

FROM ESG TO IMPACT INVESTING:

How Sustainable Finance is Shaping the Future of Business

7-8 DESEMBER 2022

09.00 - 16.00 WIB

ESG

Online With:



Social Investment Indonesia

Plenary-3: ESG Report: ESG Report: How to Accelerate Action on Transparency and Accountability?

7 DESEMBER 2022

14.30 -16.00 WIB

Narasumber:



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Online with:*



Social Investment Indonesia



Arief (0877-5570-7171)



Social Investment Indonesia



socialinvestment.id

ESG

ISIF 2022

ESG Report: How Accelerate into Action

Bagus Agung Rahadiansyah
SVP Corporate Finance

Jakarta, 7 Desember 2022

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Presentation Outline

1

ESG Journey in Pertamina

2

ESG / Sustainability Reporting



Implementation of ESG is a driver of “Sustainability”

“Sustainable Development is a development which meets the **needs of the present without compromising the ability of future generations** to meeting their own needs as if **no one left behind.**”

Our Common Future – World Commission on Environment and Development, 1987



ESG stands for **Environmental, Social, and Governance**. non-financial factors that been used as a tool by the Investors as part of their analysis process to identify material risks and growth opportunities.

Why do we have to Implement ESG?

ESG are pillars of initiatives for companies to implement in creating total environmental and societal impact. It is an essential factors to assess sustainability and the company's performance.

Key External Drivers to ESG Implementation

International Organization's Support to adopt ESG Framework



17 Goals



UN Global Compact



Paris Agreement



Supportive to ESG

Nationally Determined Contributions



31.89% **43.20%**

National Efforts International Support

Indonesia has announced its commitment towards achieving net zero emissions by 2060.

IOC Best Practices



Net-Zero 2050



ESG linked to remuneration



Integrate Climate Into Strategy



Net-Zero 2050



Issuing Green Bond

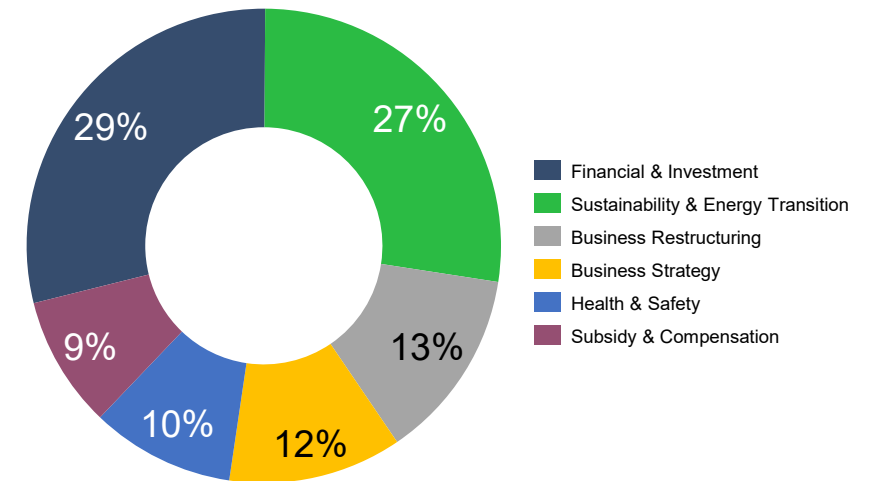
Investor's Concerns on ESG Investing



Ethical investing is a growing force in capital markets, and ESG funds account for around **10% of worldwide** fund assets. More than **\$649 billion** poured into ESG funds in 2021, a sharp increase over previous years.

