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Introduction

This document has been prepared for general guidance covering PwC Indonesia’s ESG capability and services. Our deep expertise and experience has been developed through years of providing sustainability related services to our clients in Indonesia and across Southeast Asia.

As a result of a rapidly increasing global focus on broad ESG sustainability issues from government, investors, the private sector and the public over the past few years, a trend exacerbated by the COVID-19 pandemic, we have witnessed a drastic shift towards better understanding climate change, sustainability and related ESG issues, as companies and organisations look to identify and respond to their ESG risks and opportunities. ESG management & performance can increase or decrease the top & bottom line as well as a company’s reputation & social licence to operate. To respond to this growing market demand, we have prepared this statement of capability to help you better understand the ESG value creation journey and how PwC as a trusted advisor can assist and guide you with your needs and requests.

This document focuses on ESG integration into your company or organisation with some elaboration on ESG reporting and rating standards. In section three of this document, we present a summary of additional ESG related services which we can offer you.
ESG Value Creation Journey
What is ESG and what do we mean by ESG factors?

ESG is a set of non-financial performance indicators that can be used to better understand material risks and opportunities related to sustainability. Investors and stakeholders are interested to understand ESG-related risks by analysing strategies and activities which can quantify adverse risks associated with your industry and company. Some examples of ESG pillars can include:

### Environmental pillar
- **Climate change**
  - Carbon emissions
  - Product carbon footprint
  - Financing environmental impact
  - Climate change vulnerability
- **Natural resources**
- **Pollution & waste**
  - Toxic emissions & waste
  - Packaging material & waste
- **Environment opportunity**
- **Opportunities in clean tech**
- **Opportunities in green building**
- **Opportunities in renewable energy**

### Social pillar
- **Human Capital**
  - Labour Management
  - Human Capital Development
  - Supply Chain Labour Standards
  - Inclusion and diversity
- **Product liability**
  - Product safety & quality
  - Financial product safety
  - Privacy & data security
  - Responsible investment
- **Stakeholder perspectives**
  - Controversial sourcing
  - Responsible investment
- **Social opportunity**
  - Access to communication
  - Access to finance
  - Access to health care
  - Opportunities in nutrition & health

### Governance pillar
- **Corporate governance**
  - Corporate behavior
  - Board diversity
  - Executive pay
  - Ownership
  - Accounting
  - Tax transparency
  - Financial system instability
  - Corruption & instability
  - Business ethics
  - Anti-competitive practices
  - Access to
  - Health & demo. risk

Source: MSCI ESG Measurement Metrics
PwC
Why does ESG matter?

Focusing on ESG is about value preservation (at a minimum) and value creation by optimising the use of key business drivers and capitals in your company. Inaction can therefore lead to value destruction.

Business as usual: Value erosion from ESG headwinds is the ‘do nothing’ scenario

Without positive action, progress on ESG issues by peers, changing consumer, employee and investor expectations, and new regulations, will inevitably lead to value erosion.

Inaction on ESG can lead to value destruction.

Less ambitious: Value preservation can be achieved through targeted ESG performance improvement

To get started, business needs to:
- Identify value-linked ESG factors and perform rapid remediation of critical issues;
- Review operations and value chain for exposure to climate change, social unrest, and poor corporate governance, and develop and implement risk mitigation plans;
- Define targets, KPIs and a roadmap to drive ESG performance; and
- Communicate relative ESG performance and resilience to key stakeholders.

More ambitious: Unlocking significant value creation is possible through ESG-led investment strategies and sustainable transformation of the business model and existing assets

For business to transform its operations and revenue streams, it needs to:
- Align value proposition with ESG through a review of the company’s vision and mission;
- Re-evaluate business model and revenue streams and identify possible transformation strategies which incorporate ESG risks and opportunities;
- Develop a comprehensive public relations and communications strategy which can directly communicate the company’s sustainability vision and mission with its consumer base and the broader public.
ESG factors can impact financial performance in various ways

ESG factors can have direct and indirect impact on a company’s balance sheet. Having a comprehensive ESG strategy, which is integrated into your corporate strategy can create financial and non-financial value over an extended period of time.

**Factors**

1. Customer demand for ESG-driven companies and products
2. Emissions reduction
3. Regulatory compliance
4. Purpose driven workplace
5. Investment in green technology and green assets

**Impact**

- Top line growth
- Cost reduction
- Tax credits, subsidy eligibility, avoid penalties
- Increased productivity
- Asset optimisation
How does ESG inform investment decisions?

Over the past 10-15 years, we have witnessed the emergence of new and innovative approaches to investment that seek to balance financial and social returns. Traditional philanthropists and donors rely more and more on innovative financing schemes to leverage investment finance alongside more traditional development assistance.

