

EVALUATION OF THE IMPLEMENTATION OF OJK CIRCULAR LETTER NUMBER 16 OF 2021

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ABSTRACT

This research aims to evaluate the implementation of the Circular Letter issued by the Financial Services Authority (SE OJK) number 16 of 2021 concerning the form and content of Sustainability Reports. The existence of SE OJK number 16 of 2021 confirms the obligation for issuers and public companies to prepare financial reports. SE OJK number 16 of 2021 shows support for the Sustainable Development Goals. This research is quantitative descriptive in nature. Using data from listed issuers and public companies as of 31 December 2021, of 728 companies, 483 were identified as having prepared a Sustainability Report. This research found that in 2021 there was an increase in the number of companies compiling Sustainability Reports compared to the previous year by 154.2 percent. Apart from that, it was also found that there is a tendency for companies that prepare Sustainability Reports in 2021 to prefer to prepare Sustainability Reports that combine with the Annual Report. This research found that 85.7 percent of sample companies had disclosed sustainability strategies. However, only 51.1 percent of companies have a vision, mission and sustainability values. As many as 75.2 percent of companies disclosed energy consumption, while less than 50 percent disclosed the emissions produced by the company.

Keywords: Sustainability Report, Annual Report, Energy Consumption, Emission Intensity, Sustainable Development

INTRODUCTION

Sustainable development is an issue that has developed since the launch of "the 2030 Agenda for Sustainable Development" in New York September 2015. This agenda is an action plan to support development that integrates economic, social and environmental interests through 17 goals and 169 development targets. Sustainable development is about maintaining the well-being of humanity and the natural environment without reducing the possibilities for future generations, without losing the economic sustainability of current generations.

Indonesia has followed up on this international agreement through Presidential Regulation of the Republic of Indonesia Number 59 of 2017 concerning the implementation of achieving sustainable development goals. Sustainable Development aims to ensure continuous improvement in the economic welfare of the community, maintain the sustainability of the social life of the community, maintain the quality of the environment as well as inclusive development and the implementation of governance that is able to maintain the improvement in the quality of life from one generation to the next.

In line with this, the Indonesian Financial Services Authority has issued a Sustainable Finance Roadmap 2015 – 2019 in December 2014. In the Sustainable Finance Roadmap, one of the things that must be realized is the existence of specific and binding regulations for all financial services sector players regarding the implementation of Sustainable Finance in Indonesia.

Furthermore, in 2017, the Financial Services Authority issued OJK Regulation number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services

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Institutions (LJK), Issuers and Public Companies. The direction of the regulation on the implementation of Sustainable Finance is to encourage the creation of Sustainable Finance in the financial services sector which supports economic, social and environmental sustainability in the implementation of the development process in Indonesia. OJK Regulation number 51 of 2017 requires financial services institutions to implement sustainable finance by creating a Sustainable Financial Plan and Sustainability Report every year (Financial Services Authority, 2017). OJK's steps to support sustainable development in Indonesia continue with the release of the Sustainable Finance Roadmap Phase II (2021 – 2025). Sustainable finance initiatives developed in Roadmap Phase II will integrate seven components into one unified ecosystem (Financial Services Authority, 2014). One of the OJK's commitments to this Roadmap is manifested through the issuance of Circular Letter from the Financial Services Authority of the Republic of Indonesia Number 16 /SEOJK.04/2021 concerning the Form and Content of Annual Reports of Issuers or Public Companies (Financial Services Authority, 2021).

The issue of sustainability is not a new issue for companies in Indonesia, it has been proven that several banks have started publishing sustainability reports on their respective websites several years ago. Research (Meutia et al., 2020) found that two out of five BUKU 4 banks have even published sustainability reports since 2009. Even though the content is still very minimal. The lack of report content occurs because these banks do not yet have guidelines or regulations regarding sustainability reports. Several research results also prove that the sustainability reporting index of companies in Indonesia is still relatively low (Hayatun et al, 2012; Saputro et al, 2013; Nyoman et al, 2017).

