be interpreted such that for companies with high levels of ESG risk, immature sustainability disclosures actually have the potential to increase investor skepticism (Christensen & Hail, 2021). Investors may perceive such disclosures as symbolic and not reflecting substantial ESG risk management, so they do not have a positive impact on firm value (Cho et al., 2015). The testing results of the control variables *SIZE*, *ROA*, and *LEV* reveal that only *ROA* and *SIZE* significantly influence *FV*. These results indicate that large-sized companies and high profitability provide positive signals to the market, thus being able to effectively increase firm value.

E-ISSN : 2807-7318, P-ISSN: 2808-3482

CONCLUSION

This study is motivated by the increasing demand from investors for relevant and reliable sustainability information following the issuance of IFRS S1 as a global standard for sustainability disclosure in investment decision-making. The empirical findings indicate that, during the pre-implementation phase, IFRS S1 disclosure does not have a significant effect on firm value. In contrast, ESG risk is found to have a significant positive impact on firm value, yet it does not moderate the relationship between IFRS S1 disclosure and firm value.

Nevertheless, this study is subject to several limitations. First, the measurement of IFRS S1 disclosure relies on a dummy approach, which captures only the quantity of disclosure and fails to reflect the quality and materiality of the information. Second, the use of a cross-sectional design limits the ability to establish causal inference and capture temporal dynamics, and may also result in sample homogeneity that reduces data variability. Third, the aggregation of all IFRS S1 disclosure items into a single composite index constrains the ability to identify the distinct contributions of each IFRS S1 pillar.

Accordingly, future research is recommended to develop a quality-based disclosure index, employ panel or longitudinal data, expand the sample across sectors, and conduct pillar-based analyses of IFRS S1 to generate more comprehensive insights. For regulators and practitioners, these findings highlight the importance of strengthening implementation guidelines, improving disclosure quality, and enhancing monitoring of formal compliance with IFRS S1. For researchers, this study provides an initial foundation for developing a future research agenda aimed at capturing the dynamics of standard adaptation and market responses in the post-implementation period. Ultimately, the implementation of IFRS S1 is expected to produce measurable, integrated sustainability information that supports long-term value creation.

REFERENCES

Aboud, A., & Diab, A. (2018). The impact of social, environmental and corporate governance disclosures on firm value: Evidence from Egypt. *Journal of Accounting in Emerging Economies*, *8*(4), 442–458. https://doi.org/10.1108/JAEE-08-2017-0079

Adhariani, D., & du Toit, E. (2020). Readability of sustainability reports: evidence from Indonesia.

E-ISSN : 2807-7318, P-ISSN: 2808-3482

Journal of Accounting in Emerging Economies, *10*(4), 621–636. https://doi.org/10.1108/JAEE-10-2019-0194

Albuquerque, R., Koskinen, Y., Yang, S., & Zhang, C. (2020). *Resiliency of Environmental and Social Stocks : An Analysis of the Exogenous COVID-19 Market Crash*. *9*, 593–621. https://doi.org/10.1093/rcfs/cfaa011

Alsahali, K. F. (2025). *ESG compensation policy and assurance over sustainability reports : December*. https://doi.org/10.1108/MF-03-2025-0201

Amaya, N., López-Santamaría, M., Acosta, Y. A. C., & Hinestroza, M. P. G. (2021). A step-by-step method to classify corporate sustainability practices based on the Signaling Theory. *MethodsX*, *8*. https://doi.org/10.1016/j.mex.2021.101538

Ammer, M. A., Aliedan, M. M., & Alyahya, M. A. (2020). *Do Corporate Environmental Sustainability Practices Influence Firm Value ? The Role of Independent Directors : Evidence from Saudi Arabia*.

Aydoğmuş, M., Gülay, G., & Ergun, K. (2022). Impact of ESG performance on firm value and profitability. *Borsa Istanbul Review*, *22*, S119–S127. https://doi.org/https://doi.org/10.1016/j.bir.2022.11.006

Badar, M., Munir, U., & Ishfaq, M. (2025). Impact of environmental award and financial performance on environmental disclosure quality : a case study of listed companies in Pakistan. *Discover Sustainability*. https://doi.org/10.1007/s43621-025-00846-1

Baig, M., & Khan, S. A. (2016). Impact of IFRS on Earnings Management: Comparison of Pre-Post IFRS Era in Pakistan. *Procedia - Social and Behavioral Sciences*, *230*(May), 343–350. https://doi.org/10.1016/j.sbspro.2016.09.043