**Investment Spectrum**

<table>
<thead>
<tr>
<th>Traditional Investment</th>
<th>Responsible Investment</th>
<th>Sustainable Investment</th>
<th>Impact Investment (Return First)</th>
<th>Impact Investment (Impact First)</th>
<th>Venture Philanthropy</th>
<th>Traditional Philanthropy</th>
</tr>
</thead>
</table>

**Focus**

- **Limited or no ESG incorporation**
  - ESG incorporation to meet investor requirements & ESG regulations
  - ESG incorporation to create long-term value by mitigating risks and identifying growth opportunities
  - Investment designed to have measurable social & environmental impacts
  - Investment designed to have meaningful social & environmental impacts
  - Venture investment focused on addressing societal issues
  - Grants focused on addressing societal issues

**ESG incorporation**

- Financial return only
- Financial return prioritised
- Financial return focused on long-term value creation
- Social return & adequate financial market rate
- Social return & sub-market financial return
- Social return prioritised
- Social return only

Source: OECD, 2019. PwC analysis
ESG value creation journey

Your ESG journey must take a holistic approach and consider relevant capitals and stakeholders to optimise value creation.

1. Understanding ESG
   - set ambitions / objectives
   - benchmarking analysis
   - Identify risks & opportunities
   - gap analysis

2. ESG Strategy Development
   - Driving Levers:
     - Government
     - Community
     - Consumers
     - Investors / Shareholders
     - Board
     - Suppliers
     - Employees
   - STAKEHOLDERS:
     - Financial
     - Manufactured
     - Intellectual
     - Human
     - Social & Relationship
     - Natural

3. Implementation
   - ESG initiatives
   - structure, processes, culture, infra
   - ESG measurement
   - non-financial reporting & assurance

4. Monitoring & Evaluation
   - review ESG integration & implementation
   - quantify & monetise ESG
   - re-evaluate ESG risks & pressures
   - Update / amend strategy

Illustrative
How can ESG create value?

ESG strategy
Setting a sustainability strategy that reflects company and board’s vision around ESG

Net-zero strategy
Developing an emissions reduction strategy which may include net-zero targets

Reporting strategy
Identifying key stakeholders’ requirements, regulatory frameworks, database needed for comprehensive reporting, etc.

Sustainability reporting
Sustainability reporting and/or disclosure of ESG performance

ESG Ratings
Listed companies' ESG performance will be rated on the stock exchange. Unlisted companies can obtain a rating on a voluntary basis.

Dissemination
Shareholders and stakeholders gaining confidence as a result of the company's actions to seize ESG opportunities and manage and mitigate risks

Can be developed in parallel
Depending on the industry, other strategies may be relevant and applicable

Impact on share price
## Starting your ESG journey

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Action Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. ESG Strategy</strong></td>
<td>Sustainability strategy that reflects company and board’s vision around ESG</td>
<td>Incorporate an ESG/sustainability strategy into your corporate strategy</td>
</tr>
<tr>
<td><strong>2. Net-zero strategy</strong></td>
<td>Emissions reduction strategy that identifies critical sources of GHG emissions and develops a path towards net-zero targets</td>
<td>Map out your GHG emissions across scopes 1 through 3 in line with your materiality assessment and develop science-based targets to reduce emissions / achieve net-zero</td>
</tr>
<tr>
<td><strong>3. Reporting strategy</strong></td>
<td>Comprehensive strategy which provides an overview of your key stakeholders’ expectations and reporting frameworks/standards that best support your disclosure, reporting, and rating requirements</td>
<td>Identify your key stakeholders’ requirements, regulatory frameworks, database needed for comprehensive reporting</td>
</tr>
<tr>
<td><strong>4. Sustainability reporting</strong></td>
<td>A report that provides an overview of your ESG performance as it relates to your management, operations, and value chain</td>
<td>Develop a full materiality matrix which covers all your main ESG themes and topics</td>
</tr>
<tr>
<td><strong>5. ESG Risk Ratings</strong></td>
<td>Ratings that assess your company’s ESG performance conducted by independent third party verifiers</td>
<td>In line with your reporting strategy, complete necessary actions in preparation of your ESG performance evaluation</td>
</tr>
<tr>
<td><strong>6. Dissemination</strong></td>
<td>Public distribution and socialisation of your overall ESG performance including ESG and net-zero ambitions, sustainability report, and ESG risk rating</td>
<td>Signal to the market that your company has incorporated ESG across your operations with support from your marketing and social media teams</td>
</tr>
</tbody>
</table>
PwC’s Corporate Sustainability Framework can enable your company to comprehensively incorporate ESG across your value chain

Our framework will be adapted to your needs and urgent priorities, but typically the journey starts by developing an ESG strategy linked to your corporate strategy.

**PwC’s Corporate Sustainability Framework**

- **Strategy**
  - Materiality-driven ESG issues enable ambition setting for the sustainability vision & targets
  - Review sustainability roadmap and alignment to overall corporate strategy

- **Sustainability Initiatives**
  - Review the alignment of your flagship sustainability initiatives to strategy
  - Assess how initiatives are monitored and managed

- **Sustainability Measures**
  - Review your range of sustainability metrics being captured and the rationale for them
  - Assess the logic between the group’s ESG metrics vs lines of business

- **Structure, Process, People & Infrastructure**
  - Assess sustainability governance, policies with ESG incorporated, ESG learning and development programme, key infrastructure, tools and partnership

- **Non-Financial Reporting & Assurance**
  - Identify reporting strategy and key responsibilities
  - Review stakeholder engagement plan
  - Review ESG data assurance framework
Sustainability Reporting, Ratings, and Indices
The sustainability landscape is continuously evolving, with different components and companies offering multiple services.