The existence of OJK Circular Letter number 16 /SEOJK.04/2021 is expected to provide clear guidance regarding the principles, form and content of sustainability reports for issuers and public companies in Indonesia. For this reason, this research will evaluate how the OJK Circular Letter number 16 /SEOJK.04/2021 is implemented in Issuers and Public Companies listed on the Indonesia Stock Exchange

In general, this research aims to evaluate the implementation of OJK Circular Letter number 16 /SEOJK.04/2021. Specifically, this research aims to: 1. Identify companies listed on the Indonesia Stock Exchange that have prepared sustainability reports separately (stand-alone) or combined with the Annual Report for 2020 and 2021. 2. Identify whether the companies have complied with the disclosures in point A .1 about Sustainability strategy; C.1 related to vision, mission and sustainability values; F.6 Amount and intensity of Energy and F.11 Amount and Intensity of Emissions produced. This research contributes to providing an evaluation of the implementation of SE OJK 16 / 2021 which will be useful for regulators and other stakeholders in making decisions related to sustainable development by knowing the role of companies in supporting sustainable development goals.

RESEARCH METHODS

This research is quantitative descriptive. This research uses data from the Indonesian Stock Exchange website and each company's website. There are 728 companies listed on the Indonesia Stock Exchange as of 31 December 2021. To identify whether a company has prepared a Sustainability Report or not, it will be seen directly from the publication on each company's website listed on the Indonesia Stock Exchange. If the company does not publish a separate Sustainability Report, then the company's Annual Report will be looked at to determine whether there is a Sustainability Report in the company's Annual Report. Next, the research will identify disclosures regarding point A.1. (Sustainability Strategy); C.1 (Vision, Mission and Sustainability Values); F6 (Amount and Energy Intensity) and F11 (Amount and Emission Intensity). The data used in this research is data based on access results as of August 2021, so Sustainability Reports published by companies after August 31 2021 are not included in the scope of this research.

To identify point A.1 (sustainability strategy) this is done by analyzing whether the company states explicitly the company's sustainability strategy in the sustainability report. To identify point C.1,

this is done by analyzing whether the vision, mission and values conveyed by the company contain the keywords: sustainability, sustainability, environment, triple bottom line or ESG (environment, social and governance). To identify point F6, this is done by analyzing whether there is disclosure regarding the amount and intensity of energy in the Sustainability Report. Finally, identifying point F11 is done by analyzing whether there is disclosure about the emissions produced from scope 1, 2 and 3.

DATA AND ANALYSIS

4.1. Sustainability Report

Of the total 728 companies registered as of December 31 2021, there were 483 companies compiling Sustainability Reports in 2021. This number reached 66.3 percent of the total companies listed on the Indonesia Stock Exchange in 2021.

Table 1. Companies Compiling Sustainability Reports in 2021

No	Sectors	Compiling SR	Listed	Percentage
1	Energy	48	67	71,6%
2	Consumer Cyclicals	72	125	57,6%
3	Technology	9	21	42,9%***
4	Basic Materials	64	88	72,7%
5	Healthcare ***	18	21	85,7%
6	Infrastructure	35	57	61,4%
7	Industrials	34	50	68,0%
8	Transportation & Logistics	15	27	55,6%*
9	Consumer non-Cyclical**	69	89	77,5%
10	Property and Real Estate	40	77	51,9%**
11	Finance*	79	106	74,5%
Total		483	728	66,3%

Source: Data processed (2022)