Internal Drivers to ESG Implementation

Pertamina Investor Top Concern Pertamina 2021



In Pertamina, sustainability & Energy Transition are the most frequently asked topic by investors, after financial topics since 2021

Pertamina's ESG Policy and Strategy

Our commitment to formulate ESG Policy and strategy is driven by the awareness to not compromising future generations' need

Pertamina Sustainability Policy

“PERTAMINA’s ambition is to be a leading and reputable Global Energy Company and to be recognized as:

- Environmentally Friendly Company**
- Socially Responsible Company**
- Good Governance Company”**

Pertamina Sustainability Committee

Chairperson : President Director & CEO

Members :

1. Strategy, Portfolio & New Ventures Director
2. Finance Director
3. Logistics & Infrastructure Director

Sustainability Office: Permanent body which has responsibility to implement ESG management in Pertamina, Lead by VP Sustainability

Adherence to International Standards on Sustainability Practices

Non-Exhaustive

Guiding Principles



17 Goals



National Determined Contribution



International Labor Organization



Climate Related Financial Disclosure



International Asso. Oil & Gas Producers

Participation to International Initiatives



Disclosure Standards



International Best Practices in Operation

ISO 14001:2015	Environmental Management	
ISO 45001:2018	Occupational Health and Safety	
ISO 50001:2018	Energy Management	
ISO 37001:2016	Anti Bribery Management System	
ISO 27001:2013	Information Security Management Systems	
ISO 26000:2010	Social Responsibility	



In October 2022, Pertamina has completed solicited rating by Sustainalytics and received an ESG Risk Rating of 22.1 or at Medium Risk of experiencing material financial impacts from ESG factors.

Current ESG Risk Rating will Replace Previous Rating

Note: lower score is better

	Old Rating	Old Rating	New Rating
Rating Score	41.6	28.1	22.1
Risk Level	SEVERE RISK	MEDIUM RISK	MEDIUM RISK
Rating Date	Feb 2021	Sep 2021	Oct 2022*
Methodology	Core Rating	Comprehensive Rating	Comprehensive Rating
Type	Unsolicited	Solicited	Solicited

Oil & Gas Industry
Integrated Oil & Gas

Rank: 15
Rank: 7

Rank: 7
Rank: 2

How do we compare against peers?

No	Benchmark	Score	Rating	Industry ¹ Rank (out of 254)	Subindustry ² Rank (out of 54)
1	Pertamina	22.1	Medium	7	2
2	Repsol	26.5	Medium	13	5
3	ENI	27.5	Medium	15	7
4	TotalEnergies	30.2	High	22	9
5	PTT Public Co	30.3	High	23	10
6	Petronas Gas ³	31.4	High	296	47
7	BP	32.7	High	33	13
8	Exxon Mobil	36.5	High	62	17
9	Shell	37.6	High	70	19
10	Chevron	37.6	High	69	18
11	Petrobras	39.1	High	77	21
12	ADNOC	43.6	Severe	115	30
13	CNPC	66.3	Severe	253	53

¹ industry: Oil and Gas Producer

² Subindustry: Integrated Oil and Gas

³ Industry: Multi-Utilities

*Data downloaded as of 19 Oct 22

Source: ESG Management Traction, Sustainalytics

Shifting the Paradigm

Activities related to ESG should be considered as investment that we can monetize rather than just a compliance and as a cost



Old Paradigm

- Compliance/ Requirement

- Cost

E
S
G

F
R
A
M
E
W
O
R
K

New Paradigm

Opportunities

- Better performance
- Remain in compliance to regulations

Investment

- Bigger customer base
- Better access to capital and debt market to fund the operation and investment



ESG Deployment in Pertamina

There are 4 main activities in deploying ESG within the organization, ranging from policy formulation to publication & rating.

1. Policy & Strategy

Pertamina develops policies and strategies related to ESG as the baseline for ESG implementation in the company

4. Publication & Rating

The ESG Campaign is carried out both internally and externally to publicize Pertamina's ESG performance.

ESG Reporting is a critical part in ESG Implementation



Regular Evaluation

2. Program Execution

This strategy is translated into work programs and ESG initiatives carried out by various functions at Pertamina

3. Performance & Monitoring

The program's performance is measured by KPIs and its achievements are monitored periodically every month.