### Sustainability Frameworks
- CDP
- GRI
- GRESB
- Science Based Targets
- Equator Principles
- Greenhouse Gas Protocol
- TNFD
- Sustainable Development Goals
- TCFD

### Sustainability Standards
- SASB
- CDSB
- Climate Disclosure Standards Board
- PCAF
- Partnership for Carbon Accounting Financials
- ISO

### Harmonising Sustainability Standards
- ISSB
- World Economic Forum
- Valuebalancing alliance
- Value Reporting Foundation
- IMPACT MANAGEMENT PROJECT
- Corporate Reporting Dialogue

### Sustainability Ratings
- Bloomberg
- Sustainalytics
- MSCI
- World Benchmarking Alliance
- S&P Global
- Moody’s
- ISS ESG
- Social Value International
- Global 100

### Sustainability Indices
- Refinitiv
- CSRHub
- Morningstar
- RepRisk
- Alliance for Corporate Transparency
- FTSE Russell
- IDX

Source: Positive Investment Imperial, PwC Analysis
Frameworks, standards, indices, and ratings are built to tackle different problems throughout the sustainability landscape

<table>
<thead>
<tr>
<th>Sustainability Frameworks</th>
<th>Sustainability Standards</th>
<th>Sustainability Ratings</th>
<th>Sustainability Indices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A broad set of principles-driven guidance on what information should be covered, and how it should be prepared and disclosed.</td>
<td>A document issued by a standard-setting body, designed to make a framework actionable by dictating the specific rules for what should be reported.</td>
<td>Assessment of a company’s material ESG performance / risk management measured using quantifiable indicators and aggregated into a single score / rating.</td>
<td>An index which tracks, measures and ranks the performance of a group of companies or assets in sustainability using a variety of metrics and methodologies.</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guidance for all organizations to move the world towards more sustainable future.</td>
<td>Disclosure of information concerning the ESG issues within and related to business management.</td>
<td>Absolute ESG performance (often industry weighted to remove industry bias).</td>
<td>ESG Performance relative to peers.</td>
</tr>
<tr>
<td><strong>Use</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Used to showcase commitment to ESG and Sustainability. Provides the baseline metrics to further demonstrate current environmental impact. Allows to define and formulate the metrics to track current ESG progress.</td>
<td>Provides transparency – as a response from the government and society toward factors that jeopardize social structure. Provides internal monitoring to external communication toward the stakeholders.</td>
<td>Provides stock-specific / fund-specific information on ESG performance / risk management. Used to monitor specific equities and funds. Used to construct ESG indices.</td>
<td>Provides information to investors on the relative performance of the companies in the index. Forms a high-level basis for stock inclusion into the investable universe.</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1) there are different methodologies used by different rating agencies to assess ESG performance including level of ESG disclosure, action against ESG commitments, action taken to manage ESG risks, etc. ESG criteria are often weighted according to industry and the overall assessment is based on which ESG factors have a clear correlation to financial performance of the company / industry

Source: Positive Investment Imperial, Company/institution websites, PwC Analysis

PwC
Sustainability frameworks offer organizations guidance on how to report on different aspects of their non-financial performance

### Key Features

<table>
<thead>
<tr>
<th><strong>GRI</strong></th>
<th><strong>TCFD</strong></th>
<th><strong>INTEGRATED REPORTING</strong></th>
<th><strong>CDP</strong></th>
<th><strong>SCIENCE BASED TARGETS</strong></th>
<th><strong>GREENHOUSE GAS PROTOCOL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Covers reporting practices and management approach in dealing with material Economic, Environmental, and Social (EES) topics</td>
<td>Covers 11 recommendations for climate-related financial disclosures</td>
<td>Acts as a framework that assesses the long-term viability of a firm’s business model and promotes effective allocation of resources</td>
<td>Business-level disclosure on climate change, forests, and water designed to provide a structure for collecting data for reporting</td>
<td>Guides companies on the path to setting emissions reduction targets that are verifiable and in alignment with the goals of the Paris Agreement</td>
<td>Comprehensive scheme for reporting GHG emissions by both public and private actors across the value chain</td>
</tr>
</tbody>
</table>

### Areas Covered

- 34 topic-specific standards: organized into EES series
- Covers a wide set of disclosures across all EES components
- Covers climate-related metrics
- Covers four key areas: governance, strategy, risk management, and metrics & targets
- Connects sustainability disclosures to other disclosures in financial reporting: 1) business model; 2) strategy; (3) resource allocation; 4) performance and risks; and 5) opportunities and governance, among others
- Capture environmental performance data related to GHG emissions, water, forests, and supply chain.
- Covers two methods for developing companies’ science-based targets: the Absolute Contraction Approach (used by four out of five companies with approved science-based targets) or the Sectoral Decarbonization Approach (SDA).
- Covers greenhouse gas emissions metrics
- Three scopes are set out: scope 1, 2, and 3 emissions.

