



# Corporate Contributions to Achieving Indonesia's Sustainable Development Goals and Commitments

November 2022



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# About this brief

76



40

**Growth in the number of Indonesian companies reporting on SDG-related indicators between 2020-21.**

**To help policymakers increase corporate action and ensure meaningful disclosure towards Sustainable Development Goals (SDGs) commitments we need mandatory standardized disclosure. This will help monitor corporate action and progress towards achieving the SDGs.**

In Indonesia, companies are increasingly recognizing the importance of sustainability-related issues including the risks and opportunities that climate change and deforestation present to their operational activities. These companies are beginning to engage with SDGs, reflected by an increase in disclosure through CDP. Between 2020 to 2021, the number of companies reporting on SDG-related indicators grew from 40 to 76.

Reporting through CDP provides insights for policymakers into the actions that the Indonesian private sector is taking to achieve the SDGs. This policy briefing analyzes data that Indonesian companies have disclosed through CDP's climate and forest questionnaires, analyzing the private sector's contributions to achieving the Government of Indonesia's National Action Plan (NAP) on the SDGs and providing guidance for policymakers to inform future decisions. The analysis uses data disclosed through CDP's 2021 questionnaires in conjunction with two key goals of the SDGs: 'Climate Action' (Goal 13) and 'Life on Land' (Goal 15) and demonstrates that disclosure through CDP can be an important tool to help Indonesia achieve the SDGs and other national environmental targets.

This brief also focuses on the elements of risk and opportunity management, metrics and targets, and their relation to the SDGs commitment in Indonesia. The brief concludes with examples of good corporate actions disclosed through CDP in 2021.

74



Indonesian companies disclosed through the climate change questionnaire

7



Indonesian companies disclosed through the forest questionnaire

# Key findings



**1** In 2021, more companies disclosing through CDP are set emissions reduction targets (42%). These targets are equal to 26.23 million metric tons of CO<sub>2</sub>e, or 1.22% of Indonesia's total projected emissions reductions in 2030 from all sectors outside of forest and land use (FOLU).



**2** However, only 28% of reporting companies set greenhouse gas (GHG) intensity emissions reduction targets. Setting such targets is central if companies are to contribute to the achievement of Indonesia's NAP SDGs targets, specifically indicators 13.2.2(a) and 13.2.2(b) on SDG 13.



**3** There is an increase in commitments to support biodiversity: 71% of reporting companies supported or implemented ecosystem restoration, rehabilitation strategies, and protection measures, in a total of 92.780 ha. In addition, 42% of companies reported a commitment to protect areas of High Conservation Value (HCV) and 14% reported that some projects involve the protection of endangered species such as orangutan. These actions support the achievement of Indonesia's NAP targets on SDGs, specifically indicators 15.1.2(a), 15.3.1, and 15.5.1 on Goal 15.



**4** Mandatory corporate disclosure can help policymakers increase corporate action and progress towards achieving the SDGs and to raise corporate environmental performance through capacity building.

# Introduction



# Introduction:

## Measuring corporate action towards the SDGs

**The world is facing multiple environmental, economic and societal risks. In Indonesia, rapid economic growth has brought to attention the issues that threaten communities, ecosystems and businesses. These issues pose challenges to the success of the 2030 Agenda for Sustainable Development, which is the framework in place to track global progress toward the achievement of the SDGs.**

In 2017, the Government of Indonesia (GoI) committed to engaging with the 2030 Agenda for Sustainable Development and its SDGs by issuing a Presidential Decree<sup>1</sup>. The GoI has recently updated this commitment with a new timeline and more measurable actions in line with the Indonesia Mid-term National Development Planning Document 2020–2024<sup>2</sup>.

To limit global temperature rise to below 1.5°C, GoI has committed to transition to net-zero by 2060 or sooner. Indonesia has submitted its Enhanced National Determined Contribution (ENDC) scenario to reduce its emissions by 31.9% unilaterally, or 43.2% with international support, by 2030<sup>3</sup>. The transition process will create a new norm within and across business sectors which is essential as climate-related risks and opportunities accelerate in both scale and scope. Continuing business as usual (BAU) will present reputational risks to companies, with inaction being viewed in a negative light and indicating a lack of commitment to key stakeholders.

Active involvement from corporates, financial institutions and other non-state actors is essential to achieve Indonesia's SDGs as clearly stated by the

Indonesia biennial Voluntary National Review (VNR)<sup>4</sup>. To address this, The GoI has instituted several regulatory measures to drive and coordinate contributions from the private sector. Such measures include the enactment of Presidential Regulation 59/2017 – which was updated by the enactment on Presidential Regulation 111/2022 on the Implementation of the Sustainable Development Goals, the National Action Plan (NAP) for SDGs, Financial Service Authority (Otoritas Jasa Keuangan/OJK) regulation 51/POJK.03/2017 on Sustainable Finance, and the Program for Environmental Performance Rating (PROPER).

Given the intersecting nature of climate and forest-related issues, there is an urgent need for high-quality data. This can help stakeholders to understand the progress of companies in meeting sustainability goals and the effectiveness of the regulations implemented. Further investments in data and information infrastructure are equally called for. Companies can assess their contributions towards the achievement of the SDGs using CDP's disclosure platform. In doing so, corporate environmental disclosure can be enhanced across sectors to build positive change and to meet Indonesia's sustainability-related goals<sup>5</sup>.

