

Sustainability: The economically rational business imperative

*How we can help
you with your
sustainability
and climate
change
challenges*



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Sustainability: At the heart of it

PwC Indonesia (we) help companies across a range of industries understand these challenges and their associated business impact.

We can recognise and quantify their sustainability risks, recommend and develop appropriate value added solutions and support the implementation of proposed organisational and operational changes.



Governments driving change

Governments' commitment to sustainable business was seen in the Rio+20 outcomes:

'We acknowledge the important role of the private sector in moving towards sustainable development. We strongly encourage business and industry to show leadership in advancing a green economy in the context of sustainable development and poverty eradication.'

Companies today are facing growing pressure from many angles:

- the need for transparency from stakeholders
- consumer pressure (licence to operate)
- growing and changing risks to business models and supply chains
- increased competition for efficiency and growth opportunities attained through access to new products and markets

Enlightened executives recognise that sustainability is a key element of strategic planning for the overall growth and well-being of the business in the long run. Industry leaders are integrating bold, decisive and long-range sustainability metrics into overall corporate goals. They are seeking to achieve sustainable, financial and operational performance simultaneously – the economically rational choice.

While most mainstream companies may be less emboldened than these industry leaders, they also are starting to recognise the impact this rapidly evolving agenda is having on their business. Not only the negative impact their operations are having on the environment but also the positive (or negative) impact on the societies and communities in which they operate.

Economically rational benefits for our clients include:

- protecting their license to operate
- reducing costs and improving design
- attracting and retaining talent through company ethos
- and innovating through new products, services or markets.

PwC sustainability network advises clients on setting strategy; advising on policy; risk management; operational change; and monitoring, reporting and assuring their progress – all through a sustainability lens.

The journey towards sustainability leadership

There is a logical journey for sustainability, which gives us opportunities to work with you across a number of issues such as:

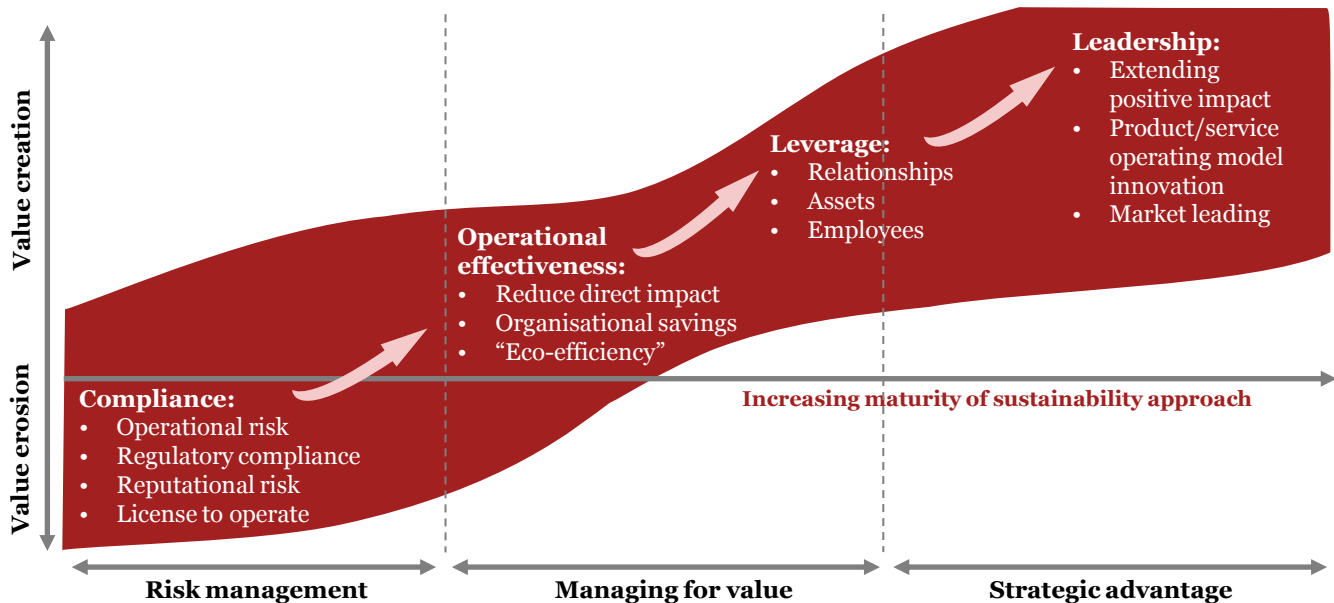
- international development,
- climate change,
- green growth,
- sustainable finance,
- resource scarcity.