### How They Complement Each Other

- Mandatory to report as a signatory
- Mandatory to report against the TCFD framework
- Voluntary reporting
- Complements UN Principles of Responsible Investing (PRI) and TCFD recommendations
- Voluntary reporting
- Complementary to the other sustainability frameworks
- In June 2021, the IIRC merged with SASB to form the Value Reporting Foundation (VRF)
- Complementary to TCFD, SDGs
- CDP was consolidated into the IFRS Foundation to support the work of the newly established International Sustainability Standards Board (ISSB), which is expected to be completed by June 2022
- The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF)
- In 2016, 92% of Fortune 500 companies responding to the CDP used GHG Protocol directly or indirectly through a program based on GHG Protocol

### Websites

- globalreporting.org
- fsb-tcfd.org
- integratedreporting.org
- cdp.net
- sciencebasedtargets.org
- ghgprotocol.org

Source: Positive Investment Imperial, Company/institution websites, PwC Analysis
Reporting standards represent global best practice for reporting on a range of ESG impacts

<table>
<thead>
<tr>
<th>Key Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISSB</td>
</tr>
<tr>
<td>A set of accounting standards from the newly created ISSB that will consolidate the SASB and CDSB standards and create the global benchmark for sustainability disclosure in financial markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Areas Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architecture of ISSB standards include three things: 1) General requirements for disclosures around things; 2) Climate risk; 3) Industry-specific requirements.</td>
</tr>
<tr>
<td>Covers four pillars: principles of governance, planet, people, and prosperity</td>
</tr>
<tr>
<td>Incorporated a set of 21 core quantitative metrics and disclosures</td>
</tr>
<tr>
<td>Covers a set of 34 expanded metrics and disclosures that tend to have a wider value chain scope</td>
</tr>
<tr>
<td>All areas covered by SASB and IR, along with the six Integrated Thinking Principles: purpose, strategy, risks and opportunities, culture, governance, and performance</td>
</tr>
<tr>
<td>26 sustainability issues, categorised as five broad sustainability dimensions: environment, social capital, human capital, business model and innovation, and leadership &amp; governance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How They Complement Each Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ISSB which is expected to be completed by June 2022 is present as a form of consolidation of global bodies (CDSB, IIRC and SASB), as well as the support of IOSCO, TCFFD and WEF.</td>
</tr>
<tr>
<td>Complements UN PRI</td>
</tr>
<tr>
<td>Supplements TCFD with its S and G components</td>
</tr>
<tr>
<td>Aligned to the UN SDGs</td>
</tr>
<tr>
<td>Provides a comprehensive picture for long-term value creation</td>
</tr>
<tr>
<td>IFRS Foundation will consolidate VRF and the Climate Disclosures Standards Board (CDSB) into the International Sustainability Standards Board (ISSB), which is expected to be completed by June 2022</td>
</tr>
<tr>
<td>Voluntary reporting (driven towards mandatory for American companies)</td>
</tr>
<tr>
<td>Complements to GRI standards</td>
</tr>
<tr>
<td>Complements to TCFD</td>
</tr>
<tr>
<td>Climate Disclosure Standards Board (CDSB) was consolidated into the IFRS Foundation to support the work of the newly established International Sustainability Standards Board (ISSB), which is expected to be completed by June 2022</td>
</tr>
<tr>
<td>Helps to meet the SDGs with economic, environmental and societal dimensions that are all directly addressed by ISO standards</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Websites</th>
</tr>
</thead>
<tbody>
<tr>
<td>ifrs.org</td>
</tr>
<tr>
<td>weforum.org</td>
</tr>
<tr>
<td>valuerreportingfoundation.org</td>
</tr>
<tr>
<td>sasb.org</td>
</tr>
<tr>
<td>cdssb.net</td>
</tr>
<tr>
<td>iso.org</td>
</tr>
</tbody>
</table>

Source: Positive Investment Imperial, Company/institution websites, PwC Analysis

PwC
The different ESG ratings and scores are used by investors to support their investment and funding decisions

