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ESG and Sustainability Value Creation in the Climate Change Era

Over the last couple of years, global communities have become increasingly concerned about sustainability. Investors want to ensure that businesses can be sustained amid the ever-changing risk landscape, including in the face of Environmental, Social and Governance (ESG) risks. There are also increasing pressures from consumers, workers, regulators and society in general for businesses not only to comply with the emerging ESG or sustainability-related regulations, but also to create positive impacts on the environment and society. Sustainability is the key megatrend. ESG is a framework to look at sustainability, plan, execute, measure, and course-correct.

ESG has thus become a significant factor in the decision-making of business stakeholders. Businesses should start identifying the most significantly effective ESG topics for their operations, developing a holistic sustainability strategy to respond to those ESG topics identified and measure and report their ESG performance and progress over time to build trust with stakeholders.

PwC Indonesia believes that a good implementation of ESG aspects can have both a direct and indirect impact on a company's balance sheet. Furthermore, having a comprehensive ESG strategy that is integrated into your corporate strategy can create financial and non-financial value over an extended period.

Our range of services will help you better understand the ESG value creation journey and how PwC can assist you in fulfilling your ESG needs, ranging from Greenhouse Gas (GHG) accounting, sustainability reporting and assurance, to carbon trading assistance and energy transition strategy.

Generally, our services cover five pillars with sub-services and technology support that will help you achieve your goals:

Pillar 1: Energy transition

1. Climate risk and scenario analysis

Identify climate-related risks (both physical and transitional) and conduct qualitative and quantitative scenario analysis.

2. GHG accounting

Baselining GHG emissions by source and decarbonisation options.

3. Net-zero strategy and roadmap

Build a net-zero strategy and roadmap based on the results of climate risk analysis, scenario analysis and GHG Accounting.

4. Social impact analysis

Conduct social impact analysis (including consideration of gender equality and social inclusion) to ensure the company's decarbonisation strategy provides benefits to society.

5. Access to financing for energy transition and net-zero strategies

Identify potential sources of debt and equity financing, and support with feasibility studies, economic analysis, valuation, merger and acquisition strategy as required.

6. Green taxonomy alignment

Align business operations and services with the national green taxonomy to comply with regulations, as well as identify opportunities available for becoming green.

Pillar 2: Carbon market advisory

1. Carbon-related technical aspects

Measurement of the current emission values (baseline), determining current carbon stock, measurement of the emission reduction from planned activities, as well as establishing carbon offset and reduction strategy that is in line with future business directions.

2. Technical and legal carbon eligibility assessment and registration process support to carbon market

Conduct technical and legal eligibility assessment of carbon projects based on the selected market or scheme, which include complete carbon sequestration modeling, and provide assistance with the end to end process of verification and registration process of carbon credit for both international and domestic registration (i.e VCS and SRN PPI process). Furthermore, assistance is also available in the preparation of monitoring and reporting activities, as well as responding to queries from verification/validation body.

3. Carbon projects financial modeling

Conduct financial analysis for potential of carbon projects in the domestic and international market and assistance in identifying tasks and decisions such as making an acquisition, development and restructuring of the business to incorporate carbon projects into business portfolio, which include cash flow modeling, and assessment of capital and operational expenses, with revenue and carbon price projections, as well as carbon credit accounting and tax advisory on carbon credit transactions.



Pillar 3: Sustainability reporting and assurance

1. Sustainability reporting, strategy, and training

Develop sustainability reports in accordance with global standards and framework, including the reporting roadmap, strategy and training to equip staff with the relevant ESG knowledge and skills.

2. Materiality assessment

Conduct a materiality assessment to identify the stakeholders' ESG concerns and determine prioritised material topics for reporting purposes.

3. ESG metrics identification

Determine the relevant ESG indicators, metrics and measures to help the client with ESG strategy oversight and reporting.

4. Gap analysis on reporting framework and standards

Conduct a gap analysis on existing sustainability reports against certain global frameworks and standards and provide recommendations to comply with them.

5. Gap analysis on the ESG rating agencies framework

Conduct a gap analysis of a company's existing ESG implementation to address the indicators from ESG rating agencies and achieve a better ESG rating score.