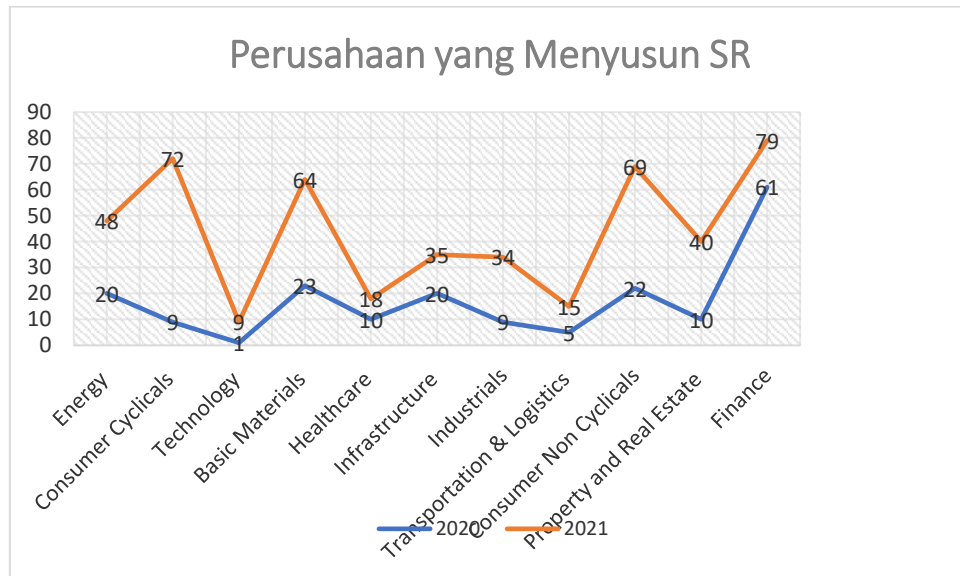
Of the 11 existing sectors, the largest percentage of companies is from the healthcare sector, 85.7 percent. Followed by companies from the Consumer non-cyclical sector (77.5%) and the Finance sector (74.5%). Meanwhile, companies in the technology, property real estate, transportation, and logistics sectors are the three sectors with the smallest percentage of Sustainability Reports.

Table 2. Companies that prepare Sustainability Reports (2020-2021)

No	Sektor	2020	2021	Peningkatan
1	Energy	20	48	140%
2	Consumer Cyclicals	9	72	700%
3	Technology	1	9	800%
4	Basic Materials	23	64	178%
5	Healthcare	10	18	80%
6	Infrastructure	20	35	75%
7	Industrials	9	34	278%
8	Transportation & Logistics	5	15	200%
9	Consumer non-Cyclicals	22	69	214%

10	Property and Real Estate	10	40	300%
11	Finance	61	79	30%
Total		190	483	154%

Source: Data processed (2022)



Gambar 1. Perbandingan Perusahaan yang menyusun SR tahun 2020 dan 2021

As a comparison, Table 2 displays data on companies that prepared Sustainability Reports per sector in 2020. In 2020 there were 190 companies that prepared Sustainability Reports. Compared to 2021, there was an increase of 154 percent in companies compiling Sustainability Reports. The largest increase occurred in the technology sector, amounting to 800 percent, from 1 company to 9 companies in 2021. Meanwhile, the smallest increase occurred in the Finance sector (30%). This is possible because in 2020 quite a lot of companies in the Finance sector have prepared Sustainability Reports as a result of the issuance of POJK number 51 of 2017.

4.2. Sustainability Report Category

SE OJK number 16 of 2021 allows companies to prepare Sustainability Reports either separately (separately) or combined with the Annual Report. Therefore, when a company does not publish a Sustainability Report on its website, the alternative is to look at the contents of the Annual Report to find out whether there is a Sustainability Report in it. Data in table 3 shows the number of companies that prepare separate sustainability reports and combine them with the Annual Report.

Table 3. Companies that Prepare Stand-alone and Join Sustainability Reports in 2021

No	Sectors	SR Standalone	SR in AR
1	Energy	35	13
2	Consumer Cyclical	30	42**
3	Technology	2	7
4	Basic Materials *	35	29*
5	Healthcare	12	6
6	Infrastructure	22	13
7	Industrials	13	21
8	Transportation & Logistics	6	9

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9	Consumer non-Cyclicals***	43	26
10	Property and Real Estate	26	14
11	Listed Investment Product	0	0
12	Finance**	36	43***
Total		260	223

Source: Data processed (2022)

Data in table 3 shows that of the 483 companies that prepared Sustainability Reports, 260 prepared them separately, while 223 prepared them jointly with the Annual Report. The largest proportion of companies that prepare separate Sustainability Reports are the consumer non-cyclicals, Finance and Basic Materials sectors. Meanwhile, the largest proportion of companies that prepare joint sustainability reports are in the Finance, Consumer Cyclicals and Basic Materials sectors.