**The ways businesses can engage with the SDG agenda are diverse, both in terms of the problems they choose to tackle and the tools they use. To track progress effectively it is therefore essential to monitor contributions in a detailed manner.**

# Alignment mapping of the SDGs National Action Plan and CDP's questionnaires

# 47%

of environmental indicators in Indonesia's NAP on SDGs are aligned with CDP's questionnaires.

**CDP analysis on the alignment between its questionnaires and the SDG indicators found that CDP's disclosure platform captures relevant insights across all six environmental SDGs<sup>6</sup>. An additional mapping exercise of CDP's questionnaires showed that they are aligned with 36 of the 77 (47%) environmental indicators in Indonesia's NAP on SDGs<sup>7</sup>.**

In this brief, we focus on SDG 13 as it received significant attention in the Voluntary National Reviews published between 2016 and 2019, including in Indonesia<sup>8</sup>, reflecting the widespread recognition of the challenges from climate change. We also focus on SDG 15 given its relevance to the Agriculture, Forestry and other Land Use (AFOLU) sector<sup>9</sup>. This sector is responsible for 55% of Indonesia's emission reduction target in the ENDC and therefore highly relevant for achieving SDG Goal 15.

Table 1: CDP's alignment with SDGs 13 and 15

SDG Number	National Action Plan for SDG Indicators		CDP Thematic Data Set Contribution	
	Code	Indicators	Climate change	Forest
 13 Climate Action	13.2.2	Total annual GHG emissions	✓	
	13.2.2 (a)	Potential to reduce the intensity of GHG emissions	✓	✓
	13.2.2 (b)	Potential for reducing GHG emissions	✓	✓
 15 Life on Land	15.1.2.(a)	Area of High Conservation Value (HCV)	✓	✓
	15.7.1.(a)	Number of cases of hunting or illegal trade in plants and wildlife (TSL)	✓	✓
	15.3.1	Proportion of degraded land to total land area	✓	✓
	15.c.1.(a)	Number of cases of illegal TSL hunting or trade	✓	

By mapping CDP's questionnaire across the SDG indicators in Indonesia's NAP SDGs, an understanding can be gained of how businesses interpret risks, opportunities and targets related to climate change and forest-related issues. In addition, the actions taken to manage these risks, tap into the opportunities, and achieve the targets can be recognized and will in the long term contribute to the achievement of Indonesia's SDGs.

# Tracking the progress of SDGs through corporate disclosure

# 2

# Tracking the progress of SDGs through corporate disclosure

# 23%

of companies have developed specific actions or strategies for specific SDGs.

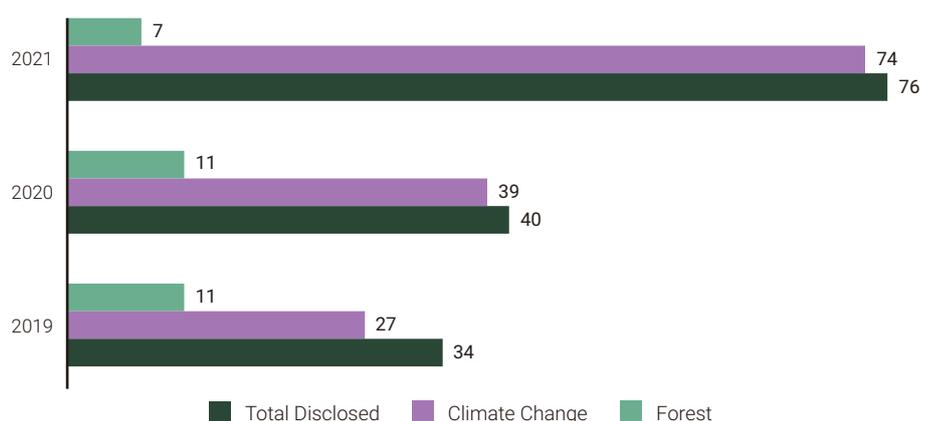
**The 17 goals of the SDGs explicitly call on business to take action and contribute to their individual sub-targets<sup>10</sup>. However, there is a lack of transparency in understanding the extent to which the business sector has engaged with the SDGs.**

Research on the Fortune Global Top 500 corporations found that 32.6% tend to match their usual business practices with relevant SDGs instead of implementing new initiatives. Only 23% of the companies have developed specific actions or strategies for specific SDGs<sup>11</sup>.