Leadership through innovation...

Companies are increasingly seeking to embed sustainability in an innovative way – linking remuneration to sustainability, publishing environmental profit and loss statements, or integrating financial and non-financial reporting.

Sustainability maturity matrix

From compliance to value



How you are responding to sustainability

Over half of CEOs are investing to improve living and working conditions where they operate

– PwC's 15th Annual Global CEO Survey

Seven out of ten CEOs say they would take more ambitious action on issues related to the Millennium Development Goals

– Global PwC poll of CEOs on Rio+20 Conference on Sustainable Development

38% of Top 100 airlines now publish a corporate sustainability report

– *Building trust in the air: Is airline corporate sustainability reporting taking off?*

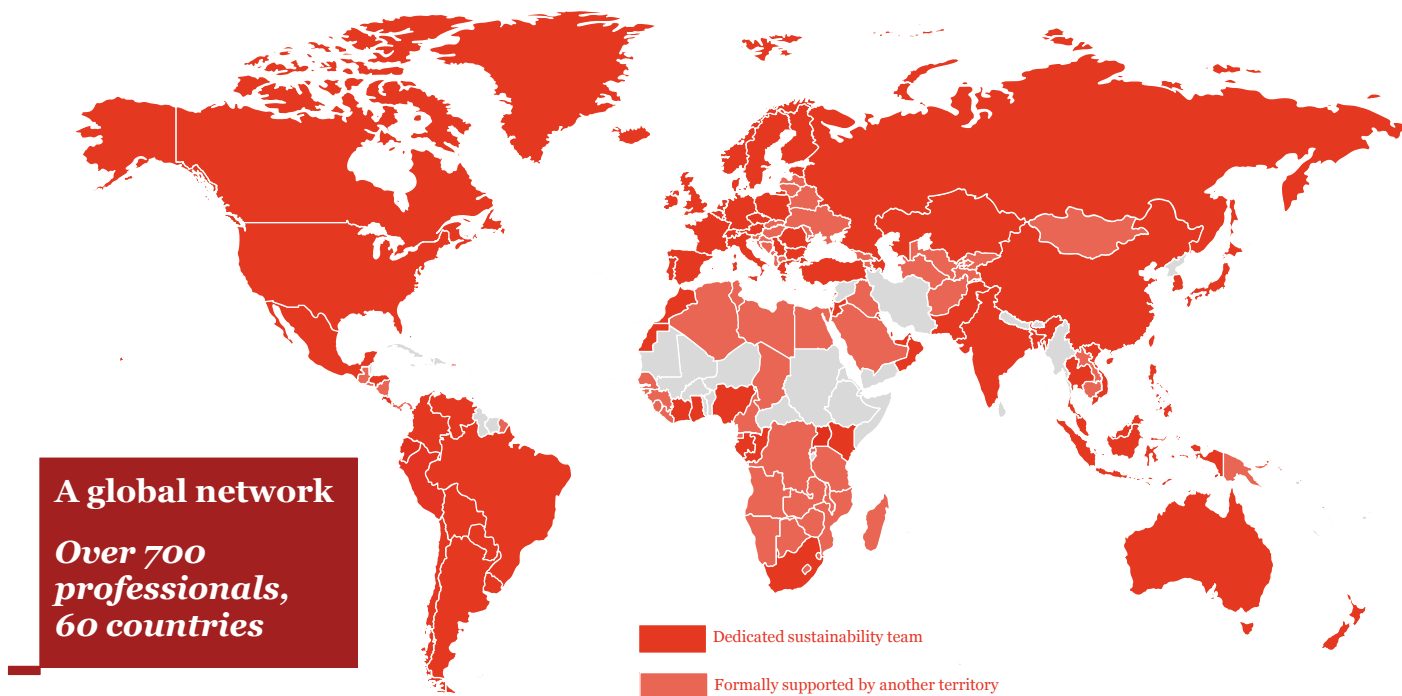
68% of respondents in the CDP Global 500 are integrating climate change initiatives into their overall business strategy, up from 48% in 2010

– Carbon Disclosure Project (CDP) 2011

94% of Private Equity houses surveyed say they will be increasing their focus on Responsible Investment activities

– *Responsible investment: Creating value from environmental, social and governance issues*

Who we are



PwC global network

PwC global network have over 700 sustainability and climate change professionals in more than 60 countries, in our global sustainability and climate change network. And that number is growing.