Table 4. Companies that Prepared Standalone and Joins Sustainability Reports in 2020

No	Sectors	SR Standalone	SR in AR
1	Energv	17	3
2	Consumer Cyclicals	9	0
3	Technology	0	1
4	Basic Materials **	21	2
5	Healthcare	9	1
6	Infrastructure	19	1
7	Industrials	7	2
8	Transportation & Logistics	4	1
9	Consumer non- Cyclicals*	20	2
10	Property and Real Estate	8	2
11	Finance ***	45	16
Total		159	31

Source: Data processed (2022)

In 2020, far more companies prepared separate sustainability reports than those that prepared them jointly. The largest proportions who prepare separate sustainability reports are in the Finance (45 companies), Basic Materials (21) and consumer non-cyclicals (20) sectors. Meanwhile, in the group of companies that prepare Sustainability Reports jointly, the largest proportion is also in the Finance sector (16). Meanwhile, there are still very few other sectors that organize jointly. The large number of companies from the Finance sector that prepare Sustainability Reports, either Separately or Jointly, is possible because of POJK number 51 of 2017 which encourages the Finance sector to implement Sustainable Finance in stages since 2019.

Furthermore, Table 5 and Table 6 provide a more detailed picture of changes in the number of companies in each sector that prepare Sustainability Reports either separately or combined with the Annual Report.

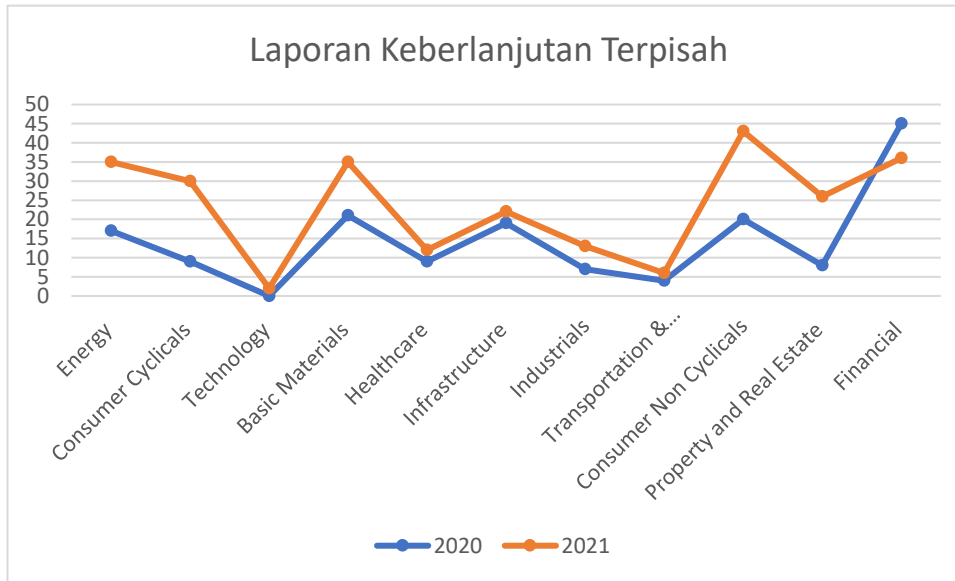
Table 5. Companies that Prepare Standalone Sustainability Reports 2020-2021

No	Sectors	2020	2021
1	Energy	17	35
2	Consumer Cyclicals	9	30
3	Technology	0	2
4	Basic Materials	21	35
5	Healthcare	9	12
6	Infrastructure	19	22
7	Industrials	7	13

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8	Transportation & Logistics	4	6
9	Consumer non-Cyclicals	20	43
10	Property and Real Estate	8	26
11	Finance	45	36
Total		159	260



Source: Data processed (2022)

Figure 2. Companies compiling Separate SRs in 2020 and 2021

Table 6. Companies that have prepared the 2020-2021 Joint Sustainability Report

No	Sectors	2020	2021
1	Energy	3	13
2	Consumer Cyclicals	0	42
3	Technology	1	7
4	Basic Materials	2	29
5	Healthcare	1	6
6	Infrastructure	1	13
7	Industrials	2	21
8	Transportation & Logistics	1	9
9	Consumer non-Cyclicals	2	26
10	Property and Real Estate	2	14
11	Finance	16	43
Total		31	223

Source: Data processed (2022)