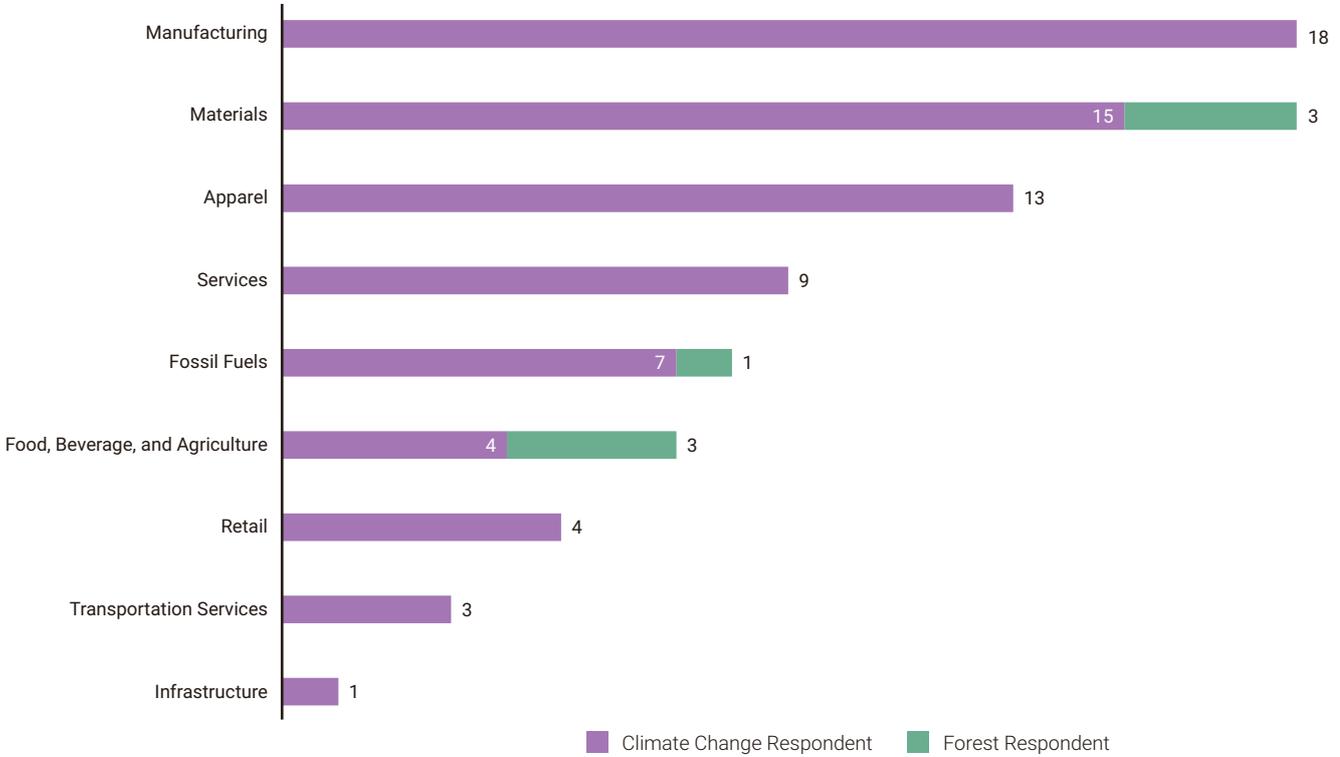
In Indonesia, several multinational enterprises claimed their initial engagement with the SDGs was due to regulatory compliance. Only mandatory targets were considered when the board of companies started to consider sustainability issues<sup>12</sup>. Through understanding the levels of awareness and commitment within the private sector alongside the disclosure of information on environmental action, policy makers can recognize how to accelerate the implementation of robust measures at scale.

CDP has been supporting companies globally by providing a platform to disclose their environmental actions and align these with international best practice. In 2021 over 13,000 companies around the world worth 64% of global market capitalization disclosed their data through CDP. In Indonesia only 76 of the 222 companies requested disclosed through CDP. Of these companies, 74 disclosed their actions on energy and emissions through the climate change questionnaire. Despite the relatively small number, disclosures in Indonesia has been steadily increasing since 2019, with 34 companies disclosing, to 40 in 2020 and 76 in 2021. This indicates increased awareness of environmental issues within and across companies' activities.

**Figure 1: Number of companies in Indonesia disclosing through CDP**



**Figure 2: Primary industry category of disclosing companies in Indonesia**



Only seven companies reported actions on managing deforestation in Indonesia (compared to a total of 865 companies globally). Despite the limited number, these companies produced and/or sourced several high forest-risk commodities such as palm oil, timber, soy, cocoa, and coffee. Of these five commodities, three are included in Indonesia's best products based on the classification of the Indonesian Ministry of Trade<sup>13</sup>. However, the number of companies reporting their actions to manage deforestation is still insufficient. To remove deforestation from supply chains and transition towards a forest-positive future, it is of increasing urgency that corporate disclosure becomes the norm.

# What does the data say?

## Findings from 2021 disclosures



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# Carbon emissions reductions

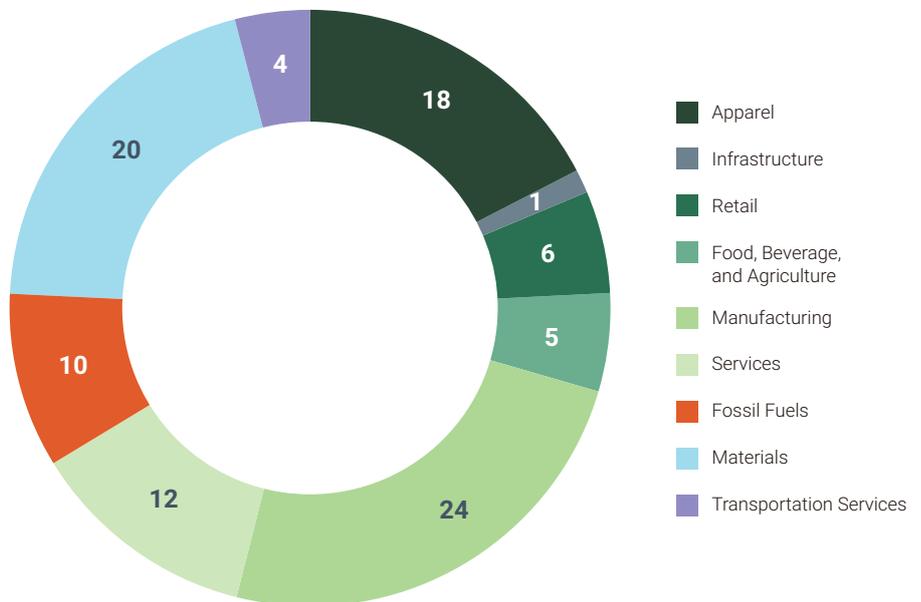
**Target-setting helps demonstrate a company's commitment to improving its management of climate-related issues at a corporate level.**