We help you to address specific and immediate issues relating to sustainability. But we also help you with longer-term strategic thinking, from sustainability strategy to sustainability reporting and assurance, including points in between.

We work with a variety of clients, both in the public and private sector

We work with policy makers to help define climate and carbon policy,

We help regulators provide guidance to the market in sustainability reporting, and

We work with a wide range of businesses, including mining, sportswear, finance, drinks manufacturers and pharmaceutical providing expertise on the issues they face (read the case studies coming up).

Our services

PwC global network sustainability and climate change teams across the world operate within a framework based on their market demand which generally fits with the globally defined services outlined on this page. These services are delivered in collaboration with multiple territories, industry expertise, or other core capabilities within PwC firms, such as strategy or valuation, across key issues such as international development, climate change, green growth, sustainable finance and resource scarcity.

We offer solutions in these services:

Strategic sustainability

Generating, assessing or aligning your sustainability strategy to make the most of your sustainable initiatives.

Governance, risk and compliance

Working with you set up or realign your structure, policies, or procedures to reduce reputational risk and ensure compliance.

Supply chain and operations

Understanding and addressing sustainability impacts in the supply chain to improve your performance.

Assurance and reporting

Assisting you with non-financial information frameworks, reporting and assurance furthering efforts to influence stakeholders trust.

Tax and the regulatory environment

Assessing your exposure to environmental tax and regulation while advising on relevant incentives or subsidies to optimise your tax position.

Fund management and programme delivery

Providing flexible and efficient programme administration solutions, enhancing programme accountability and governance while providing increased transparency to stakeholders, thus assuring fiscal responsibility.

Policy and economics

Interpreting the impact of policy on your business and working with you to quantify your sustainability costs and benefits to better inform your decisions.



Services

Issues

How we can help

Strategic sustainability

As sustainability moves up the boardroom agenda, it is increasingly being integrated into corporate level strategic planning. Management now need to balance increased regulation, protecting the brand and ensuring stable supply chains with seeking opportunity for enhanced performance and using the sustainability agenda for strategic advantage.

Developing and integrating a detailed sustainability vision into your long-term strategic plan in a way that creates lasting value while also building public trust is a common challenge for all types of organisations.

We can help you to:

- Identify your issues and goals to determine where the pressures are likely to be and raise awareness of what needs to happen to make your business more sustainable.
- Prioritise these issues from both a sustainability and commercial point of view. This will help you recognise and better manage risk, improve efficiency, revenue potential, growth and other opportunities.
- Map the short and long-term ambitions for your sustainability vision, assess the risks, and address any gaps in delivery.
- Support the alignment and integration of your sustainability vision into your overall corporate strategy.
- Develop and deliver a robust sustainability programme that includes prioritised initiatives, enablers, milestones, key performance indicators, and measurable targets.

What is becoming increasingly evident is that a sound sustainability strategy protects a company's reputation; it drives innovation and employee engagement, it satisfies consumers and attracts and retains top talent; it demonstrates compliance and leads to market differentiation – all key ingredients for long-term growth and profitability.

Factoring legislation into sustainability and investment – United Kingdom supermarket chain



The client wanted to understand how future environmental legislation and policy would affect its operations and supply chain costs. We developed road maps of current and future legislation, and performed cost modelling.

The results showed that future costs would mean a drastic increase of management time in the client's stores investment programme. They're now developing an ambitious sustainability plan, which includes a long term carbon reduction target.

How we can help

Governance, risk and compliance

As businesses face more restrictions on the materials they use, there is a growing need to establish governance around sustainability to manage risk and ensure compliance. National and international companies trying to meet these standards or regulations can find themselves in a minefield as they navigate the areas of governance, risk, and compliance.