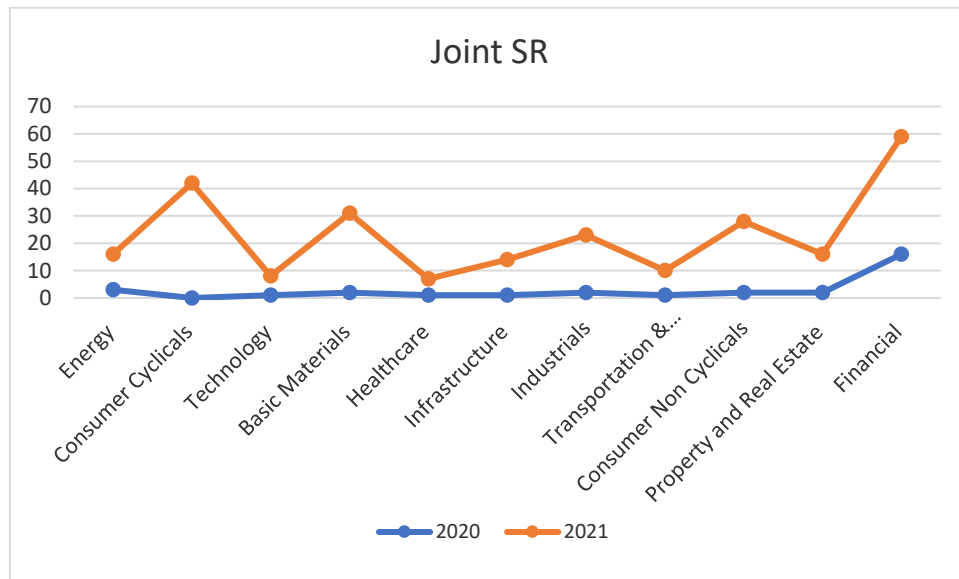


Figure 3. Joint Sustainability Report for 2020 and 2021

4.3. Sustainability Strategy

An explanation of the company's sustainability strategy is the first thing that must be disclosed based on SE OJK number 16 of 2021. In this section, the company outlines the implementation of its vision and mission in implementing Sustainable Finance in a comprehensive manner which includes both long-term and short-term targets, risk management, and the results you want to achieve. The data in Table 7 shows how many companies explain their corporate sustainability strategy in their sustainability report.

Table 7. Companies that disclose Sustainability strategies

No	Sectors	Sustainability Strategy (A.1)	Prepare SR	Percentage
1	Energy	43	48	89,6%
2	Consumer Cyclical	61	72	84,7%
3	Technology	7	9	77,8%
4	Basic Materials	55	64	85,9%
5	Healthcare	17	18	94,4%
6	Infrastructure	32	35	91,4%
7	Indrials	27	34	79,4%
8	Transportation & Logistics	13	15	86,7%
9	Consumer non- Cyclical	54	69	78,3%
10	Property and Real Estate	36	40	90,0%
11	Finance	69	79	87,3%
Total		414	483	85,7%

Source: Data processed (2022)

The data in Table 7 shows that 85.7 percent of companies that prepare sustainability reports, either jointly or separately, have explained the sustainability strategies they are implementing. Meanwhile, the remaining 14.3 percent (69 companies) did not explain the company's sustainability strategy.