Benefit of ESG for Pertamina

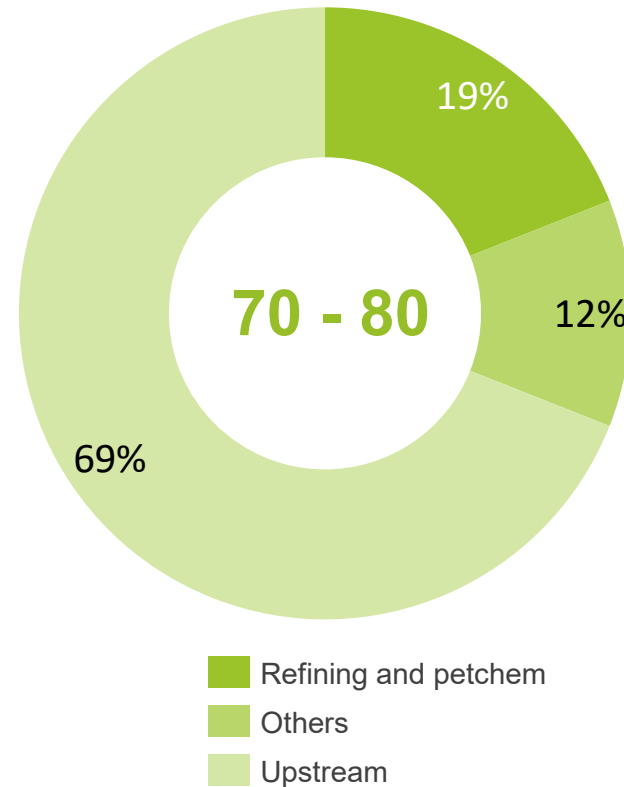
ESG could leverage Pertamina's access to capital to support Pertamina's assignment for Energy security throughout Indonesia

Pertamina's ambition



Capex requirement (2020-2024)

US\$B



How can ESG help?

- Good ESG practice ✓
- Better ESG Scores ✓
- Better access to capital & debt market ✓
- Productive investment ✓
- Better profit ✓
- Better contribution to the Government and Indonesia











In order to achieve Pertamina's 10 Sustainability Focus, we determine 16 initiatives managed by holding company, some are executed at subholding / subsidiaries level

 <p>1 2</p> <p>NET ZERO ROADMAP</p>	 <p>1 2 3</p> <p>DECARBONIZATION</p>	 <p>3 8</p> <p>SYSTEMIZE BIODIVERSITY PROGRAMS</p>	 <p>1 2</p> <p>DELIVER NRE CAPACITY COMMITMENT (RJPP)</p>
 <p>2</p> <p>BEYOND PROPER (WASTE AND WATER)</p>	 <p>4</p> <p>ENHANCEMENT OF HEALTH & SAFETY ASPECTS</p>	 <p>5</p> <p>PROCESS SAFETY MANAGEMENT</p>	 <p>6</p> <p>PROMOTING HUMAN RIGHTS</p>
 <p>7</p> <p>SUSTAINABILITY-FOCUSED RESEARCH & INNOVATION</p>	 <p>1 2 8</p> <p>IMPROVE ACCESSIBILITY TO ENERGY FOR THE COMMUNITY</p>	 <p>9</p> <p>CYBERSECURITY STRUCTURE & CULTURE</p>	 <p>10</p> <p>ENHANCE GCG MANAGEMENT SYSTEM</p>
 <p>ALL</p> <p>ESG OPERATING MODEL</p>	 <p>ALL</p> <p>EVALUATE & IMPLEMENT ESG FINANCING</p>	 <p>ALL</p> <p>ESG COMMUNICATION & ENGAGEMENT</p>	 <p>1 2 3</p> <p>BLUE CARBON INITIATIVES</p>



Pertamina's Strategy & Long-term Target

Our sustainability strategy is translated into 10 Sustainability Focuses, each aligned with SDGs and having its primary target

