



Sustainability Report Seminar Nasional Ikatan Akuntan

Indonesia
Pangkal Pinang, 16 November 2019

Disclaimer

WWF-Indonesia has developed this set of materials for the *Seminar Nasional Ikatan Akuntan Indonesia wilayah Sumatera Selatan* with the sole intention to provide general guidance on matters of interest. It does not, in any way, constitute professional advice. Readers should not rely on the information contained in this set of materials without obtaining relevant professional advice. Bank has to consider its own legal and regulatory environment and the necessary requirements specific to itself.

This set of materials is provided without any representations, warranties, or conditions of any kind. WWF-Indonesia makes no representations or warranties regarding the accuracy or completeness of any of the information in this set of materials or its compliance with any applicable laws or regulations. In no event shall WWF-Indonesia or the authors be liable for any damages whatsoever under any legal theory arising in any way from any use of or reliance on the information contained in this set of materials.

The use of and reference to this set of materials does not imply endorsement of any person or legal entity by WWF-Indonesia. The practical examples and case studies contained in this set of materials do not represent an endorsement of any institution's performance on ESG matters. They are purely to illustrate what is being done in the market at present.

Property of WWF Indonesia – not for distribution

Introduction to Sustainability Report

Sustainability Report

Laporan yang diumumkan kepada masyarakat yang memuat kinerja ekonomi, keuangan, sosial, dan lingkungan hidup suatu Lembaga Jasa Keuangan, Emiten, dan Perusahaan Publik dalam menjalankan bisnis berkelanjutan.

- POJK no 51 tahun 2017

- Dampak Lingkungan, sosial, tata kelola, dan ekonomi yang disebabkan dari kegiatan bisnis sehari-hari (**direct impact**)
- Transparansi mengenai risiko dan peluang yang dihadapi (**indirect impact**: produk dan jasa)
- Penghubung antara strategi dan komitmen menuju tujuan berkelanjutan

key platform for communicating sustainability performance and impacts



SUSTAINABILITY
EVERYTHING'S CONNECTED

90% of respondents see sustainability as important.



60% have a sustainability strategy.



25% have a positive business case for sustainability.



The Boston Consulting Group's seventh sustainability report in collaboration with MIT Sloan Management Review, 2015

The Benefits

- **Better reputation**

A 2011 survey on corporate reputation found that expanding transparency and reporting positive deeds were the two most important ways to build public trust in business. The 2013 Boston College Center for Corporate Citizenship and EY survey revealed that more than 50% of respondents issuing sustainability reports reported that those reports helped improve firm reputation.

- **Meeting the expectations of stakeholders**

A 2011 survey conducted by EY and GreenBiz found that employees were a vital audience for sustainability reporting, with 18% of reporters citing employees as a report's primary audience. More than 30% of reporters in the 2013 Boston College Center for Corporate Citizenship and EY survey saw increased employee loyalty as a result of issuing a report.

- **Improved access to capital**

Recent research found that reporting firms ranked highly for sustainability have Kaplan-Zingales Index scores that are 0.6 lower than the scores for low-sustainability companies. A lower score signifies fewer capital constraints.

- **Increased efficiency**

In a 2012 global survey of sustainability reporters, 88% indicated that reporting helped make their organizations' decision-making processes more efficient.

SUSBA (Sustainable Banking Assessment) Framework

Relevant regulatory framework



Indonesia

National climate change and sustainability commitments:

- Committed to reduce GHG emissions by 26% by 2020 and 29% by 2030, or 41% by 2030 with international assistance.
- The National Medium Term Development Plan (RPJMN) 2015-2019 sets national targets for water security, GHG emissions reduction and forest and marine conservation.
- National Energy Policy, issued in 2014, targets an increase of renewable energy to 23% of primary energy supply by 2025.

Supporting regulatory framework pertaining to sustainable banking

- Code of Good Corporate Governance, published by the National Committee on Governance of Indonesia in 2006, provides guidelines for companies on awareness of environmental and social issues.
- Indonesian Law on Limited Liability Company No. 40 of 2007 dictates all listed companies to disclose how they implement the commitment to participate in sustainable economic development in their annual report.
- Roadmap for Sustainable Finance, launched by the Indonesian Financial Services Authority (OJK) in 2015, outlines the rollout of a comprehensive medium and long term sustainable finance programme.
 - NO.51/POJK.03/2017: Mandates financial institutions to develop short and medium term sustainable finance action plans.
 - NO.60/POJK.04/2017: Regulation on the issuance and requirements on green bonds.
- Guidelines for Sustainable Palm Oil Financing, developed by OJK in collaboration with WWF in 2017, facilitates financial service institutions (FSIs) in incorporating relevant E&S safeguards into their palm oil sector policies.