Drawing from knowledge of recent developments globally, advising other organisations and best practices, we'll help you to:

- Develop codes of conduct, policies and procedures that meet your stakeholders' expectations and ensure your organisation's values are respected and reinforced.
- Win employee buy-in to your sustainability strategy with effective frameworks and approaches that outline risks and opportunities. This will help everyone understand and support your strategy, so that you have clear and coherent communications and optimal employee engagement.
- Manage risk and regulatory compliance so you'll understand its impact on your company's strategy and operations. We'll examine all sustainable development legal requirements, company policies, and industry/voluntary codes to assess your compliance levels, where you can improve and how planned operational changes might interact with these.

Getting stakeholders on board – Korean cosmetics company



The client wanted to pull together its existing CSR activities into a meaningful sustainability platform that spoke to its stakeholders – its people, customers and the market. We conducted Dow Jones Sustainability Index assessments of its activities, and interviewed stakeholders to understand priority issues. We then crafted a strategy and plan to put this into action. The company increased acceptance of its sustainability agenda, minimised risk and grew its revenue.

How we can help Supply chain and operations

Companies are looking at the impact their operations have on the environment as well as the positive or negative impact on the communities in which they operate. Understanding these impacts can drive improvements to corporate strategy, day to day operations and ultimately financial performance.

What steps can you take to ensure your supply chain is responsible while achieving financial and sustainability metrics at the same time?

We'll put our experience to work by helping you:

- Assess the risks associated with your supply chain and the steps necessary to protect your brand.
- Consider best practice from across a range of industry sectors.
- Define the characteristics you require from your suppliers in order to make sure they're sustainable.
- Monitor and manage environmental, social and governance risks associated with your supply chain.
- Measure the financial cost or potential impact of your carbon, water and energy usage on the environment, and local communities.
- Redesign global supply chains to be cost-efficient, minimising their impact on the environment and delivering products and services on time.

Manage your suppliers, manage your risk – United States pharmaceuticals company

With no process in place to monitor or influence supplier actions around environmental, health, safety, or labour issues, our client was nervous about its reputational risks. We developed a supplier sustainability risk assessment methodology, which the client immediately implemented. They were able to identify high-risk suppliers, conduct field audits, and better manage any reputational risk associated with global supply chain partners.



How we can help

Assurance and reporting

More than ever, stakeholders want to know about an organisation's sustainability performance and how it is accurately reporting on its corporate activities to support climate change, resource scarcity and socially responsible investing. Leaders understand the parallel importance of setting bold sustainability metrics and making sure that open and timely reporting accurately reflects progress made. Assurance from a trusted adviser further earns – and keeps – stakeholders' trust.

Our experienced teams can help you to:

- Identify and assess the relevant requirements of all your stakeholders.
- Undertake internal audits to gauge the effectiveness of your internal controls and measures.
- Provide independent assurance of the data in your sustainability report as well as assurance for regulatory performance purposes, such as EU ETS, RTFO, GHG emissions.
- Support your submissions to sustainability indices by helping you to interpret the questionnaire before submission; we'll also identify any gaps to improve your position in the rankings.
- Review your current reporting against best practices, identify operational improvements and move it beyond compliance to include future-looking analysis and strategy.
- Verify and certify your data against social and environmental benchmarks in line with market standards like the Global Reporting Initiative (GRI), Greenhouse Gases (GHG) Protocol, AA1000.
- Align measurable sustainability objectives with your corporate strategy based on financial, operational and regulatory performance measures.
- Assess how the life-cycle of your products and services might impact your sustainability goals.

Enhancing performance in sustainability indices – International oil and gas company in Italy



The company wanted to increase stakeholder confidence in its sustainability through sustainability benchmarks like the Dow Jones Sustainability Index, the FTSE4GOOD, and the Climate Disclosure Leadership Index. We assessed their data gathering, reporting process, and monitoring protocol at various touch points from the management to group level. Our work brought about improvements to their processes and a stronger profile across key sustainability indices.

How we can help

Tax and the regulatory environment

Environmental taxes and regulations are constantly increasing in number and scope and evolving as more countries introduce them. It's important that you clearly understand their impact on your existing and planned business operations so that you can make informed strategic decisions and take advantage of emerging opportunities to reduce costs.