	Focus	SDGs	Primary Target
Environmental	 1. Addressing climate change	7, 13	30% of emission reduction in 2030 (vs 2010 baseline)
	 2. Reducing environmental footprint	7, 13	Beyond compliance Water & Waste management
	 3. Protecting biodiversity	14,15	Net positive impact on biodiversity
Social	 4. Health and safety	3, 8	Zero accidents, Zero Fatalities
	 5. Prevention of major accidents	3, 12, 14,15	Zero loss of primary containment, No major accidents
	 6. Employee recruiting, development & retention	5, 8	Aim for below 5% employee turnover, Zero harassment
	 7. Innovation and research	8, 9	Completion of low-carbon research and innovations
	 8. Community engagement and impact	1,4,7,14,15	Improve community based access to energy in Indonesia
Governance	 9. Cyber security	16	Zero cyber attacks
	 10. Corporate Ethics	16	Zero tolerance on Fraud and Corruption

Presentation Outline

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ESG / Sustainability Reporting



Background on Sustainability Reporting in Pertamina

Sustainability Reporting is made based on several internal and external policies as follows:



**SGX Practice Note 7.6
Listing Rules
711A & 711B**

About: SUSTAINABILITY REPORTING GUIDE

Requires every listed issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with the components:

- (a) Material ESG factors
- (b) policies, practices and performance;
- (c) targets;
- (d) sustainability reporting framework; and
- (e) Board statement.



**Peraturan OJK
No.51/POJK.03/2017
Pasal 10**

Tentang: PENERAPAN KEUANGAN BERKELANJUTAN BAGI LEMBAGA JASA KEUANGAN, EMITEN, DAN PERUSAHAAN PUBLIK

Financial Services Institutions, Issuers, and Public Companies are required to prepare a Sustainability Report, which is prepared separately from the annual report or as an integral part of the annual report.



**SE OJK No.
16/SEOJK.04/2021
Bab 1 – 1.e
*Tambahan Ref POJK**

Tentang: BENTUK DAN ISI LAPORAN TAHUNAN EMITEN ATAU PERUSAHAAN PUBLIK

Sustainability Report is a report announced to the public that contains an economic, financial, social, and environmental performance financial service institutions, Issuers, and Public Companies in run a sustainable business.



**UU No.40/2007
Pasal 66**

TTG: PERSEROAN TERBATAS

The annual report must contain at least one of them, a report on the implementation of Social and Environmental Responsibility.





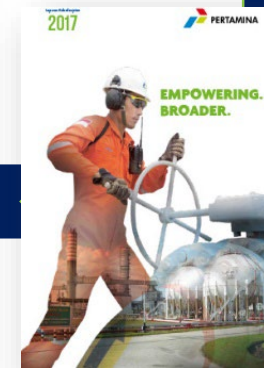
History of Issuance of Pertamina's Sustainability Report

Since 2011, Pertamina has published a Sustainability Report. Pertamina's SR contains the company's contribution (positive or negative) to the goals of sustainable development (SDGs), including environmental, social, and governance (ESG) aspects, throughout the company's operations.

2011



2021



Development of ESG Reporting Requires Integration with Strategy

Compiling a ESG / Sustainability Report needs to begin with determining **Materiality Topics** and a **Sustainability Strategy** so that it is effective in conveying the targets, objectives, and achievements that have been made during the current year.

A. Strategy Development

B. Implementation

C. Reporting

1 Conduct a Materiality Assessment

Outlining **the key issues and impacts** that your organization experiences.

Make sure to include **environmental, social, and economic factors** in your assessment so that you can achieve a holistic view of your operations.

2 Assess Current State (Baseline)

Perform an internal audit to **establish a baseline** of your organization's sustainability performance. This will help you to **identify improvement opportunities** and track progress over time.

3 Set Objectives & Targets

After conducting a materiality assessment and understanding your company's baseline performance, you **can set realistic objectives and targets** for sustainability improvement.

4 Analyze Gaps to Achieving Future State

This step involves analyzing the difference between your current performance and desired future state. Doing so will help you to **identify areas for improvement**.