Sustainable Finance industry platform:

- Indonesian Sustainable Finance Initiative, launched in 2018, aims to promote and implement inclusive sustainable finance practices in Indonesia through the strengthening of organisational capacity.

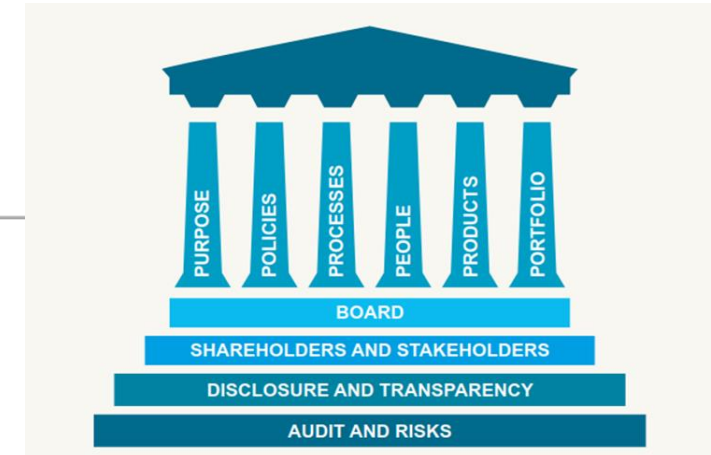
Relevant regulatory framework.. (cont'd)

POJK No 51

Isi - Rencana Aksi Keuangan Berkelanjutan

Pasal 7

- (1) Rencana Aksi Keuangan Berkelanjutan sebagaimana dimaksud dalam Pasal 4 ayat (1) wajib disusun berdasarkan prioritas masing-masing LJK paling sedikit:
- pengembangan Produk dan/atau Jasa Keuangan Berkelanjutan termasuk peningkatan portofolio pembiayaan, investasi atau penempatan pada instrumen keuangan atau proyek yang sejalan dengan penerapan Keuangan Berkelanjutan;
 - pengembangan kapasitas intern LJK; atau
 - penyesuaian organisasi, manajemen risiko, tata kelola, dan/atau standar prosedur operasional (standard operating procedure) LJK yang sesuai dengan prinsip penerapan Keuangan Berkelanjutan.