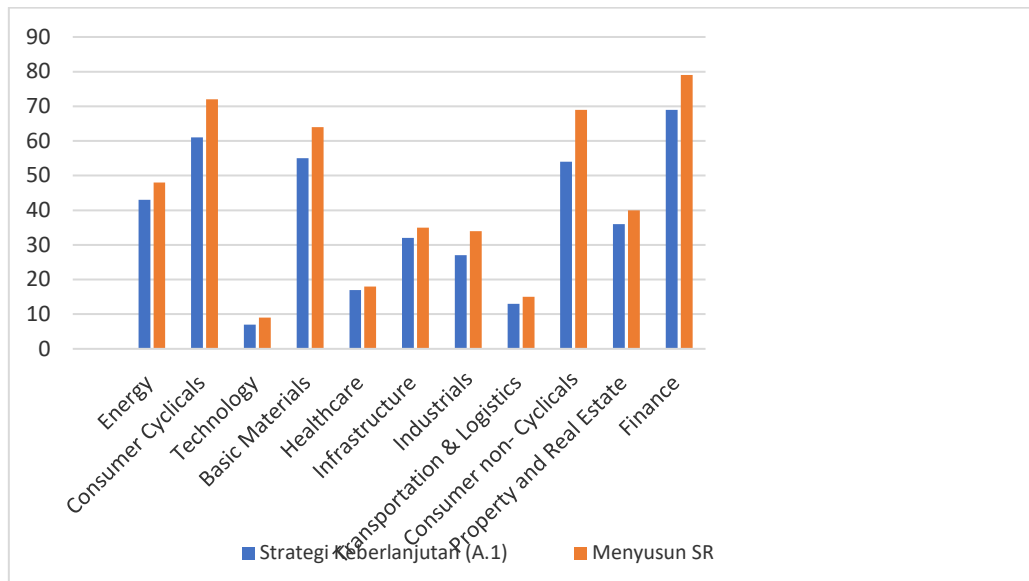


Figure 4. Companies that disclose Sustainability Strategy

Table 8. Companies that disclose Sustainability strategies by SR Group

No	Sectors	Standalone SR	Percentage	Joint SR	Percentage
1	Energy	34	97,1%	9	69,2%
2	Consumer Cyclical	28	93,3%	33	78,6%
3	Technology	2	100,0%	5	71,4%
4	Basic Materials	30	85,7%	25	86,2%
5	Healthcare	11	91,7%	6	100,0%
6	Infrastructure	22	100,0%	10	76,9%
7	Indrials	9	69,2%	18	85,7%
8	Transportation & Logistics	6	100,0%	7	77,8%
9	Consumer non- Cyclical	37	86,0%	17	65,4%
10	Property and Real Estate	23	88,5%	13	92,9%
11	Listed Investment Product	0	0,0%	0	0,0%
12	Finance	33	91,7%	36	83,7%
Total		235	90,4%	179	80,3%

Source: Data processed (2022)

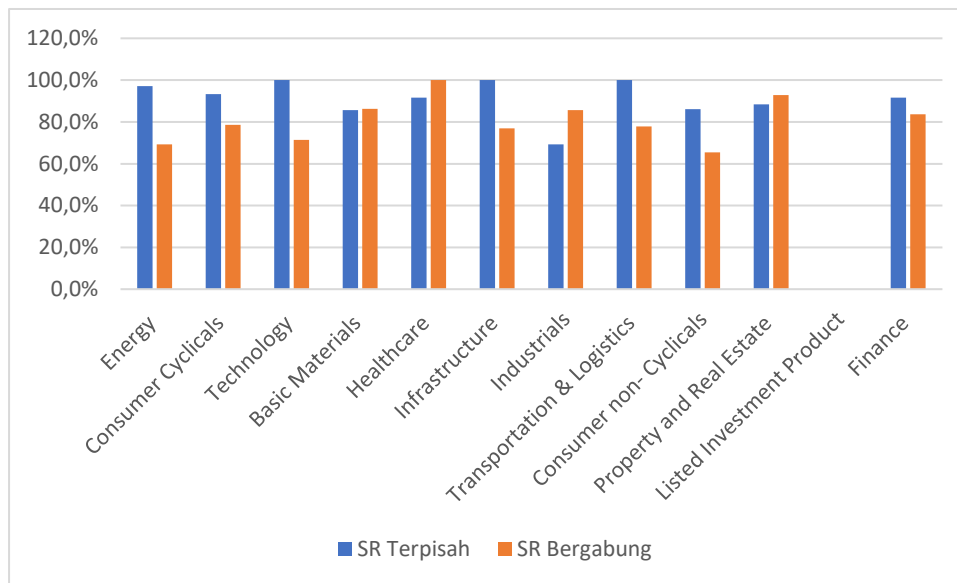
The data in table 8 shows that as many as 90.4% of companies that have prepared separate Sustainability Reports have disclosed their Sustainability Strategy, while there are still 9.6% (25 companies that have not disclosed their company's sustainability strategy). The group of companies that have prepared Sustainability Reports are joined by Only 80.3% of Annual Reports have disclosed the company's

sustainability strategy. There are still 19.7% (44 companies) who have not disclosed the company's sustainability strategy.