5 Develop ESG Strategies, Roadmap, and Framework

After gaps have been identified, you can **develop strategies and initiatives** to address them.

Make sure that your plans are specific, measurable, achievable, relevant, and time-bound (SMART).

6 Implement & Monitor Initiatives

Once your strategies and initiatives have been developed, it's time to **put them into action**. **Regularly monitoring** your progress will help you to stay on track towards achieving your sustainability goals.

7 Reporting & Communicating Results

Finally, it is important to **report on the results of your sustainability efforts** in order to communicate progress to stakeholders.

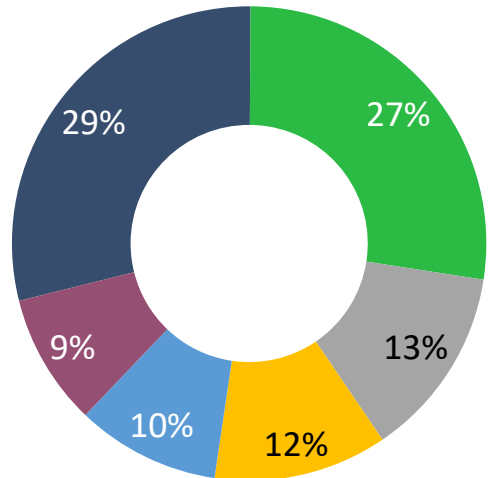
This will help **build trust and confidence** in your organization's ability to create lasting positive change.

Why ESG / Sustainability Reporting is Important?

1. Sustainability is a **HOT TOPIC**

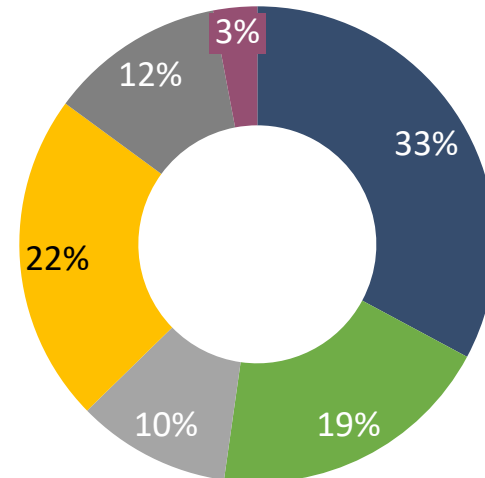
Sustainability & Energy Transition are the most frequently asked topic by investors, after financial topics, in 2021 and 2022.

**Pertamina Investor
Top Concern Pertamina 2021**



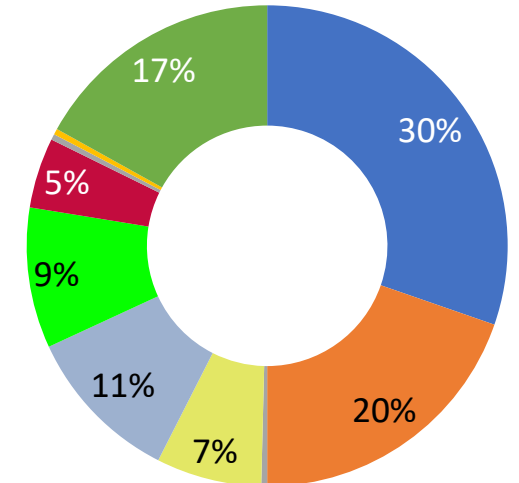
- Financial & Investment
- Sustainability & Energy Transition
- Business Restructuring
- Business Strategy
- Health & Safety
- Subsidy & Compensation

**Pertamina Investor
Top Concern Pertamina 2022
(as of May 2022)**



- Financial
- Sustainability
- Business Strategy
- Investment (Capex & Funding)
- Upstream
- Commercial & Trading