Berg, F., Kölbel, J. F., & Rigobon, R. (2022). Aggregate Confusion: The Divergence of ESG Ratings*. *Review of Finance*, *26*(6), 1315–1344. https://doi.org/10.1093/rof/rfac033

Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? *Journal of Financial Economics*, *142*(2), 517–549. https://doi.org/https://doi.org/10.1016/j.jfineco.2021.05.008

Broadstock, D. C., Chan, K., Cheng, L. T. W., & Wang, X. (2021). The role of ESG performance during times of financial crisis: Evidence from COVID-19 in China. *Finance Research Letters*, *38*, 101716. https://doi.org/https://doi.org/10.1016/j.frl.2020.101716

Carungu, J., Dimes, R., & Molinari, M. (2025). The influence of global sustainability reporting standards on the discourse within the EU. *Sustainability Accounting, Management and Policy Journal*. https://doi.org/10.1108/SAMPJ-12-2024-1378

Ching, H. Y., & Gerab, F. (2017). *Sustainability reports in Brazil through the lens of signaling , legitimacy and stakeholder theories*. *13*(1), 95–110. https://doi.org/10.1108/SRJ-10-2015-0147

Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society*, *40*, 78–94. https://doi.org/https://doi.org/10.1016/j.aos.2014.12.003

Cho, C. H., Michelon, G., Patten, D. M., & Roberts, R. W. (2015). CSR disclosure: the more things change…? *Accounting, Auditing & Accountability Journal*, *28*(1), 14–35. https://doi.org/10.1108/AAAJ-12-2013-1549

Christensen, H. B., & Hail, L. (2021). *Mandatory CSR and sustainability reporting : economic analysis and literature review*. 1176–1248.

Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, *56*(2, Supplement 1), 147–177.

E-ISSN : 2807-7318, P-ISSN: 2808-3482

https://doi.org/https://doi.org/10.1016/j.jacceco.2013.10.007

Dhaliwal, D., Li, O. Z., Tsang, A., & Yang, Y. G. (2014). Corporate social responsibility disclosure and the cost of equity capital: The roles of stakeholder orientation and financial transparency. *Journal of Accounting and Public Policy*, *33*(4), 328–355. https://doi.org/https://doi.org/10.1016/j.jaccpubpol.2014.04.006

Fianko, S. K., Amoah, N., Addo, A., Agyemang, K., Gbadago, F. Y., Adjaye-Gyamfi, O., Agbemava, E., Agropah, F., Zaglago, L., Atiase, D. D., & Nooni, I. K. (2025). IFRS S1 and S2 implementation readiness in emerging markets: a multi-dimensional assessment framework and market readiness index. *Journal of Financial Reporting and Accounting*. https://doi.org/10.1108/JFRA-12-2024-0921

Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, *5*(4), 210–233. https://doi.org/10.1080/20430795.2015.1118917

Friske, W., Hoelscher, S. A., & Nikolov, A. N. (2023). The impact of voluntary sustainability reporting on firm value: Insights from signaling theory. *Journal of the Academy of Marketing Science*, *51*(2), 372–392. https://doi.org/10.1007/s11747-022-00879-2

Helfaya, A., Aboud, A., & Amin, E. (2023). An examination of corporate environmental goals disclosure, sustainability performance and firm value – An Egyptian evidence. *Journal of International Accounting, Auditing and Taxation*, *52*(June), 100561. https://doi.org/10.1016/j.intaccaudtax.2023.100561

Hummel, K., & Jobst, D. (2024). *An Overview of Corporate Sustainability Reporting Legislation in the European Union An Overview of Corporate Sustainability Reporting Legislation in the European Union*. *9480*. https://doi.org/10.1080/17449480.2024.2312145

IAI. (2025). *Indonesia Launches Sustainability Disclosure Standards based on IFRS S1 and S2*. https://web.iaiglobal.or.id/Berita-IAI/detail/indonesia_launches_sustainability_disclosure_standards_based_on_ifrs_s1_and_s2#gsc.tab=0

ISSB. (2023). Ifrs S1. *IFRS® Sustainability Disclosure Standard*, *June*, 1–48. https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/

Krüger, P. (2015). Corporate goodness and shareholder wealth. *Journal of Financial Economics*, *115*(2), 304–329. https://doi.org/https://doi.org/10.1016/j.jfineco.2014.09.008

Kuzey, C., & Uyar, A. (2017). Determinants of sustainability reporting and its impact on firm value: Evidence from the emerging market of Turkey. *Journal of Cleaner Production*, *143*, 27–39. https://doi.org/10.1016/j.jclepro.2016.12.153