| Rating Scale | • AAA – CCC scale  
| • Industry-adjusted  
| 0 – 100 risk score  
| By industry / global  
| • AAA – D scale  
| Sector weighted  
| Percentage scores rendered to grades A+ to D-  
| Total scores between 0 - 100  
| A - D scale  
| 220 indicators & 450 fields, 138 sub-industries  
| Data on how well the company is managing risks  
| • 28 ESG issues across 59 hot topics  
| • Risks / sentiment data on how exposed is the company  
| • 450+ ESG metrics  
| • 186 comparable measures  
| • Performance type data  
| • Over 80 key issues  
| • Weighted by industry  
| • Performance type data on steps taken by the company  
| • Climate change  
| • Forests  
| • Water security  
| 220 indicators & 450 fields, 138 sub-industries  
| Data on how well the company is managing risks  
| • 28 ESG issues across 59 hot topics  
| • Risks / sentiment data on how exposed is the company  
| • 450+ ESG metrics  
| • 186 comparable measures  
| • Performance type data  
| • Over 80 key issues  
| • Weighted by industry  
| • Performance type data on steps taken by the company  
| • Climate change  
| • Forests  
| • Water security  
| 1000+ data points undisclosed undisclosed 450+ data points, ratios and analytics  
| 1000+ data points per company undisclosed  
| Gov’t and NGO reports, company reports, media  
| Corporate publication and regulatory filings, NGO reports, media  
| Publicly available data and industry data  
| Corporate, publicly reporting data, global media sources  
| Online questionnaire supported by company documents  
| Online questionnaire supported by company documents  
| Individual company and fund ESG score and report  
| MSCI ESG Indices  
| Company ESG risk score for security screening and portfolio construction  
| Company ESG risk score for portfolio monitoring, quant analysis, back testing  
| Integration of ESG factors into portfolio analysis, equity research, screening  
| Integrated into financial analysis for asset management products  
| Company reputation analysis, align with TCFD, uncover ESG risk & opportunity  
| Broad applicability  
| Largest provider of ESG Indices globally  
| • Risk focused  
| • Product offerings are ESG specific  
| Outside-in-approach to assess company on-the-ground performance  
| • Transparent and audible data  
| • Distinct scoring methods  
| Industry-specific data collection methodology  
| Industry-specific data on climate change, forests, and water sec.  
| msci.com sustainalytics.com reprisk.com refinitiv.com spglobal.com cdp.net  

Source: Positive Investment Imperial, Company/institution websites, PwC Analysis
Sustainalytics is one of the largest ESG Risk Ratings available, rating 13,000+ companies worldwide.

**Sustainalytics at a glance**

Acquired by MorningStar in 2020 and with a track record of 30+ years, Sustainalytics provides ESG research, ratings and data to institutional investors and companies.

**Key figures**

<table>
<thead>
<tr>
<th>1,000+</th>
<th>172</th>
<th>138</th>
</tr>
</thead>
<tbody>
<tr>
<td>clients</td>
<td>countries covered</td>
<td>sub-industries</td>
</tr>
</tbody>
</table>

**Sustainalytics ESG Risk Ratings Categories**

- Based on their quantitative scores out of 100, companies are grouped into one of five risk categories.
- These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all sub-industries covered.
- This means that a bank, for example, can be directly compared with an oil company or any other type of company.

**Rating Scale**

- Category 1: Negligible (0 - 10)
- Category 2: Low (10-20)
- Category 3: Medium (20-30)
- Category 4: High (30 - 40)
- Category 5: Severe (40+)

**ESG Rating Framework**

Sustainalytics’ ESG Risk Rating combines exposure to industry material ESG risks and management of those risks to obtain an overall ESG risk rating. Rating a company’s ESG risk out of 100, they start by determining the company in question’s sub-industry and further assess:

1. **Total Exposure**
   - Analysis of exposure to material ESG issues at the sub-industry level

2. **Manageable Risk**
   - Analysis of risks manageable through company ESG programs and policies

3. **Unmanageable Risk**
   - Analysis of risks that cannot be managed by the company

4. **Managed Risk**
   - Analysis of the manageable risks that have been managed by the company

5. **Management Gap**
   - Reflects manageable risks that are not managed by the company

6. **Unmanaged Risk**
   - Overall risk that is not yet managed - ESG risk rating is determined by adding up total unmanaged risk

Source: Sustainalytics
The Indonesian Stock Exchange (IDX) has released four ESG indices to date, covering different segments of the market.

**ESG Indices released by IDX as of March 2022**

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Launch</th>
<th>Number of constituents</th>
<th>Coverage</th>
<th>Selection criteria</th>
<th>Parties responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG Quality 45 IDX KEHATI</td>
<td>December 2021</td>
<td>45</td>
<td>Top 45 ESG performing stocks on IDX</td>
<td>Three-phase ESG assessment: Phase 1: Filtering Financial and Liquidity Aspects² Phase 2: Filtering Core Business Phase 3: Assessing Companies’ ESG Aspects</td>
<td>KEHATI and IDX</td>
</tr>
<tr>
<td>ESG Sector Leaders IDX KEHATI</td>
<td>December 2021</td>
<td>unfixed, currently 48</td>
<td>All above-average ESG performing stocks in their respective sectors (12 sectors based on IDX-IC³)</td>
<td>Three-phase ESG assessment: Phase 1: Filtering Financial and Liquidity Aspects Phase 2: Filtering Core Business⁴ Phase 3: Assessing Companies’ ESG Aspects</td>
<td>KEHATI and IDX</td>
</tr>
<tr>
<td>IDX ESG Leaders</td>
<td>December 2020</td>
<td>15 - 30</td>
<td>Top 15 - 30 ESG performing stocks on IDX (Sustainalytics Ranking)</td>
<td>Three selection criteria: Criteria 1: Companies with involvement in controversies category 4 and 5⁵ are excluded Criteria 2: Companies with ESG risk rating category of high and severe⁶ are excluded Criteria 3: From the remaining universe, companies that have the lowest ESG risk rating⁷ are selected (with minimum 15 constituents and maximum 30 constituents)</td>
<td>IDX</td>
</tr>
</tbody>
</table>