**Pertamina Investor
Top Concern Pertamina 2022
(as of Nov 2022)**



- Financial
- ESG/Sustainability
- Business Strategy
- Investment (Capex & Funding)
- Upstream
- Power & NRE
- Commercial & Trading
- Refinery & Petrochemical
- Gas
- Shipping
- Others

2. ESG Rating uses AR & SR for Assessment

ESG Rating is Pertamina's KPI for 2022

Note: lower score is better

	Old Rating	Old Rating	New Rating
Rating Score	41.6	28.1	22.1
Risk Level	SEVERE RISK	MEDIUM RISK	MEDIUM RISK
Rating Date	Feb 2021	Sep 2021	Oct 2022*
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Type	Unsolicited	Solicited	Solicited



ARSR is Primary Input for ESG Rating Assessment

Annual/Sustainability/Integrated Reports

- Annual Report
- Integrated Annual Report
- Corporate Social Responsibility (CSR) Report
- Sustainability Report
- Annual Report 'Yuka Shoken Hokokusho' (for Japanese public companies)
- Form 10 – K (for U.S. public companies)
- Form 20 – F (for foreign companies listed on U.S. exchanges)

3. SR as a tool to improve global recognition

Through communication & publication activities, ESG, including Sustainability Report, can be a tool to build a positive company reputation through awards.

International



Sustainability Business Award

- Pertamina, and Pertamina Hulu Rokan received Highly Commended Award from Global Initiatives in the 9th Indonesia Sustainability Business Award



14TH Corporate Register Reporting Awards 2021

- **Top 5:** Best Credibility – through - Assurance
- **Top 8:** Best ESG Report



Asia Sustainability Reporting Rating

Bronze Award **Asia's Best SDG Reporting** in 7th Asia Sustainability Reporting Awards (ASRA)



Asia Sustainability Reporting Rating

- Pertamina, Pertamina Hulu Energi ONWJ received Gold Rank dan Pertamina Drilling Contractor received Silver Rank in ASRRAT 2021



Presdir & CEO as The Winner Leadership Commitment Category UN Woman 2021 Indonesia WEPS Awards



Global Corporate Sustainability Awards - Taiwan

PERTAMINA : bronze Category Sustainability Report 2020

PHE : Great Practices (Program EP Rantau)