Produk & Portofolio

SDM

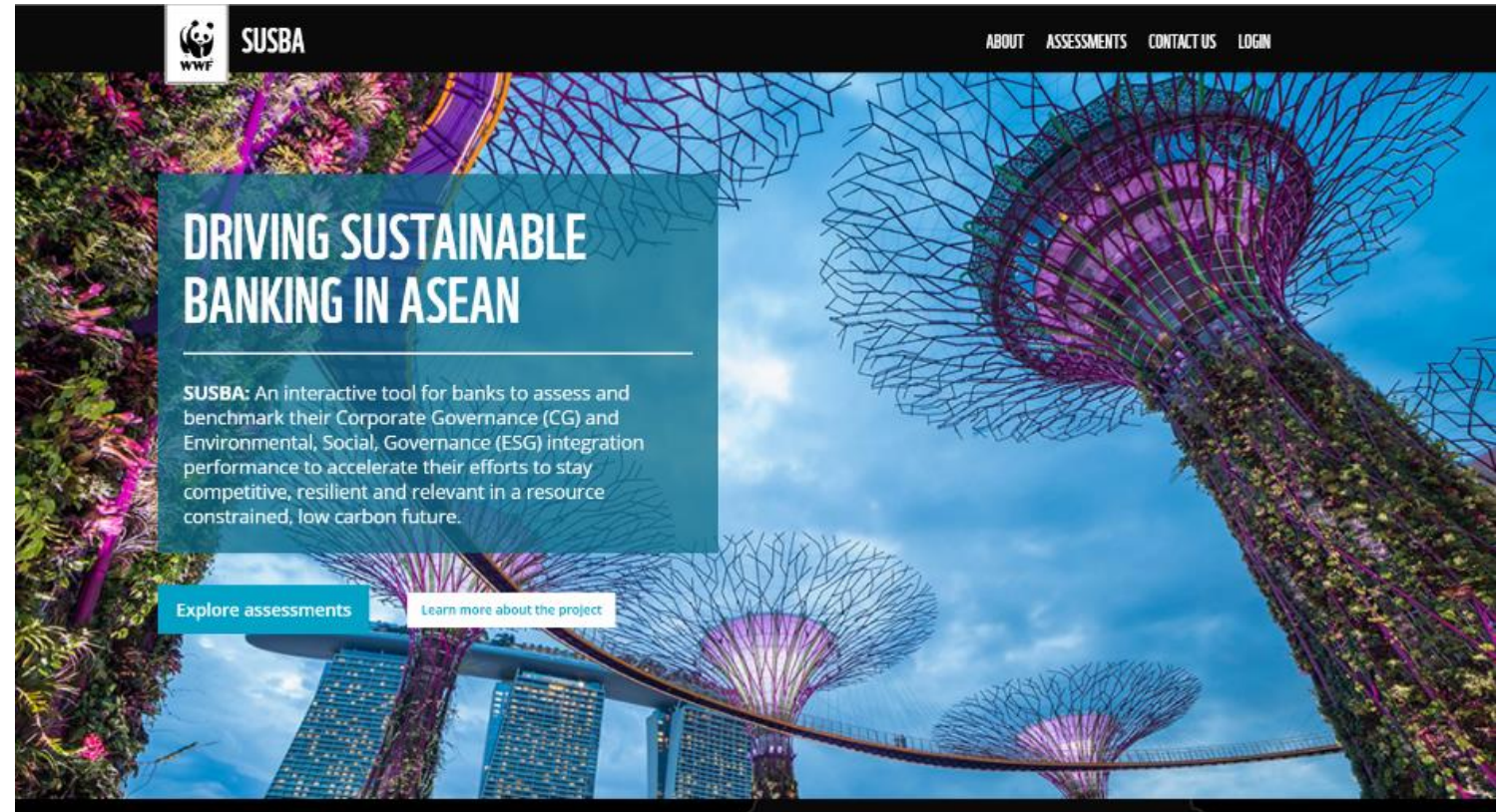
Risk Control/
Management

Tata Kelola

Policy & SOP

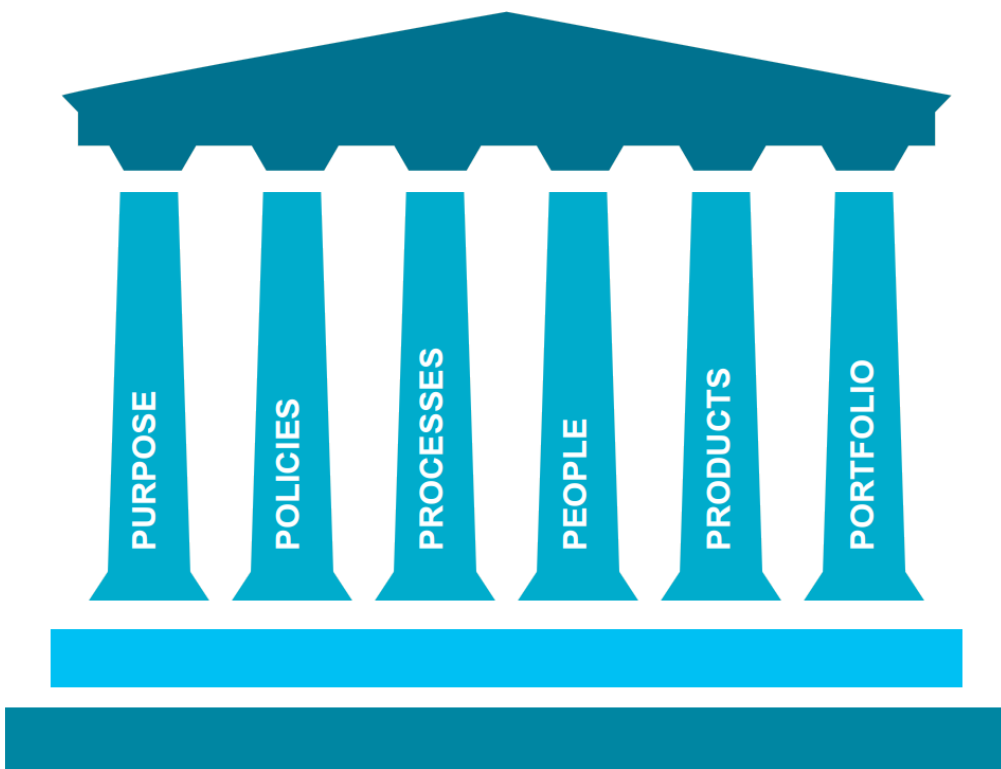


Sustainable Banking Assessment (SUSBA) Tool



- 35 banks in 6 ASEAN countries
- In 2019: 10 international banks

Six pillars assessment framework



Purpose



1. Sustainability strategy and stakeholder engagement
2. Participation in sustainable finance initiatives and policy advocacy with regulators