Note: 1) Indonesian Biodiversity Foundation; 2) Financial Indicators: Profitability (ROE), Earning Risk (EPS Volume), and Financial Risk (Leverage); 3) IDX Industrial Classification; 4) Sectoral diversification through IDX Industrial Classification (IDX-IC) 5) Sustainalytics define Category 4 and 5 as controversies with High and Severe Impact respectively on environment, society and business risk; 6) ESG Risk rating of 30 and above; 7) ESG Risk Rating between 0-30 (negligible, low and medium risk)

Source: Indonesian Stock Exchange, KEHATI, Kontan
KEHATI has been actively involved in developing the Indonesian ESG investing landscape since 2009 and now manages three ESG indices.

KEHATI at a glance

Established in 1994, the non-profit KEHATI aims to catalyse innovative solutions to conserve, manage, and utilize Indonesia’s biodiversity in a sustainable manner.

Key engagement programs

1. Grants programs
   Grant collection, managing, and distribution to preservation of forests, agriculture, and marine ecosystems. Worked with 1000+ institutions and managed >USD 200 million.

2. Green investment
   ESG investments, in the form of indices which are available as mutual funds to the public in collaboration with IDX and asset managers. Total AUM as of December 2020: >USD 220 million.

3. KEHATI awards
   Annual sustainability awarding across different categories to including but not limited to: individuals, NGOs, researchers, schools, communities, universities, businesses, as well as government institutions.

KEHATI index constituent selection process

All indices managed by KEHATI are selected through a three-phase process conducted every six months, with an index rebalancing conducted every three months:

**Phase 1** Filtering Financial and Liquidity Assets
- Market Capitalisation
- Total Assets
- Net Profit
- Free Float
- Average Trading Value

**Phase 2** Filtering Core Businesses (Controversial Screening)
- Pesticides
- Nuclear
- Weaponry
- Tobacco
- Alcohol
- Pornography
- Gambling
- Genetically Modified Organisms
- Coal Mining

**Phase 3** Assessing Companies’ ESG Aspect

### Environmental
- Sustainable Products & Innovations
- Natural Resources
- Energy Use
- Greenhouse gas emissions
- Waste management

### Social
- Employee training and development
- Manpower practices
- Occupational health and safety
- Product and client liability
- Social environmental impact

### Governance
- Stakeholder rights’ protection
- Competency and role of BoC and BoD
- Information quality and transparency
- Business ethics
- Sustainable management practices

Note: 1) Grants sourced and collected from multilateral donors, the private sector, endowment funds, philanthropies, and crowdfunding; 2) Non-government organisations; 3) Board of Commissioners and Board of Directors

Source: KEHATI, Indonesian Stock Exchange, Company Websites, PwC Analysis
Several regulations have been issued to advance private sector action in support of the government’s sustainability efforts

**SDGs**

**PP 59/2017**
- Itemised the implementation of the SDGs in Indonesia.
- The regulation specifies GoI coordination and action needed for the achievement of the SDGs.

**Sustainability Reporting**

**POJK 51/2017**
- Specified the application of sustainable finance to financial services, institutions, issuers, and publicly listed companies. The regulation mandates these stakeholders to issue sustainability reports.

**Green Bonds / Sukuk**

**POJK 60/2017**
- Specified the green bond framework in Indonesia, including requirements and issuance processes. Since, the MoF has issued green sukuk, amounting to USD 3.99 bn.

**Sustainable Finance Roadmap OJK**

**Phase 2**
- Sets out a detailed work plan for realisation of a Sustainable Finance Ecosystem in Indonesia up to 2025, bridging upon the 8 Principles of Sustainable Finance set forth in Phase 1.

**Carbon Tax**

**PP 98/2021**
- Starting July 1, 2022, the GoI will start collecting carbon taxes through a cap and tax system at IDR 30 per kilogram of carbon dioxide equivalent emitted. Carbon-intensive sectors such as palm oil businesses and coal-fired power plants operators will be the first sectors to be affected.

**Green Taxonomy**

**OJK**
- Standardised definition and criteria from economic sector activities that are considered “green” (i.e. support climate change mitigation and adaptation). The green taxonomy is a living document that will be periodically updated.

