

ABSTRACT

This study aims to provide empirical evidence on the determinants of companies' readiness to implement the sustainability reporting standards IFRS S1 and S2. IFRS S1 and S2 emphasize the integration of financial and sustainability information, including more in-depth disclosure of climate-related risks and opportunities. The implementation of IFRS S1 and S2 requires companies to possess certain internal capabilities, particularly in terms of strategy, governance, and reporting systems. Two internal factors considered crucial in this context are managerial ability and intellectual capital, as both are expected to influence the extent to which companies can respond to and adapt to the complex disclosure requirements of these IFRS standards.

This research uses secondary data obtained from the financial statements and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX) in 2023. The sample was selected using a purposive sampling technique based on specific criteria relevant to the research objectives, resulting in 470 observations. The data were analyzed using multiple linear regression to examine the relationship between the independent variables and the dependent variable.

The results of the study show that managerial ability has a positive effect on companies' readiness to implement IFRS S1 and S2. This finding supports the view that competent managers are better able to lead organizational change and integrate sustainability aspects into the company's strategy and reporting systems. On the other hand, intellectual capital does not influence readiness, indicating that the mere presence of intangible resources is not sufficient without effective direction and utilization by management. This highlights the importance of managerial competence in addressing the complex demands of sustainability disclosure.

Keyword: Managerial Ability, Intellectual Capital, Companies' Readiness To Implement IFRS S1 and S2