**One key element of SDG 13 is emissions reduction targets. Target-setting provides direction and structure for environmental strategies as well as information on quantitative and qualitative goals and the progress made against targets.**

Target-setting helps demonstrate a company's commitment to improving its management of climate-related issues at a corporate level. This information is relevant to policy makers to provide an understanding of how companies address and monitor the progress of their commitments.

The GoI has set targets for the five largest carbon-emitting sectors. These include FOLU, Energy, Agriculture, Waste, and Industrial Process and Product Uses (IPPU). Indonesian companies reporting through CDP (Figure 3) also contribute to those five largest carbon-emitting sectors classified by the government<sup>14</sup>.

Figure 3: Breakdown of industries responding through the 2021 CDP climate change questionnaire



\*The number presented in the chart is the absolute number of companies

Table 3: Actions companies are taking to meet SDG 13

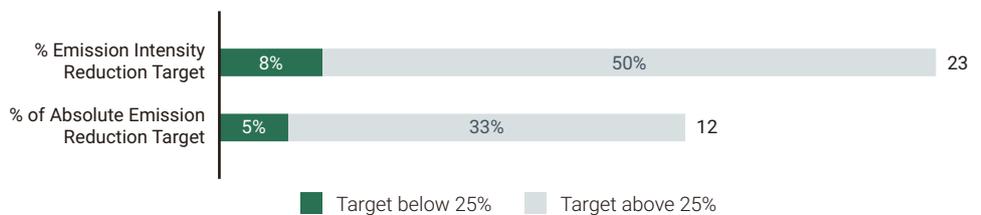
SDG Number	National Action Plan for SDG Indicators		CDP Thematic Dataset Alignment	
	Code	Indicators	Climate Change Question	Indicator Result
 <b>Climate Action</b>	13.2.2 (a)	Potential for reducing GHG emissions.	[C4.1a] Provide details of your absolute emissions target(s) <sup>15</sup> and progress made against those targets.	42% of reported companies have set GHG absolute emissions reduction targets.
	13.2.2 (b)	Potential to reduce the intensity of GHG emissions.	[C4.1b] Provide details of your intensity emissions target(s) <sup>16</sup> and progress made against those targets.	28% of reported companies have set their GHG intensity emissions reduction target.

Table 3 presents the alignment between the NAP SDGs and CDP’s climate change questionnaire. It illustrates the potential contribution of the private sector to some elements of SDG 13; however, of the three CDP data points that are aligned with the SDGs as shown in Table 1, only two data points present sufficient data for further analysis. Due to the large range of emissions reduction targets disclosed by companies, the average absolute and intensity emissions reduction targets are grouped into two: targets below 25% and targets above 25%. Of a total 74 companies, 23 set an absolute and/or intensity emissions reduction target below 25% reduction compared to business as usual (BAU), while 12 companies set targets above 25%.

**55%**  
of reporting companies (41) have set their GHG emissions reduction targets in the form of either absolute or intensity targets.

**47%**  
of companies (35) provided quantified targets

Figure 4: The average number of absolute and intensity emission reduction targets disclosed



Of the 41 reporting companies that have set their target, 18 companies reported absolute emissions reduction targets. In total, these represent 26.23 million metric tons of CO<sub>2</sub>e and are equal to 1.22% of Indonesia’s total projected emissions reductions in 2030 from all sectors outside of FOLU<sup>17</sup>. This is an increase in total emissions reduction targets compared to 2020, whereby only 11 companies reported combined absolute emissions reduction targets of 4.30 million metric tons of CO<sub>2</sub>e. The increase in the number of targets reported indicates increased ambition among companies in Indonesia and growing awareness surrounding climate and forest-related risks. However, alongside the growing recognition to set such targets, action from the private sector is equally as valuable. To ensure the achievement of national climate targets, the private sector must scale up and accelerate its actions to complement corporate commitments.

# Actions to reduce carbon emissions

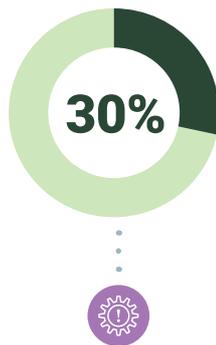
The TCFD recommends that businesses focus their actions on four thematic areas that represent core elements of a company's operations<sup>20</sup>:

-  governance;
-  strategy;
-  risk management; and
-  metrics and targets.