Our global network of sustainability and climate change tax specialists can help you to:

- Assess your current global exposure to environmental taxes and regulations; help you to manage risks and optimise your tax position from a sustainability perspective; and proactively engage with regional policy makers.
- Understand your sustainability compliance obligations and take advantage of subsidies, grants, taxes and other incentives; develop strategies that optimise the impacts of carbon, climate change and resource scarcity on your tax position; and prepare for future policy developments.
- Understand your tax department's role in supporting your sustainability strategy and make sure your sustainability investments are evaluated on an after-tax basis, with available incentives factored into your financial returns.
- Enhance your corporate reputation directly through sustainability-focused initiatives and indirectly through your Total Tax Contribution.

Getting the most out of taxes and incentives – Large multinational

We carried out an analysis of the environmental taxes paid by the company across Europe, as well as the incentives available to them. We advised the client on how to proactively engage with policymakers on related taxes and incentives, and also helped to design and develop an in-house environmental tax management structure. With the overview of total environmental taxes paid, the client was able to manage associated risks and take advantage of available incentives.



How we can help Fund management and program delivery

PwC Indonesia is the only firm among our competitors that offers this type of program, bringing an integrated approach with both national and global expertise.

- We provide flexible and efficient program administration solutions to ensure your program's strategic goals and objectives are achieved.
- We enhance program accountability and governance while providing increased transparency to all stakeholders.
- We have a staff of qualified professionals and subject area experts with both operational and program management experience.
- We assure fiscal responsibility through a comprehensive audit program.
- Our dedicated program managers are fully available to client and third party information requests, providing timely responses with practical solutions.



How we can help Sustainable finance

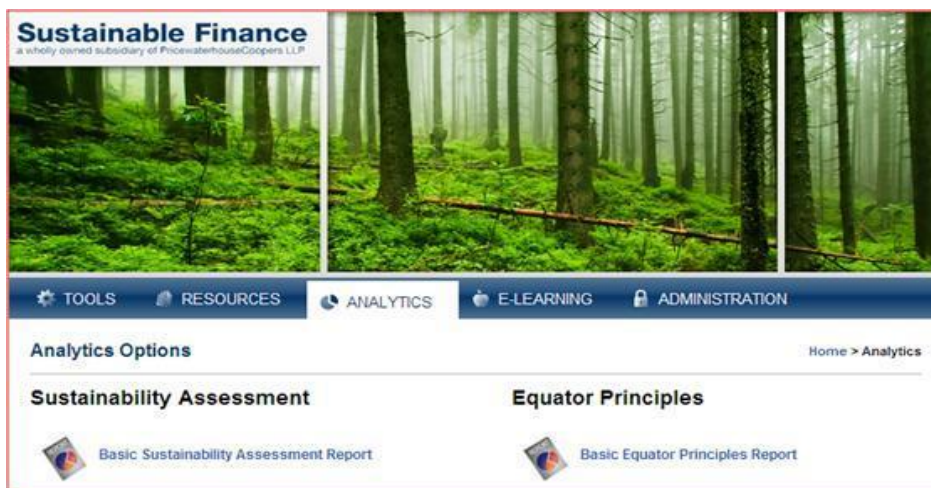
PwC firms have developed a series of advisory, training and web-based decision support tools for financial institutions to enable them to consistently assess and manage environmental and social risks according to financial product type, country and sector. These are fully customisable to allow clients to independently manage their risks within their own organisations and internal frameworks and are now used by development banks, global commercial banks and regional emerging market banks across the world.

PwC firms experience with the Equator Principles, emerging trends in the financial sector landscape and working with over 40 commercial and development banks around the globe over the past five years have informed the design of a customisable framework of tools and resources.

These tools allow finance professionals to identify and manage E&S risks at the transaction or client level according to sector, country and financial product. The tools can also be applied to a wide range of lending activities beyond what is currently covered by the Equator Principles.

“We have worked with Sustainable Finance (now PwC) to develop a system to ensure the bank’s commitment to the Equator Principles for the project finance in the country. The expertise of Sustainable Finance has been crucial to guarantee a result that is compatible with the reality we face in Brazil and has contributed to our ambition to be the world’s best food & agri-bank through the provision of financial services with respect, integrity, professionalism and sustainability.”