*Note: 1) SDGs: Sustainable Development Goals; 2) GoI: Government of Indonesia; 3) OJK: Indonesian Financial Services Authority; 4) POJK Regulation; 5) MoF: Ministry of Finance; 6) Sukuk: Shariah-compliant investment instruments; 7) PP: Presidential Regulation*

*Source: Indonesian Cabinet Secretariat, OJK, Indonesian Ministry of Finance, PwC Analysis*
Our Services
PwC Indonesia’s ESG services

Strategy & Transformation
- Sustainability strategy
- Net zero strategy
- Stakeholder engagement strategy
- Social impact strategy

Climate
- Mitigation & adaptation strategy
- Carbon tax advisory
- Impact measurement and management
- Climate change vulnerability assessment
- Scenario analysis
- Net zero business transformation
- Carbon reduction/abatement
- Carbon market/offset

Operations
- Sustainable operations & procurement
- Impact measurement & management
- Sustainable supply chain strategy optimisation, and management
- ESG tax risk mitigation
- ESG due diligence
- Training & capacity building
- Human rights impact assessment

Disclosure
- Disclosure/reporting strategy
- Sustainability reporting (data approach, controls, quality)
- Internal audit strategy & capacity building
- Sustainability assurance
- ESG risk assurance

Finance
- ESG M&A due diligence
- ESG Value Creation in Deals
- ESG readiness assessment
- Responsible investing (framework & upskilling)
- Sustainable finance (e.g. thematic bonds, blended finance, sustainability-linked loans)

Non-exhaustive ESG Integration (value creation services)
<table>
<thead>
<tr>
<th>#</th>
<th>ESG Strategy, Roadmap, Governance and Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Client</strong></td>
<td>Indonesian food and beverages company</td>
</tr>
<tr>
<td><strong>Overview</strong></td>
<td>PwC was engaged by the client to develop its corporate sustainability framework to help drive the implementation of sustainability across the organization. The work include developing materiality matrix by conducting series of workshop with BoD and senior management as well as with the 11 divisions within the Group. The project also covered development of a five-year sustainability roadmap for corporate-wide and its business divisions. We also helped them develop their first sustainability report in accordance with GRI G4 guidelines.</td>
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<table>
<thead>
<tr>
<th>#</th>
<th>ESG Climate Risk Framework, GHG Footprint &amp; Target Setting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Client</strong></td>
<td>Leading Malaysian conglomerate</td>
</tr>
<tr>
<td><strong>Overview</strong></td>
<td>The assessment involved the identification and prioritisation of key sustainability risks at both Group and divisional level. Key priority areas that were currently not being adequately addressed by the company were also identified. The assessment enabled the company to develop strategies and mitigating actions for addressing its key sustainability risks. We also developed a global carbon inventory baseline for our client and establishing a carbon reporting process within the group for future years’ reporting. We identified emissions reduction opportunities and developed a carbon reduction roadmap.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>#</th>
<th>Indonesia’s SDGs Financing Hub</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Client</strong></td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td><strong>Overview</strong></td>
<td>PwC was engaged for the development of the SDGs Financing Hub which is intended to reduce the financing gap towards the SDGs. This is expected to be established under the Ministry of National Development Planning (Bappenas) to facilitate and strengthen the role of the existing SDGs Secretariat. PwC provided integrated services, including sustainability services, to support UNDP and Bappenas in developing the business case for a sustainable operating model.</td>
</tr>
</tbody>
</table>
## Our credentials (2/2)

<table>
<thead>
<tr>
<th>#</th>
<th>Service Type</th>
<th>Client Description</th>
<th>Overview</th>
</tr>
</thead>
</table>
| 4 | Buy-Side ESG Due Diligence                      | **Client** Indonesian investment management enterprise | **Overview** PwC was engaged to assist with financial, tax and ESG due diligence and ESG valuation services on 4 target entities. The services included:

- obtaining understanding the target entities;
- reviewing compliance and assess gaps;
- assessing ESG risks - Based on historical 5 years and future documented plan, identification of potential condition precedent / condition subsequent, assess and evaluate client’s ESG monitoring metrics and potential ESG-based investment decisions and identification of opportunities in the revenue and cost levers;
- Preparing a high level ESG Action Plan to identify and provide recommendations. |
| 5 | Indonesian Green Sukuk Sustainability Assurance | **Client** Indonesian Ministry of Finance | **Overview** PwC was engaged by the client to provide limited assurance services in line with the process and selected information provided by the Ministry for the 2019 Green Sukuk – Allocation and Impact Report (“Green Sukuk Report”). The Green Sukuk is the government of Indonesia’s first Islamic financing green debt instruments which has been deployed to target five key areas, comprising renewable energy, energy efficiency, disaster risk reduction, waste to energy, and sustainable transport. |
| 6 | Carbon Emissions Inventory                       | **Client** Indonesian start-up            | **Overview** PwC was engaged by the client to develop a carbon emissions inventory baseline and establish a carbon reporting process within the group for future years’ reporting. This project included identifying carbon emissions reduction opportunities and developing a sustainability report. |
Our Specialists
PwC offers sustainability services globally and across Asia-Pacific

We have more than 800 sustainability and ESG professionals in more than 60 countries across our global network. Our global strategy, *The New Equation*, places ESG at the centre of all our services, activities, and operations. It further specifies that PwC will create 100,000 new jobs over the next five years (2021-2026) focused in emerging capability areas, including ESG.

Our strategic partnerships: we have strong alliances, partnerships, and agreements with external organisations around sustainability issues.