Laskar, N., & Gopal Maji, S. (2018). Disclosure of corporate sustainability performance and firm performance in Asia. *Asian Review of Accounting*, *26*(4), 414–443. https://doi.org/10.1108/ARA-02-2017-0029

Li, Z., Liao, G., & Albitar, K. (2020). Does corporate environmental responsibility engagement affect firm value? The mediating role of corporate innovation. *Business Strategy and the Environment*, *29*(3), 1045–1055. https://doi.org/https://doi.org/10.1002/bse.2416

Loh, L., & Tan, S. (2020). Impact of sustainability reporting on brand value: An examination of 100 leading brands in Singapore. *Sustainability (Switzerland)*, *12*(18), 1–17. https://doi.org/10.3390/SU12187392

E-ISSN : 2807-7318, P-ISSN: 2808-3482

Loh, L., Thomas, T., & Wang, Y. (2017). *Sustainability Reporting and Firm Value : Evidence from Singapore-Listed Companies*. 1–12. https://doi.org/10.3390/su9112112

Loprevite, S., Ricca, B., & Rupo, D. (2018). Performance sustainability and integrated reporting: Empirical evidence from mandatory and voluntary adoption contexts. *Sustainability (Switzerland)*, *10*(5), 6–9. https://doi.org/10.3390/su10051351

Lulu Khansa Komala, & Murtanto. (2024). Analysis Of Sustainability Report Standards And Adjustment Of IFRS S1 & IFRS S2 Standards Implementation. *International Journal of Accounting, Management, Economics and Social Sciences (IJAMESC)*, *2*(5 SE-Articles), 1643–1657. https://doi.org/10.61990/ijamesc.v2i5.291

Made, N., Rukmiyati, S., Bagus, I., Purbawangsa, A., Kajeng, I. G., & Rika, I. (2023). *Uncertain Supply Chain Management The role of investor recognition mediates the effect of sustainability reporting quality on firm value*. *11*, 1561–1568. https://doi.org/10.5267/j.uscm.2023.7.013

Ni, K., Zhang, R., Tan, L., & Lai, X. (2024). How ESG enhances corporate competitiveness: Mechanisms and Evidence. *Finance Research Letters*, *69*, 106249. https://doi.org/https://doi.org/10.1016/j.frl.2024.106249

Pamungkas, N. B., Meini, Z., Nasional, U., & Indonesia, J. (2023). *The Effects Of Sustainability Reporting And Intellectual Capital Disclosure On Firm Value , With Profitability As A*. *12*(01), 327–334.

Permatasari, I. (2022). *Sustainability reporting or integrated reporting : which one is valuable for investors ?* 666–684. https://doi.org/10.1108/JAOC-12-2020-0204

Pratama, A., Dewi, N., Sofia, P., Muhammad, K., & Rizky, L. (2024). *Sustainability Reporting Ecosystem and IFRS S1 and S2 : How Accounting Research Can Assist its Implementation*. *6798*. https://doi.org/10.62754/joe.v3i4.3830

Pratama, A., Jaenudin, E., & Anas, S. (2022). Environmental, Social, Governance-Sustainability Disclosure Using International Financial Reporting Sustainability Standards S1 in Southeast Asian Companies: A Preliminary Assessment. *International Journal of Energy Economics and Policy*, *12*(6), 456–472. https://doi.org/10.32479/ijeep.13581

Rui, C., Hyeongjun, K., & Doojin, R. (2024). ESG performance and firm value in the Chinese market. *Investment Analysts Journal*, *53*(1), 1–15. https://doi.org/10.1080/10293523.2023.2218124

Rusu, T. M., Odagiu, A., Pop, H., & Paulette, L. (2024). *Sustainability Performance Reporting*. https://doi.org/10.3390/su16198538

Sustainalytics. (2024). *ESG Risk Around the World* (Issue March).

Thuc, T., & Nguyen, D. (2020). *An Empirical Study On The Impact Of Sustainability Reporting On Firm Value*. *12*, 119–135.

Vluggen, R., Gelderman, C. J., Semeijn, J., & Pelt, M. Van. (2019). *Sustainable Public Procurement – External Forces and Accountability*. 9–17. https://doi.org/10.3390/su11205696

Wu, S., Li, X., Du, X., & Li, Z. (2022). *The Impact of ESG Performance on Firm Value : The Moderating Role of Ownership Structure*. 1–22.

Younis, M. (2023). *Sustainability reports and their impact on firm value : Evidence from Saudi Arabia Keyword s*. *12*(2), 70–83. https://doi.org/10.18488/11.v12i2.3275