Policies



3. Public statements on specific ESG issues
4. Public statements on specific sectors

Processes



5. Assessing ESG risks in client and transaction approvals
6. Client monitoring and engagement

People



7. Responsibilities for ESG
8. Staff E&S training and performance evaluation

Products



9. ESG integration in products and services

Portfolio



10. ESG risk assessment and mitigation at portfolio level
11. Disclosure of ESG risk exposure and targets

Basis for the ESG Integration assessment framework



- Conservation experience on the ground across WWF's global practices.
- WWF's transformative work with companies on key issues such as climate, energy, food and water to drive sustainability.
- Experience from WWF's participation in cutting-edge sustainable finance initiatives.
- Experience from developing multiple sustainability standards
- Other frameworks, including:
 - TCFD
 - Sustainability Accounting Standards Board (SASB)
 - GRI



A glance of SA

COMMERCIAL BANKS Sustainability Accounting Standard

Material Sustainability Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Integration of Environmental, Social, and Governance Risk Factors in Credit Risk Analysis	Discussion of how environmental, social, and governance (ESG) factors are integrated into the lending process	Discussion and Analysis	n/a	FN0101-15
	Discussion of credit risk to the loan portfolio presented by climate change, natural resource constraints, human rights concerns, or other broad sustainability trends	Discussion and Analysis	n/a	FN0101-16
	<u>Amount and percentage of lending and project finance that employs:</u> (1) Integration of ESG factors (2) Sustainability themed lending or finance (3) Screening (exclusionary, inclusionary, or benchmarked) (4) Impact or community lending or finance	Quantitative	U.S. dollars (\$), percentage (%)	FN0101-17
	<u>Total loans to companies in the following sectors/ industries:</u> Energy/Oil&Gas, Materials/Basic Materials, Industrials, and Utilities	Quantitative	U.S. dollars (\$)	FN0101-18

https://www.sasb.org/wp-content/uploads/2014/02/SASB_PrivStandard_Commercial_Banks.pdf

Priority Sector – based on Government’s Target

- a. prinsip investasi bertanggung jawab;
- b. prinsip strategi dan praktik bisnis berkelanjutan;
- c. prinsip pengelolaan risiko sosial dan Lingkungan Hidup;
- d. prinsip tata kelola;
- e. prinsip komunikasi yang informatif;
- f. prinsip inklusif;
- g. prinsip pengembangan sektor unggulan prioritas;
dan
- h. prinsip koordinasi dan kolaborasi.

Yang dimaksud dengan “prinsip pengembangan sektor unggulan prioritas” adalah memberikan porsi yang lebih besar pada sektor unggulan yang menjadi prioritas untuk mencapai tujuan pembangunan berkelanjutan termasuk upaya mitigasi dan adaptasi terhadap perubahan iklim.

POJK No 51

Prinsip Keuangan Berkelanjutan

Tabel 1. Kontribusi sektor bagi target penurunan emisi GRK²
Table 1. Sector contribution towards the targeted GHG emission reduction²

Sektor / Sector	Emisi dalam mTCO ₂ e tahun 2020 / Emission in mTCO ₂ e for 2020		Penurunan emisi GRK terhadap BAU (%) / GHG emission reduction from BAU (%)
	BAU	Penurunan Emisi GRK / GRK emission reduction	
Kehutanan dan lahan gambut / Forestry and peat land	1344	672	50%
Energi dan transportasi / Energy and transportation	1000	38	3.8%
Pertanian / Agriculture	221	40	18%
Industri / Industry	134	2	1.8%
Limbah / Waste	250	15	5.9%
Total	2950	767	26%