European Bank operating in emerging markets



How we can help

Policy and economics

The world's economies are increasingly realising that a more active and diverse approach is needed to address climate change and that doing so through the low carbon agenda can bring new opportunities for both the public and private sectors. Green growth, green jobs and green stimulus packages are becoming more common as policy makers look to turn climate change and environmental threats into sustainable advantage.

Our economists and specialists work with governments, businesses, policy makers and multilateral organisations to:

- Help organisations – public sector and private – become 'climate smart'. That means taking full advantage of cost saving opportunities and making sure that business models are resilient to change – climate change, economic change or regulatory change.
- Manage their low carbon and climate change goals by analysing their carbon/environmental footprint as well as undertaking valuations and due diligence.
- Meet compliance obligations through solid energy reporting, transfer pricing for financing structures and assuring carbon-related data.
- Understand and quantify the environmental and social benefits and costs of your organisation's current operations and practices.
- Perform robust and transparent economic modelling to develop and implement sustainable green growth strategies that consider social and environmental impacts.
- Interpret the impact on your proposed or ongoing low carbon business opportunities of ongoing policy announcements

Reducing GHG Emissions – Global resources company in Australia

The company wanted all its facilities that exceeded specified water consumption and greenhouse gas (GHG) emission thresholds to develop cost curves for reductions. At three mine-site locations, we identified abatement opportunities and modelled the abatement options to derive a cost per unit of GHG and water abated. The results will be used by the client to identify more opportunities, and arrive at a group-wide GHG and water reduction target.



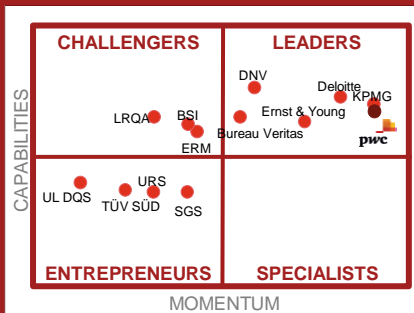
Our global alliances

We believe that collaborating on solutions and converging around standards can only help to drive the sustainability agenda further. Which is why we've established relationships with these partners.



Awards

Verdantix
Green Quadrant® Sustainability Assurance Providers (Global)



PwC UK ranked as leading the UK sustainability consulting market in Verdantix's *Green Quadrant Sustainability Business Consulting*



Leading provider of GRI Assurance

Gartner AsiaPac Sustainability

PwC named Large Sustainability Business Consultant for the region

Global Sustainability Private Equity Advisor of the Year

Awarded to PwC UK by the Corporate LiveWire Global Corporate Finance Awards

PwC UK ranked 26th out of 32 of the **top environmental consultancies** (in the UK by gross revenue)

PwC Luxembourg – Luxembourg Green Advisory Award during the Luxembourg Green Business Summit 2012



Consultancy of the year – BusinessGreen Leaders Awards 2012



Thought leadership

These are just some of PwC firms most popular publications and materials. For a full list, including reports, videos and white papers, take a look at 'Research and insights' on PwC firms website: pwc.com/sustainability

Resource scarcity



Sustainable packaging: Myth or reality?

June 2012

While public views on the usefulness of packaging are difficult to shift, the industry has made significant steps in creating improved packaging solutions across the packaged goods value chain.



Minerals and metals scarcity in manufacturing: The ticking time bomb

December 2011

The supply of many minerals and metals is struggling to keep up with rapid increases in consumption. Explore how this will impact seven key manufacturing industries around the world.



The shape of Power to come

April 2012

This paper reviews investment, affordability and security in an energy hungry world. It is based on research carried out with senior executives from 72 power and utility companies in 43 countries.



Water: Challenges, drivers and solutions

March 2012

A PwC report on the challenges facing the water industry in light of decreasing water quality and supply – covering key players, economics and future solutions.

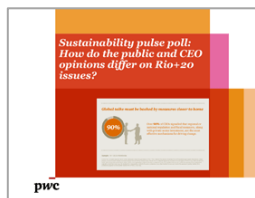
Regulation and governance



The China Greentech Report 2012

May 2012

PwC has been working with the China Greentech Initiative (CGTI) since 2009. This report looks at how clean technologies impact governments, organisations, and businesses across every sector of the economy.