**Failure to act on climate change has been ranked as the most critical threat to global security, with its impacts having the highest potential to damage societies, economies and the planet<sup>18</sup>.**

For businesses, climate-related risks can impact activities across value chains in many ways. This is due to physical and transitional risks alongside financial consequences for the global economy - all of which could undermine the achievement of the SDGs.

The Taskforce for Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB)<sup>19</sup> developed a set of recommendations to support companies in providing better information for informed capital allocation.



**CDP data showed that in 2021, over 30% of companies (23) reported that they are aware of the climate-related risks within their business.**

The most common risks reported were regulatory, followed by market risk. CDP also found that companies are most concerned about the risks that will increase indirect costs, such as additional pressures due to more extreme weather events, customers changing behavior; and environmentally friendly equipment substitution costs. In addition to this, companies are concerned about increased operating costs and decreased revenues as a result of reduced demand for their products and services.

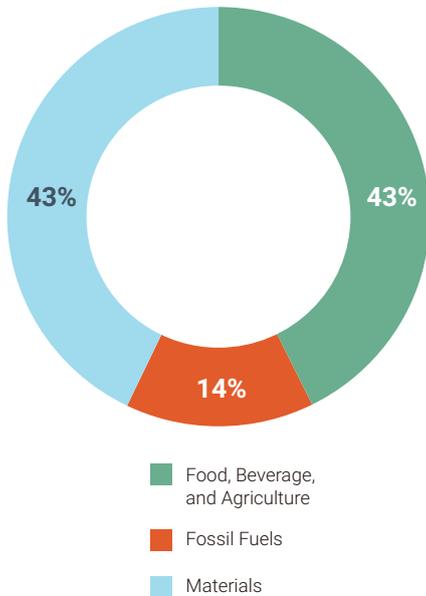


**However, climate change also offers opportunities for companies. In 2021, 34% of companies (25) reported climate-related opportunities within their direct operations, in the form of new energy sources, new market openings, resource efficiency and new products and services.**

**The monetary value of the identified opportunities is significant, totaling US\$3.5 billion.** This indicates that there is an awareness of climate-related opportunities among Indonesian companies; this recognition must be scaled up if it is to become the norm and produce meaningful outcomes.

# Protecting forests to achieve the SDGs

Figure 5: Primary industry of respondents through the 2021 CDP forests questionnaire



# 71%

of companies (5) disclosed on forest-related policies and commitments.

# 43%

of companies (3) disclosed robust policies aligned with best practices.

**Carbon emissions represent one element of the environmental challenge that companies face. To address climate change-related issues in a holistic manner businesses need to look at ecological risks other than climate change, such as those related to biodiversity loss, peatland degradation and deforestation.**

Wider nature-related risks to businesses and economies are fast becoming recognized as a key concern, with over half the global economy dependent on nature<sup>21</sup>. Forests are crucial part of this, providing a wide range of services that are fundamental for ecological and social well-being<sup>22</sup>. One area of risk relates back to climate. Forests are key for tackling climate change, acting as a source of emissions when cleared and a sink when conserved. It is estimated that the land use sector, particularly forests, could provide up to 30% of the emissions reductions needed to meet 2050 climate targets<sup>23</sup>. Addressing deforestation, as well as forest conservation and restoration is therefore critical for both SDG 13 and SDG 15 to be achieved.

The GoI acknowledges the critical role of forests and has placed them at the center of its mitigation strategy. An example of this is the FOLU Net Sink 2030 target that was implemented due to the sector's significant contribution to Indonesia's total emissions<sup>24</sup>. This will be achieved through the implementation of a moratorium on new land-use permits, restoration of ecosystems and improved management of primary forests and peatlands<sup>25</sup>. The contribution from the private sector is paramount in achieving these national targets.

In Indonesia, 38 million ha of forest area have been identified as High Conservation Value Forest (HCVF). Of this, nearly 4% is identified as high-risk and must therefore be protected<sup>26</sup>. The safeguarding of forests – both in existing areas of conservation and in new ones – needs to be enhanced to ensure the protection and restoration of biodiversity.

Through CDP's disclosure platform, seven Indonesian companies disclosed their actions to manage forest-related risks and to remove deforestation from their supply chains. The reported companies are listed under several sectors: food, beverage, and agriculture (43%); materials (43%); and fossil fuels (14%) (see Figure 5).

Table 4: What actions are companies taking on SDG 15

SDG Number	National Action Plan for SDG Indicators		CDP Thematic Dataset Alignment	
	Code	Indicators	Forest Question	Indicator Result
 Life on Land	15.1.2 (a)	Area of High Conservation Value (HCV)	[F4.6b] Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?	42% of companies reported having a commitment on no conversion of HCV areas. It is followed by other commitments such as to align with SDG and a commitment on no deforestation, no planting on peatlands and no exploitation (NDPE).
	15.3.1	Achieving the area of rehabilitated land and forest	[F6.11a] Provide details on your project(s), including the extent, duration, and monitoring frequency – project area (ha).	71% of companies supported or implemented ecosystem restoration and rehabilitation strategies and protection measures by a total of 92,780 ha of areas.
	15.5.1*	Red-list index	[F6.11a] Provide details on your project(s), including the extent, duration and monitoring frequency. Please specify any measured outcome(s).	14% of companies have reported that some projects involve the protection of orangutans, the native species of apes included in the IUCN red list, where the population of orangutans increased from 150 to 200 in 2020. This finding aligns with Indonesia's latest Presidential Decree 111 year 2022 on Implementing the NAP of SDGs which targeted 25 kinds of plant and animal species.