Results and key findings

Banks assessed

INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM
<ul style="list-style-type: none"> Bank Central Asia Tbk (BCA) Bank Mandiri (Persero) Tbk (Mandiri) Bank Muamalat Indonesia Tbk (Muamalat) Bank Negara Indonesia Tbk (BNI) Bank Panin Tbk (Panin) Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (Bank BJB) Bank Permata Tbk (Permata) Bank Rakyat Indonesia Tbk (BRI) 	<ul style="list-style-type: none"> AMMB Holdings Berhad (Ambank) CIMB Group Holdings Berhad (CIMB) Hong Leong Bank Berhad (Hong Leong) Malayan Banking Berhad (Maybank) Public Bank Berhad (Public Bank) RHB Bank Berhad (RHB) 	<ul style="list-style-type: none"> BDO Unibank, Inc (BDO) Bank of the Philippine Islands (BPI) China Banking Corporation (CBC) Metropolitan Bank & Trust Company (Metrobank) Philippine National Bank (PNB) Security Bank Corporation (SBC) 	<ul style="list-style-type: none"> DBS Group Holdings Limited (DBS) Oversea-Chinese Banking Corporation Limited (OCBC) United Overseas Bank Limited (UOB) 	<ul style="list-style-type: none"> Bangkok Bank (BBL) Bank of Ayudhya (Krungsri) Kasikorn Bank (KBank) Krung Thai Bank (KTB) Siam Commercial Bank (SCB) Thanachart Bank (TBank) TMB Bank (TMB) 	<ul style="list-style-type: none"> Bank for Investment and Development of Vietnam (BIDV) Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB) Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) Vietnam Export-Import Commercial Joint Stock Bank (Eximbank) Vietnam Prosperity Bank (VPBank)







































Regional Results (1)



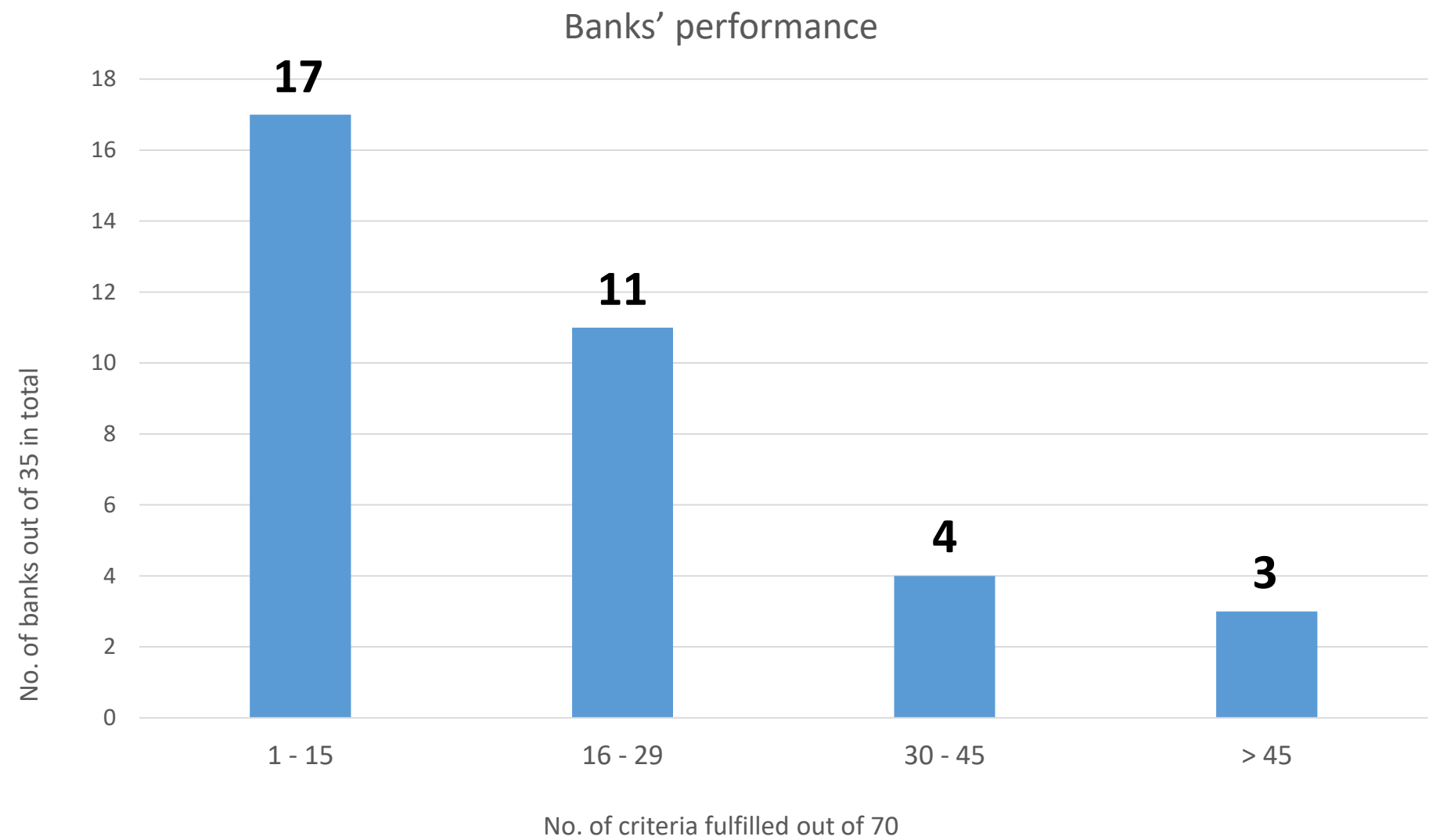
ESG INTEGRATION PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
PURPOSE 	1. Sustainability strategy and stakeholder engagement							
	2. Participation in sustainable finance initiatives and policy advocacy with regulators							
POLICIES 	3. Public statements on specific ESG issues							
	4. Public statements on specific sectors							
PROCESSES 	5. Assessing ESG risks in client & transaction approvals							
	6. Client Monitoring and Engagement							