Figure 5. Companies that disclose Sustainability Strategies by SR Group

4.4. Vision, Mision and Sustainability Values

Companies that are committed to sustainability should have a vision, mission and values related to sustainability that are implemented by the company. Therefore, disclosure of the company's vision,



mission and values is one of the important things that must be disclosed according to SE OJK 16 of 2021 (point C.1). Table 9 shows how many companies disclose their vision, mission and sustainability values in their 2021 sustainability report.

Table 9. Companies that disclosed their Vision, Mission and Sustainability Values

SR Category	Total	Disclose C.1	Percentage
SR Standalone	260	146	56,2%
SR Joint	223	101	45,3%
	483	247	51,1%

Source: Data processed (2022)

Of the 260 companies that prepared separate Sustainability Reports, only 146 companies (56.2%) had a vision, mission and values related to sustainability. The remaining 114 companies (43.8%) have visions, missions and values that are completely unrelated to sustainability issues.

In the group of companies that prepare Sustainability Reports, joining the Annual Report, 101 companies (45.3%) have a vision, mission and values related to sustainability. The remaining 122 companies (54.7%) do not have a vision, mission and values related to sustainability issues.

In total, only 51.1% (247 companies) disclosed the vision, mission and values related to sustainability of all companies that prepare Sustainability Reports either separately or combined with the annual report.

This data shows that there are still many companies that do not pay attention to the importance of the vision, mission and sustainability values that companies should have. The vision, mission and values will provide direction for the goals and strategies that the company will take in carrying out its activities.

4.5. Amount and Intensity of Energy Used

Energy use and energy intensity are other things regulated in OJK SE number 16 of 2021 (Point F.6). Companies are required to disclose how much energy they have used, as well as calculate the energy intensity of the company.

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Table 10. Companies that disclose the amount and energy intensity

Category	Total Energy Consume (Giga Joule)		Energy Intensity	
	Amount	Percentage	Amount	Percentage
SR Standalone	186	71,5%	126	48,5%
SR Joint	177	79,4%	114	51,1%
Total	363	75,2%	240	49,7%

Source: Data processed (2022)

Of the 260 companies that compiled SRs separately, 186 companies (71.5%) disclosed their energy consumption, but only 126 (48.5%) also disclosed their energy intensity. Meanwhile, of the 223 companies compiling the SR joining the annual report, 177 companies (79.4%) have disclosed their energy consumption data, but only 114 (51.1%) have disclosed their energy intensity.

In total, 75.2% of companies have disclosed energy consumption in the company, while only 49.7% of all companies in the research sample have disclosed energy intensity.

This data shows that there are still 25 percent of companies that have not fulfilled the disclosure of energy use as required by OJK Circular Number 16 of 2021. Meanwhile, there are even more that have not disclosed energy intensity.

4.6. Amount and Intensity of Emissions Generated

OJK Circular Number 16 of 2021 requires companies to also disclose data regarding the amount and intensity of emissions produced by the company. In more detail, companies are asked to disclose emission data originating from fuel use (scope 1); electricity consumption (scope 2) and business trips (scope 3). The data in table 11 shows how many companies have fulfilled point F.11 in OJK Circular Letter 16/2021.

Table 11. Companies that disclose the Amount and Intensity of Emissions

Disclosure (F.11)	Standalone SR (260 Companies)		Joint SR (223 Companies)	
	Amount	Percentage	Amount	Percentage
Fuel consumption (<i>scope 1</i>)	128	49,2%	89	39,9%
Electricity Usage (<i>scope 2</i>)	110	42,3%	69	30,9%
Official travel (<i>scope 3</i>)	33	12,7%	16	7,2%

Source: Data processed (2022)

Based on the data in table 11, of the 260 companies that prepared separate Sustainability Reports, less than 50 percent of the companies that disclosed the amount and intensity of emissions produced from fuel use, electricity or business travel were still less than 50 percent. Meanwhile, in the group of companies that prepare sustainability reports combined with annual reports, this figure is smaller, namely less than 40 percent. This shows that there are still many companies that have not fulfilled what is requested in OJK Circular Letter 16 of 2021 related to point F.11, namely disclosing the amount and intensity of emissions produced by the company.