6. Sustainability report assurance

Provide assurance over the sustainability report to build trust with stakeholders.

Pillar 4: Sustainable finance

Provide advice on accessing ESG-related financial resources or issuing certain financial instruments (e.g., green bonds, sustainability-linked loans, etc.).

1. Developing sustainable finance framework

Assist in the development of framework related to sustainable finance, e.g., green loan, social loan, sustainable loan, sustainable linked loan, green deposit.

2. Assistance in implementing green taxonomy

Develop green taxonomy questionnaire and embed the questionnaire into existing banking systems, including the reporting system.

3. Climate-related risk integration into bank's risk management

Enhance existing bank risk management by embedding climate-related risks and opportunities, e.g., refinement credit risk management, climate risks stress testing.

4. Develop transition plan for Financial institutions

Assist financial institutions in establishing a sound transition planning process and effectively implementing climate change mitigation and adaptation by their customers

Pillar 5: Other sustainability transformation

1. Sustainability strategy development

Craft a visionary sustainability or ESG strategy, an ambitious roadmap, and aspirational targets spanning the short, medium, and long term, all intricately woven into the very fabric of the company's business or operating model and strategic vision.

2. ESG risk and governance

Refine business processes or Standard Operating Procedures (SOPs) to gather reliable ESG data in a more efficient manner.

3. ESG internal audit

Conduct an internal audit related to ESG and its related tools to identify risks, root causes and other internal audit-related aspects.

4. ESG training

Design and deliver internal training on particular ESG topics tailored to address the company's needs.

5. ESG research and development

Conduct research on particular ESG-related topics to help improve the company's ESG performance.

6. Diversity, Equity, and Inclusion (DEI): people and culture

Assess the level of DEI maturity and provide a set of recommendations, strategies, Key Performance Indicators (KPIs) and a roadmap for DEI improvement.

7. Sustainable Supply Chain Advisory

Provide a strategy and roadmap to ensure traceability and compliance of the company's supply chain with particular regulations and ESG principles.



PwC Indonesia also provides other ESG and sustainability-related services, depending on your needs and business objectives.

Technology support

1. ESG reporting tool

This centralised platform allows users to gather quantitative and qualitative inputs in one place with multi-user access to generate an ESG or sustainability report.

Features:

1. Centralised ESG data collection

Allow companies to gather quantitative and qualitative inputs in one place with multi-user access.

2. Automated data analysis

Convert raw data into required disclosure metrics (for example, GRI Standards and IFRS S1 and S2), including standardising units, applying industry-standard conversion factors and aggregating or weighting data for a group of companies. The tool generates a tailored ESG report for the organisation at the push of a button.

3. ESG data insights dashboard

Provide data insights and disclosures to users and stakeholders.

4. One-click report generation

Generate a tailored ESG or Sustainability Report for companies at the push of a button.

2. Emission tracker

This tool is an integrated platform to measure, manage and analyse emissions towards achieving net-zero.

Features:

1. Centralised data collection

Help to manage the collection of quantitative and qualitative data in one centralised, secure platform.

2. Best practice for emission calculation

Ensure data quality and transparency in your reporting by using a tool based on the GHG Protocol, global standardised frameworks and covering scope 1, 2 and 3 emissions.

3. Interactive insights dashboard

Visualise trends and draw insights to help you manage your emissions reduction and net-zero strategies.

How we can support companies in Indonesia

PwC Indonesia has provided a wide range of ESG and sustainability-related services to various companies from different industrial sectors, including, but not limited to:

- Sustainability reporting development for property and real estate and plastic manufacturing companies.
- Sustainability report assurance for the largest digital ecosystem in Indonesia.
- ESG training for Management Trainees, Business Units, and Board of Directors of a multinational conglomerate company.
- Green taxonomy implementation for a large bank.
- DEI maturity assessment for a multinational mining company.
- Plastic Neutrality Validation Project for a multinational fast-moving consumer goods company.
- Energy transition advisory in the electricity sector and modelling of cash-flow impacts of transitioning from fossil fuels to renewable energy.
- ESG strategy, long-term as well as short-term, to meet organizational and national goals.



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