Table 4 highlights what actions companies are taking on SDG 15 based on disclosure through CDP's forests questionnaire. However, of the three CDP data points that are aligned with the SDGs (Table 1), only two data points show sufficient data for further analysis. The alignment can provide insights on how much private sectors contribute to the relevant element of the NAP SDGs.

As an initial step in removing deforestation from supply chains, companies are expected to set robust policies and commitments on No Deforestation, No Peatland, and No Exploitation (NDPE). Data reported through CDP revealed that 71% (5) of total companies reported having forest-related policies and commitments, however, only 43% (3) reported robust policies aligned with best practices<sup>27</sup>.

Through CDP, companies also report if and how they are implementing ecosystem restoration and/or protection projects. 71% (5) of companies reported participating and/or implementing such projects in 2021. These include forest ecosystem restoration initiatives in their suppliers' protected areas, restoration of river ecosystem functions to strengthen catchment areas and to prevent erosion, and the setting aside of HCV recovery areas to enhance carbon sequestration.

These findings highlight the significant gap in the implementation of ecosystem restoration and protection. The quantity and quality of actions taken by the private sector are far from sufficient. To halt deforestation and return forests back to carbon sinks, corporate action must be accelerated and scaled up for SDG 15 to be met. There is also a need for more disclosure from Indonesian companies to allow policymakers to better track progress toward achieving SDG 15.

# Moving towards sustainable forest actions

## CDP's forests questionnaire provides a framework for companies on their journey towards achieving deforestation-free supply chains.



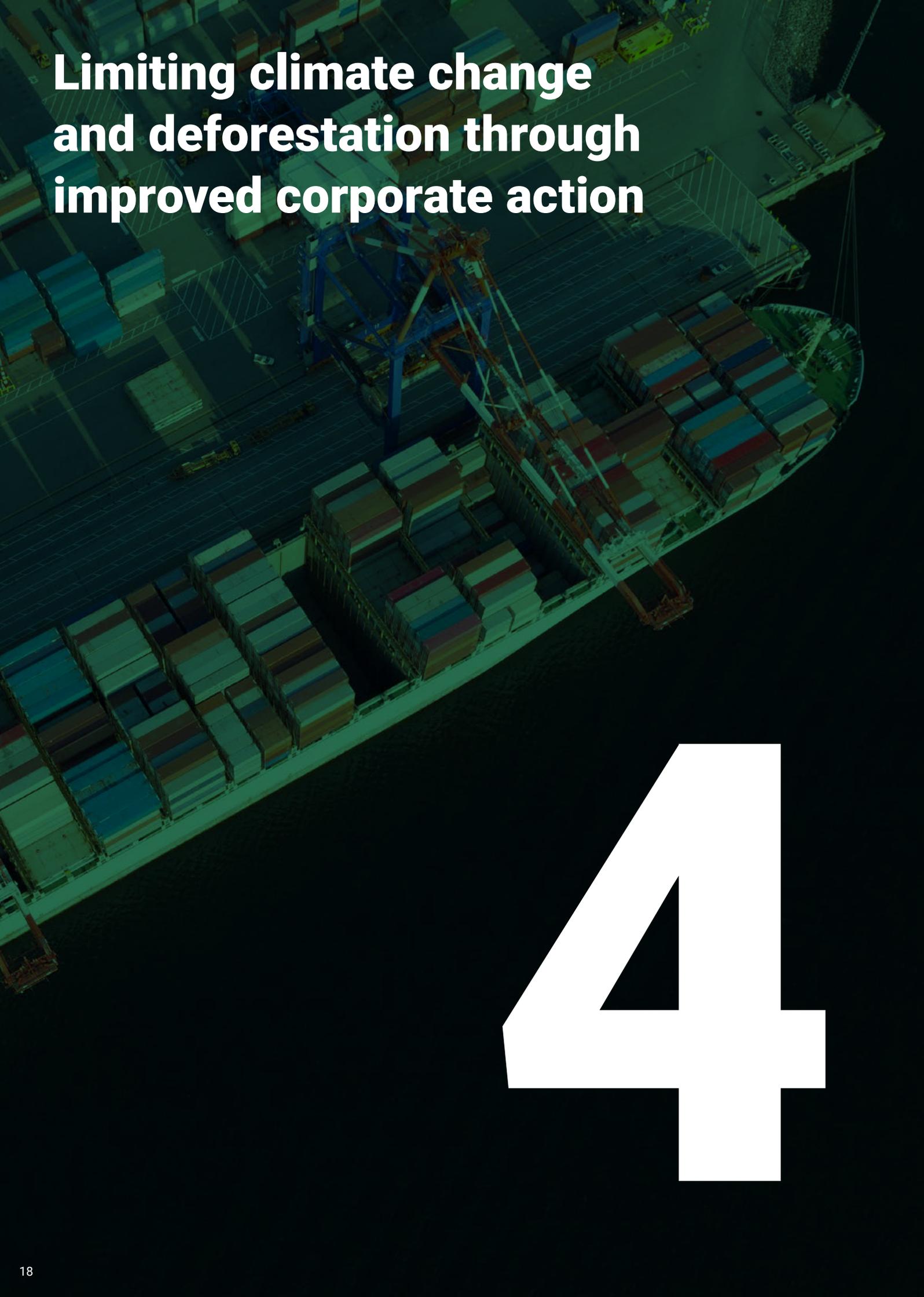
The questionnaire can be used to align companies' actions with industry expectations and policy direction; from a risk perspective, it can help companies to understand their exposure to forest-related risks. Data reported through CDP showed that 71% (5) of Indonesian companies were aware of forest-related risks that may have a significant financial or strategic impact on their business. 64% (4) of companies reported physical risk - such as forest fires - as the most prominent risk related to producing or sourcing forest-risk commodities.