CONCLUSION

This research aims to evaluate the implementation of OJK Circular Letter number 16 of 2021 concerning the obligation to prepare sustainability reports for issuers and public companies. Based on the results of the analysis several things were concluded:

- In general, there has been an increase in the number of companies compiling Sustainability Reports following OJK Circular Letter number 16 / 2021. There was an increase of 154.2 percent in 2021 compared to 2020. There were 483 companies compiling sustainability reports in 2021, this number reached 66.3 percent of listed companies in 2021. In 2020 only 26.6 percent of listed companies prepared a Sustainability Report.
- The three sectors that experienced the highest increase in 2021 are the Technology sector (800%), Consumer cyclical (700%) and Property and real estate (300%).
- Of the 483 companies that prepared Sustainability Reports in 2021, 260 companies (53.8 percent) prepared separate Sustainability Reports. Meanwhile, the remaining 223 companies (46.2 percent) prepared a Sustainability Report joining the Annual Report.
- In 2021 the increase in companies compiling separate Sustainability Reports is 63.5 percent. Meanwhile, the increase in companies compiling Sustainability Reports jointly was 619.4 percent. This indicates that companies that have just prepared sustainability reports in 2021 prefer to prepare Sustainability Reports in combination with the Annual Report.
- As many as 85.7 percent of the companies (414 companies) in the sample have disclosed their sustainability strategy. In the group of companies that prepare separate sustainability reports, this figure reached 90.4 percent. Meanwhile, in the group of companies that prepare Sustainability Reports, this figure reached 80.3 percent.
- Companies that have a Vision, Mission, and Sustainability Values have only reached 56.2 percent in the group of companies that prepare separate Sustainability Reports. Of the group of companies that prepare Sustainability Reports combined with Annual Reports, only 45.3 percent have a vision, mission, and values related to sustainability.
- In the group of companies that prepare separate Sustainability Reports, 71.5 percent have disclosed their energy consumption, but only 48.5 percent have disclosed their energy intensity. Meanwhile, 79.4 percent of the group of companies that prepare Sustainability Reports and annual reports have disclosed their energy consumption data, but only 51.1 percent have disclosed energy intensity data.
- In the group of companies that prepare separate Sustainability Reports, which reveal that the amount and intensity of emissions resulting from fuel use, electricity, or business travel is still less than 50 percent. Meanwhile, in the group of companies that prepare sustainability reports combined with annual reports, this figure is smaller, namely less than 40 percent.
- This research proves that regulations are an effective instrument in implementing sustainability initiatives. This indirectly proves the Ecological Modernization theory approach. At the heart of ecological modernization theory is the idea that environmental problems can be addressed and solved through the transformation of production (Murphy & Gouldson, 2000) and that government regulatory efforts are one of the main driving factors (Huber, 2000; Mol, 1999; Mol et al., 2014).

LIMITATION

This research is not free from several limitations. Firstly, regarding data issues, data on the number of companies listed on the Indonesian Stock Exchange is not available per year. So there may be differences because the data must be accessed manually by looking at the company and year of listing one by one. The data used in this research is Sustainability Report/Annual Report data which can be accessed from each company's website as of August 31, 2022. So it is possible that there are companies that publish Sustainability Reports/Annual Reports for 2021 after that date and are not sampled in the research.

Second, this research does not analyze the quality of the contents of the Sustainability Report prepared by the company. This research only evaluates two things, namely the first: whether the company prepares a Sustainability Report separately or combines it with the Annual Report. The second is how the company complies in disclosing its sustainability Strategy; Vision, Mission, Sustainability Values; Energy Use, and Emissions produced.

This research contributes to providing an overview to regulators regarding the extent to which OJK Circular Letter number 16 of 2021 has been implemented by issuers and public companies listed on the Indonesia Stock Exchange. Based on the results of this research, regulators can determine what steps must be taken to improve the implementation of this Circular Letter.

For the next stage, this research can be followed up by identifying the quality of the preparation of the Sustainability Report so that the main objectives of implementing OJK Circular Letter 16 of 2021 in order to support the implementation of sustainability and sustainable development goals can be achieved.

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