We routinely hold several events/webinars that provides ESG-related insights:
- Operationalising ESG: moving from value preservation to value creation (July 2022)
- IPO Readiness & ESG Considerations (March 2022)
- ESG in Journalism (March 2022)
- ESG Considerations for Japanese Companies in Southeast Asia (February 2022)
- Carbon Tax & Carbon Pricing: Considerations for the Indonesian Power Sector (November 2021)
- ESG Value Creation Journey in the Palm Oil Industry (October 2021)
- Editor’s Forum: ESG in Business (August 2021)
PwC’s expertise has resulted in various publications on ESG

### Global

**PwC’s Global Investor Survey (2021)**
Investors are focused on how companies are managing environmental, social and governance (ESG) issues. The survey highlights issues that businesses need to pay attention and respond accordingly in order to appeal to the concerns raised by potential investors.

**Are you ready for the ESG revolution? (2021)**
This publication highlights three dimensions of the ESG revolution that social and business need to consider: Strategic reinvention, Reimagined reporting, and Business transformation.

**State of Climate Tech (2021)**
PwC’s analysis this year explores how investors are securing both climate impact and commercial returns from this emerging asset class, helping keep the Paris Agreement’s goal, of limiting global warming to below 1.5 degrees Celsius, within reach.

### Asia Pacific / SE Asia

**Sustainability Counts (2022)**
Jointly published by PwC and the National University of Singapore (NUS) Centre for Governance and Sustainability (CGS), this report pulls together the developments in global sustainability reporting and sustainability reporting requirements and recommendations in respective jurisdictions.

**Code Red – Asia Pacific’s Time To Go Green (2021)**
This report examines why businesses are rising to the challenge in Asia-Pacific and must partner with the Government. Our case studies highlights examples of businesses setting the tone from the top and delivering transformative change as they transition to net zero.

**Rethinking ESG in a post COVID-19 world (2020)**
Our case studies highlight that in an effort to emerge stronger from COVID-19, it is imperative for businesses to rethink their ESG commitments. It requires combined efforts from businesses, the government, and the public to plan and drive improvements over the long term.

### Indonesia

**Indonesia’s Green Taxonomy prompts focus on ESG value creation (2022)**
PwC Indonesia analyses the impact of the Indonesian Green Taxonomy and discuss how companies can respond to this regulatory change.

**Indonesia’s Sustainable Transformation (2021)**
At the business level, the report outlines the role of corporate ESG strategy in long-term value creation, and evaluates the incumbent challenges in ESG reporting and benchmarking in the Indonesian context.

**Plantation NewsFlash: A Recovery Momentum and Journey to Sustainable Industry (2021)**
This report highlights that Indonesian palm oil companies are able to mitigate key Environmental, Social and Governance ("ESG") risks by being proactive.
Our Indonesian ESG Specialists

Julian Smith
ESG Leader
PwC Advisory Indonesia
Key expertise: responsible investing & sustainable finance

Sacha Winzenried
EU&R ESG Leader
PwC Assurance Indonesia
Key expertise: sustainability reporting & assurance

Yanto Kamarudin
EU&R ESG Co-Leader
PwC Assurance Indonesia
Key expertise: sustainability reporting & assurance

Radju Munusamy
ESG Value Creation Advisor
PwC Advisory Indonesia
Key expertise: ESG value creation in deals & strategy

Yuliana Sudjonno
ESG Reporting Advisor
PwC Assurance Indonesia
Key expertise: good governance, internal audit strategy & capacity building

Antonius Sanyojaya
Carbon Tax Advisor
PwC Tax Indonesia
Key expertise: Carbon tax

Pieter van de Mheen
Net Zero Transformation Advisor
PwC Consulting Indonesia
Key expertise: sustainability strategy & operations

Jasmin Maranan
IPO Readiness Advisor
PwC Assurance Indonesia
Key expertise: sustainable finance & IPOs

Fifiek Mulyana
ESG Regulations Advisor
PwC Legal Indonesia (Melli Darsa & Co)
Key expertise: ESG regulations and green certifications
Our Asia-Pacific ESG Specialists

Ivy Kuo
ESG Services Partner
PwC Advisory China
Key expertise: Sustainability, entrepreneurship, customer-centric and digital strategy development, urbanization

Andrew WK Chan
ESG Strategy Leader
PwC Southeast Asia Consulting
Key expertise: strategy & climate change

Jeremy Prepscius
ESG Supply Chain Advisor
PwC Assurance Hong Kong
Key expertise: Sustainability supply chains, human rights, supply chain and scope 3 engagement, ESG strategy

Lit Ping Low
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PwC Assurance Hong Kong
Key expertise: climate risk & reporting

Eu-Lin Fang
Sustainability Leader
PwC Assurance Singapore
Key expertise: Strategy, climate risk, decarbonisation, impact, SDGs, reporting & assurance

Denis Daley
ESG Managing Director
PwC Assurance Singapore
Key expertise: liability portfolio management & remediation (LPMR) & ESG due diligence

Keagan Rubel
Sustainability Services Director
PwC Assurance Singapore
Key expertise: Corporate sustainability strategy, climate change, ESG risk management, reporting, due diligence

Euan Low
Capital Projects Services Leader
PwC Advisory Singapore
Key expertise: ESG Risks and due diligence
Thank you