Encouragingly, in 2021, 71% (5) of companies reported that they have identified forest-related opportunities such as increased demand for certified materials and increased availability of products that have a lower environmental impact. Of these companies, 80% (4) are listed under the palm oil sector. Additionally, all companies responded that they recognize the opportunity to source certified products and materials. This is aligned with the Indonesian Ministry of Agriculture's 2025 directive on the mandatory Indonesia Sustainable Palm Oil (ISPO) certification for smallholders<sup>28</sup>.



CDP data showed that 71% of reporting companies aim to increase the sustainable production and/or consumption of their disclosed commodities. However, while 57% (4) of companies reported that they have set a target to improve the traceability of commodities sourced and/or to increase their volume of third-party certified products, only 14% of companies reported that they have achieved this or are making linear progress to meet such targets.

An aerial photograph of a large container ship docked at a port. The ship's deck is filled with stacks of colorful shipping containers in shades of blue, red, and white. A large blue gantry crane is positioned over the ship. The background shows the port infrastructure and other ships. The entire image has a dark, teal-green tint. In the bottom right corner, a large, bold white number '4' is overlaid on the image.

# Limiting climate change and deforestation through improved corporate action

4

# Limiting climate change and deforestation through improved corporate action

**By reporting through CDP, companies can highlight their contribution to achieving the SDGs.**

This allows business to fill knowledge gaps, encourage leadership and improve planning efficiency. The case studies below highlight three Indonesian companies working towards the achievement of the SDGs.

## Case Study Bank Tabungan Negara (BTN)

### US\$180k

was allocated by BTN to comply with the government regulations and to implement various measures.

3,000 trees



seedlings were planted in subsidized housing.

- ▶ BTN is a state-owned commercial bank, best known as a mortgage bank. The Bank has prepared a 2019–2023 Sustainable Finance Action Plan (RAKB) alongside the 2020–2024 RAKB which set out its sustainability commitments.
- ▶ In 2021, BTN reduced its GHG emissions by 31% compared to a 2018 baseline. BTN has identified its climate-related risks with a potential financial impact of up to US\$280,000. Most of these risks will occur in the direct operations of its value chain. In response to such risks, BTN allocated **US\$180,000** to comply with the government regulations and to implement various measures including planting 3,000 tree seedlings in subsidized housing, shifting to renewable energy sources for office procurement, and better management of sewage treatment plants<sup>29</sup>.
- ▶ Given mortgages are BTN's key product, its sustainability efforts focus on the construction sector. One of the initiatives included in RAKB 2020–2024 is Financing for Green Construction which finances vertical housing development with the Transit Oriented Development (TOD) concept, infrastructure construction and tourism development. BTN has committed to undertake environmental impact analysis, adopting eco-labelling regulations and/or promoting the use of certified green materials ensuring that construction meets the criteria of Greenship Homes compiled by the Green Building Council in Indonesia. The Company was listed in the SRI-KEHATI Index in 2020 after committing to environment targets alongside action for social development and good corporate governance<sup>30</sup>.

# Case Study

## Austindo Nusantara Jaya (ANJ)

**US\$10 million**

was identified at risk from forest fire its biggest anticipated risk.

**98.5% traceability**

was achieved by ANJ to the plantation level from third-party suppliers in 2021.

- ▼ By 2021, ANJ had reduced its GHG emissions by **76%** and GHG intensity by **8.6%** compared to a 2015 baseline. This reduction is due to the expansion of its conservation areas, which increases carbon sequestration in its operations. ANJ also increased its renewable energy consumption by **20%** and reduced fossil fuel dependence by **10.6%** compared to 2017<sup>31</sup>. The company has identified forest fire as its most anticipated risk, with a potential financial impact of up to **US\$10 million**<sup>32</sup>.
- ▼ In addition to identifying risks, ANJ has identified forest related opportunities with the value of up to **US\$2.5 million**. ANJ has identified a high demand for products with reduced environmental impacts<sup>33</sup>.
- ▼ The company appears to be focused on rectifying its supply chain management record with traceability emerging as a central element of its sustainability efforts. ANJ disclosed it has achieved over **98.5%** traceability to the plantation level from third-party sources in 2021<sup>34</sup>. Recently, the company launched an initiative that aimed to enhance smallholder knowledge and skills by engaging and educating farmers on social and environmental best practice. ANJ reported engaging with 100% of its suppliers that supply to its mills to raise awareness on sustainability issues, including introduced good agricultural practice. In addition, recognizing the critical role of independent smallholders, ANJ has conducted outreach activities to 590 independent smallholders including intermediaries to provide capacity building for sustainable palm oil production<sup>35</sup>.