Regional Results (2)



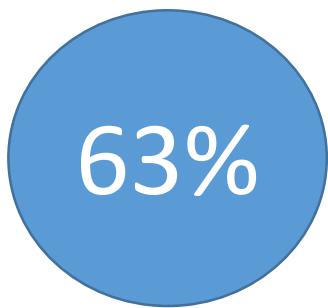
ESG INTEGRATION PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
PEOPLE 	7. Responsibilities for ESG							
	8. Staff E&S training and performance evaluation							
PRODUCTS 	9. ESG integration in products and services							
PORTFOLIO 	10. ESG risk assessment and mitigation at portfolio level							
	11. Disclosure of ESG risk exposure and targets							

Key Highlights 1: Wide range of performance across ASEAN

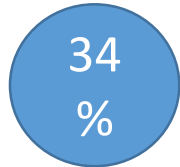


Key Highlights 2: Building strong governance system

PROGRESS



banks reference sustainability in leadership statement



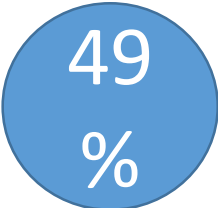
banks' board have oversight of ESG issues

AREAS FOR IMPROVEMENT

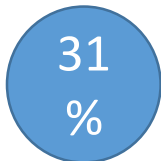
- ESG criteria in Board TORs: 6%

Key Highlights 3: Strengthening internal capabilities

PROGRES S



banks conduct training on ESG issues



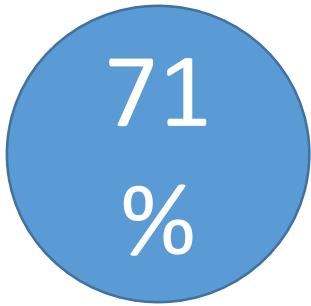
banks have dedicated ESG teams

AREAS FOR IMPROVE MENT

- Accountability through KPIs: **11%**

Key Highlights 4: Managing portfolio exposure to E&S risks

PROGRES
S



banks recognize responsible finance/climate change as material

AREAS
FOR
IMPROVE
MENT

- Developing climate strategies: 6%
- Conducting climate risk assessment: 6%
- Committing to set Science-based Targets: 0%

Key Highlights 5: Use of science in banks' E&S safeguards

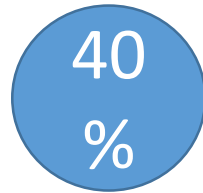
PROGRESS

Sector policies

2018



2019



Of these, the 3 Singaporean banks issued policies on:

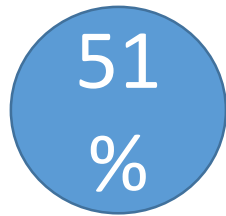
- No deforestation in agri-forestry
- No new coal-fired power plants

AREAS FOR IMPROVEMENT

- Referencing multi-stakeholder sustainability standards: 14%
- Developing time-bound action plans: 23%

Key Highlights 6: Leveraging on sustainability opportunities

PROGRESS



banks have developed green financial products

AREAS FOR IMPROVEMENT

- Setting targets to increase share of green financing: 9%
- Allocating capital to finance green activities: 3%

Stakeholders say they want to hear about:

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

*Your Sustainability Report is your company's
fastest and most effective tool for communicating
with your stakeholders.*

***“Good business build the future,
Good bankers contribute to the future”***





WWF®

together possible™