Sustainability pulse poll: CEO and public opinions on Rio+20 issues?

June 2012

Our PwC poll and public opinion survey on the major issues to be debated by world leaders at the Rio+20 Conference in Brazil. See how the public and CEO opinions compared.



Carbon accounting in the value chain

October 2011

This PwC study examines the GHG Protocol, which launched new standards that allow companies to measure and manage more carbon emissions – the Corporate Value Chain (Scope 3) and Product Life Cycle standards.



Responsible investment: Creating value from environmental, social and governance issues

March 2012

ESG issues in the private equity industry are increasingly in the spotlight. But many PE houses are struggling with how to demonstrate the value of their ESG activity.

Thought leadership (continued)

Regulation and governance (continued)



Global green policy insights *Bi-monthly*

Providing up-to-date news alerts on green tax and regulation developments around the world, and offers expert insights on what these developments mean for business.



Appetite for change – Global business perspectives on tax and regulation for a low carbon economy

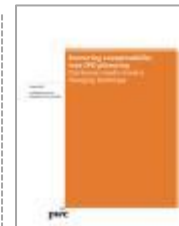
March 2010

The results of almost 700 interviews in 15 countries where executives from international businesses share their perspectives on issues such as the impact of climate change.



Tax transparency and country-by-country reporting *August 2012*

In the wake of the global economic downturn, the need for economic and political stability has intensified the calls for greater transparency. This publication gives an overview and comparison of transparency initiatives



Factoring sustainability into IPO planning *August 2012*

Mounting interest in companies' nonfinancial disclosures, such as sustainability and corporate responsibility, leads to a simple question: Is your company prepared?

Low carbon economy



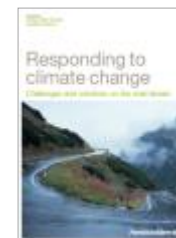
Carbon Disclosure Project *2011*

PwC continues to act as the global advisor to the CDO which provides investors with a unique analysis of how the world's largest companies are responding to climate change.



Counting the cost of carbon, PwC Low Carbon Economy Index 2011 *November 2011*

This report assesses the G20 countries' progress in cutting their carbon intensity levels. The latest index shows that the world needs to reduce its carbon intensity by at least 4.8% every year to 2050, if it hopes to limit climate change to 2°C of warming.



Responding to Climate Change: Challenges and solutions on the road ahead *2010*

This publication shows how PwC can assist in the areas of strategy, risk, regulation and reporting to optimise operations and deliver leading practice to help companies deliver on their climate change ambitions.



The U.S.-China Cleantech Connection: Shaping a new commercial diplomacy *January 2011*

This report explores how U.S. companies are finding cleantech opportunities in China through alliances—as well as capital and cleantech technology transfer investments.

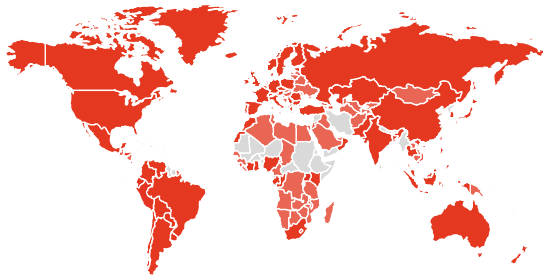
Talk to us



Anthony J. Anderson
Technical Advisor
+62 21 5212901 ext. 90642
anthony.j.anderson@id.pwc.com



Rob Daniel, PhD
Technical Advisor
+62 21 5212901 ext. 75897
rob.daniel@id.pwc.com



About PwC's sustainability teams

PwC firms provide industry-focused assurance, tax and advisory services to its clients and their stakeholders. More than 180,000 people in 158 countries across PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PwC sustainability network of over 700 people in 60+ countries provides expert assistance and advice to governments and the private sector around the world.

For online information on PwC Indonesia Sustainability team and services, take a look at 'Industry Sectors: Sustainability & Climate Change Indonesia' on PwC Indonesia firms website: www.pwc.com/id



Supporting ALBI -
Alliance of Low-carbon Businesses in Indonesia

Notes

www.pwc.com/sustainability

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