**As one of the biggest agricultural commodity holdings companies in Indonesia, ANJ is committed to meeting its Net-Zero Emissions pledge by 2030, ahead of the government's 2060 target.**

# Case Study

## Asia Pulp & Paper (APP) Sinar Mas

- ▼ Asia Pulp & Paper (APP) Sinar Mas is the trade name of pulp and paper manufacturing companies. APP's 2030 Sustainability Roadmap Vision (SRV) outlines its three-pillar approach on Production, Forest, and People in detail. APP, through its Sustainability Vision, aims to reduce its emissions by 30% by 2030 compared to a 2018 baseline<sup>36</sup>.
- ▼ APP Sinar Mas has identified climate and forest-related risks and opportunities. Risks come from its supply chain due to its main commodities being prone to forest-related risks. Currently, more than 90% of APP's pulpwood is sourced from PEFC-certified sustainable forest management<sup>37</sup>.
- ▼ APP Sinar Mas has set a target to ensure that less than 2% of its area is affected by forest fires which puts emphasis on close working relationships with the pulpwood suppliers, local communities, and other relevant stakeholders<sup>38</sup>.
- ▼ APP has also identified new opportunities including access to new markets and increased resource efficiency in its direct operation<sup>39</sup>. The increasing demand for products with low environmental impacts has enhanced opportunities with overseas markets. Some of APP's Sinar Mas plants now use more resource-efficient technology than before. The company sees equipment replacement along with recycling used paper as opportunities for energy efficient and environmentally friendly production<sup>40</sup>.



# Recommendations

## **The GoI's recent update on its sustainable development target<sup>41</sup> and the NAP's SDGs has demonstrated its commitment to achieving the SDGs and improving transparency across the country's private sector.**

Thorough and robust implementation of the government's new regulations may increase the contribution of non-state actors in the government's efforts to achieve its sustainability-related commitments. Furthermore, it is of growing importance for data quality to be improved alongside the enhancement of data collection management. CDP has identified three specific recommendations to help policymakers increase corporate action and ensure meaningful disclosure.

### **1 The need for mandatory corporate disclosure**

Mainstreaming standardized disclosure and transparency within corporate operations is a fundamental step to demonstrate a company's contribution to and compliance with the regulations. Additionally, it provides a means to supply important data and insights for policymakers. Despite being a critical element to build climate and forest positive economy, disclosure is yet to become a norm among Indonesian companies. While the number of disclosing companies is increasing, it is still far from sufficient to achieve national environmental targets. Making disclosure mandatory would be a huge step in realizing the potential for disclosure to drive corporate action.

The implementation of POJK 51/POJK.03/2017 promises a step in the right direction. It has mandated that financial institutions, issuers and listed companies must submit annual sustainability reports to the Financial Services Authority (OJK). However, further specificity is required to collect the necessary data to understand these actors' contributions to the SDG targets and whether they have frameworks in place related to governance, strategies, risks and opportunities. By ensuring a mandatory and standardized format exists across sectors, disclosure can be mainstreamed and will subsequently increase and drive greater visibility for policymakers to set baselines, targets and to monitor progress for SDG targets.

### **2 Monitor corporate action and progress towards achieving the SDGs**

While an increasing number of companies disclose actions related to the SDGs through CDP, significant gaps exist in the data. Over half of companies have not set an emissions reduction target, which is alarming given corporate action will be influential in meeting Indonesia's national emissions reduction target. There are many reasons why companies may not have disclosed actions relating to the SDGs or on other environmental measures. The challenges to disclosing data are often complex, including supply chain complexity, and managing different emissions factors from diverse and numerous geographies making calculations of total footprint difficult.

Policymakers should conduct detailed evaluation for each business sector to gain a clearer insight into each industry's progress in helping to meet the SDGs. In providing a more comprehensive analysis, monitoring systems can be improved to understand business action therefore helping to inform better decision-making. In addition, through recognizing the barriers that companies face, policymakers can help to support businesses to get started on their sustainability journey and look to enhance their contribution to the SDGs. To set each SDG target as stipulated in Presidential Decree No.111/2022, policymakers need to provide

guidelines on how to set non-state actors, - including businesses' - contributions to the targets and to implement sustainable practices. At the same time, policymakers should strengthen the database system on SDGs progress.

Indonesian policymakers can leverage data and insights generated by CDP, to complement data generated by the SDG National Secretariat. Only when data and corporate action can be understood clearly can we determine the significance and real-life impact of the private sector's visions and actions.

### **3 Raise corporate environmental performance through capacity building**

Corporate environmental performance in Indonesia is still behind where it needs to be in relation to its contribution towards the achievement of the SDGs. This has been recognized widely, with subsequent insight provided by CDP data highlighting the need for improvement in various corporate approaches towards meeting sustainability-related goals. This data can be used by stakeholders to understand different company behaviors and trends and to indicate where work is needed.

There is an urgent need to close the gap in the corporate environmental performance of Indonesian companies between the current state and best practices. This can be supported by policymakers through capacity-building and engaging with business leaders. Capacity building should be ongoing and designed to keep targeted entities informed of new regulatory requirements. This can help to facilitate the adoption of global practices, recognizing any climate and forest-related risks that could undermine a company's supply chain activities.



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CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with over 590 investors with \$110 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 19,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD-aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative.

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