Domestic



Corporate Emission Award 2022 Berita Satu

ESG Awards 2022 Berita Satu Category A

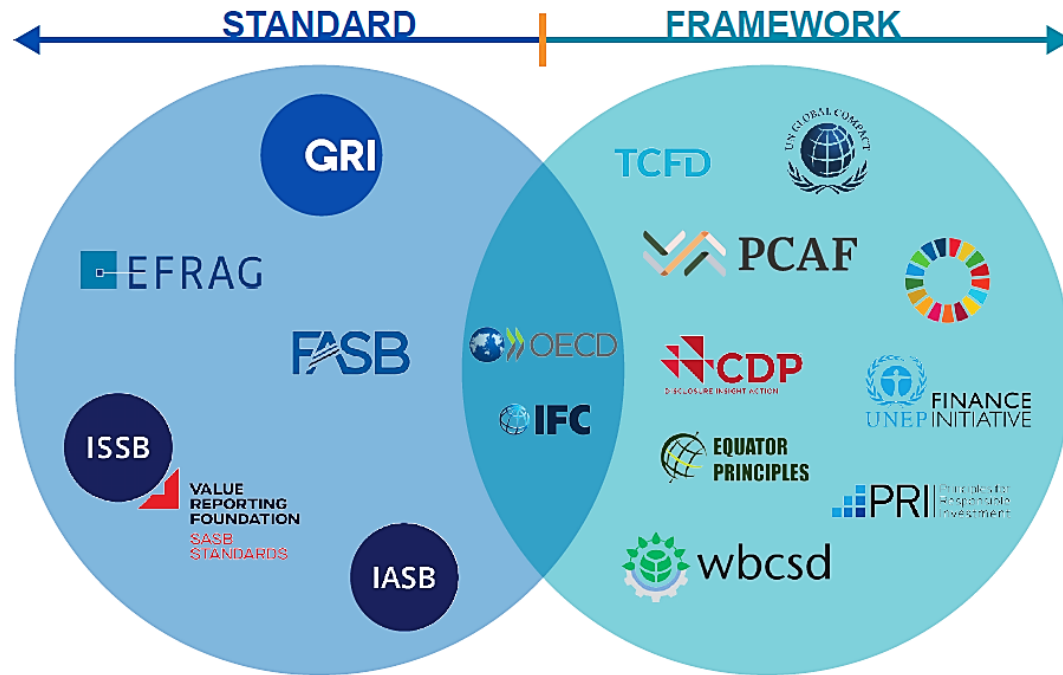


23 PROPER Emas pada tahun 2021



Tren Asia ESG Excellence 2022

4. SR is used to align with Global Sustainability Framework / Rating



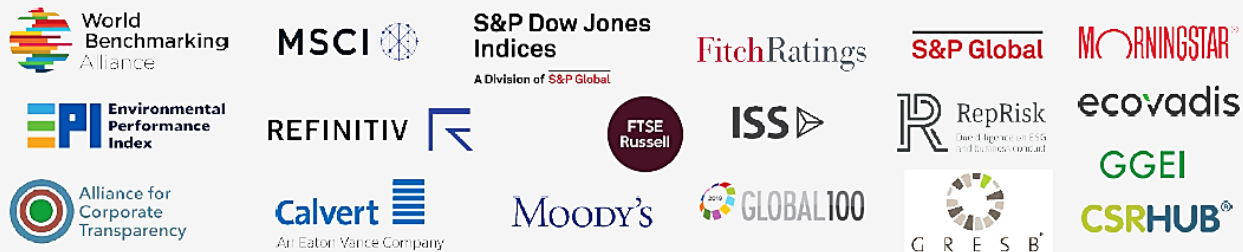
Standards are the agreed level of quality requirements, that people think is acceptable for reporting entities to meet. *A standard* can be thought of as containing specific and detailed criteria or metrics of ‘what’ should be reported on each topic. In general, corporate reporting standards have in common the following features: a public interest focus, independence, due process, and public consultation, generating a stronger basis for the information being asked.

STANDARDS

Frameworks on the other hand provide the ‘frame’ to contextualize information. Frameworks are those that are normally put into practice in the absence of well-defined standards. *A framework* allows for flexibility in defining the direction, but not the method itself. A framework can be thought of as a set of principles providing guidance and shaping people’s thoughts on how to think about a certain topic, but miss a defined reporting obligation.

FRAMEWORKS

RANKERS & RATERS



5. Good showcase of sustainability practices could attract Capital



Eligible Green Project categories

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient and/or circular economy adapted products, technologies and processes
- Green buildings

Further details on GBP can be found here: [link](#)



Eligible Social Project categories

- Affordable basic infrastructure
- Access to essential services
- Affordable housing
- Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises (incl. SME financing & microfinance)
- Food security and sustainable food systems
- Socioeconomic advancement and empowerment

Further details on SBP can be found here: [link](#)



Sustainability Bonds are bonds which finance a combination of both Green and Social Projects (see Green and Social categories)

Further details on SBG can be found here: [link](#)



The financing purpose is for enabling climate change strategy, focusing on climate change-related commitments and practices with science-based targets and pathways and presents significant trajectory in business model.

Further details on CTF can be found here: [link](#)



Sustainability-Linked Bonds are intended for broad use by market and can be any type of instruments where the structural characteristics depends on achievements of pre-defined sustainability / ESG objectives:

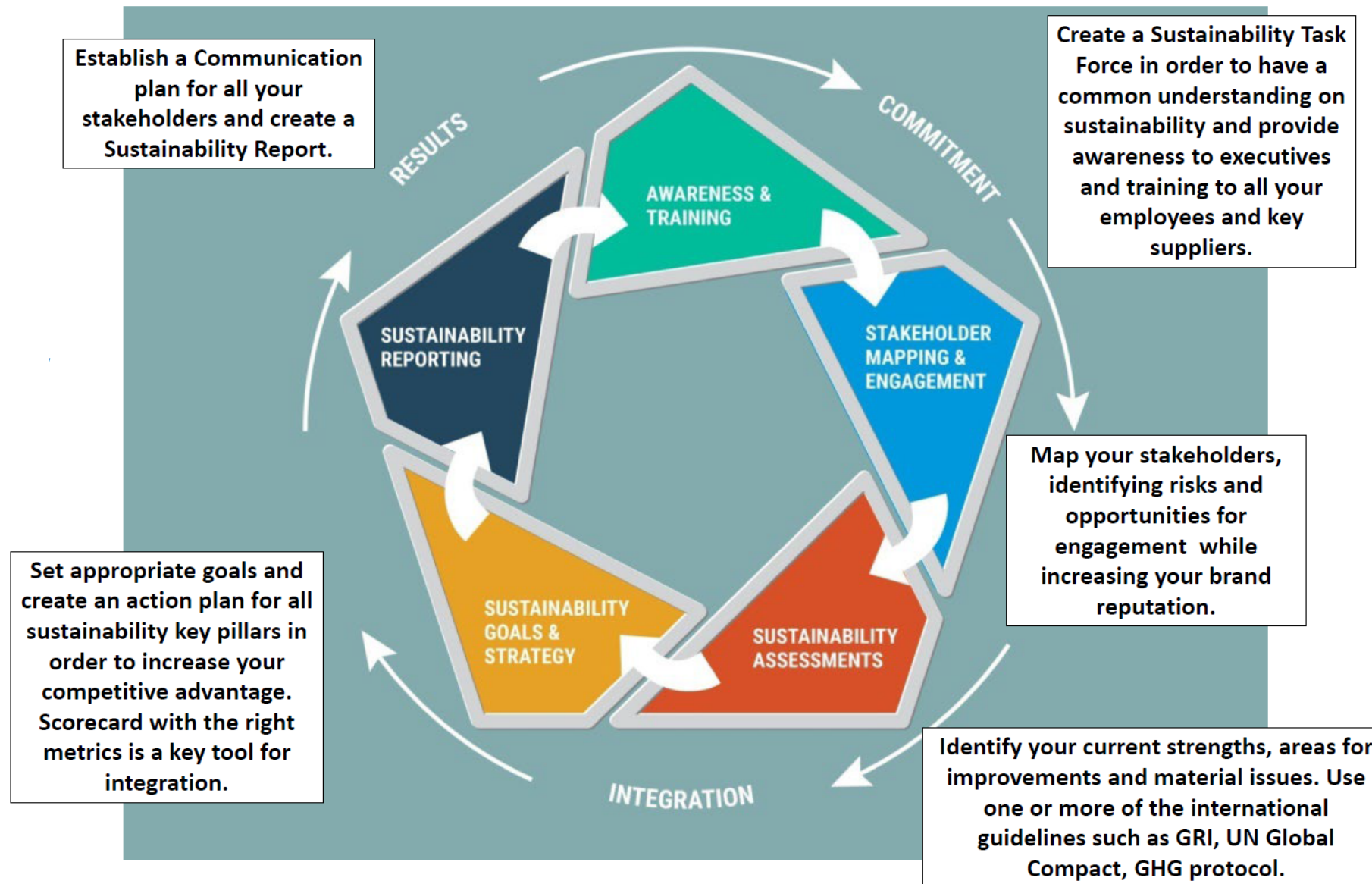
- measured through predefined KPIs
- assessed against predefined Sustainability Performance Targets ("SPT")

5 core components are relevant:

1. Selection of KPIs
2. Calibration of SPTs
3. Bond characteristics
4. Reporting
5. Verification

Further details on SLBP can be found here: [link](#)

6. ESG / Sustainability Reporting Could Help to Trigger Real Action



Source: CSE

Terima Kasih

