



IDX

Indonesia Stock Exchange

member of  WORLD FEDERATION OF EXCHANGES

*The Future of Corporate Comprehensive/
Environmental Social and Government (ESG) Reporting*

IDX Activities Report

Wednesday, 8 December 2021

Senior VP Listing 3 Division – Indonesia Stock Exchange

Goklas Tambunan

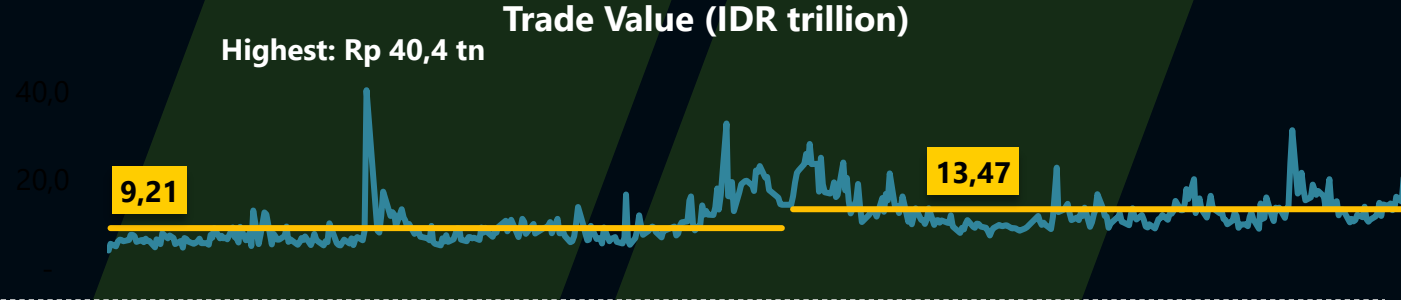
JCI Performance and IDX Trading Activities

**Indonesia Stock Market Index
(Daily Closing Price)**

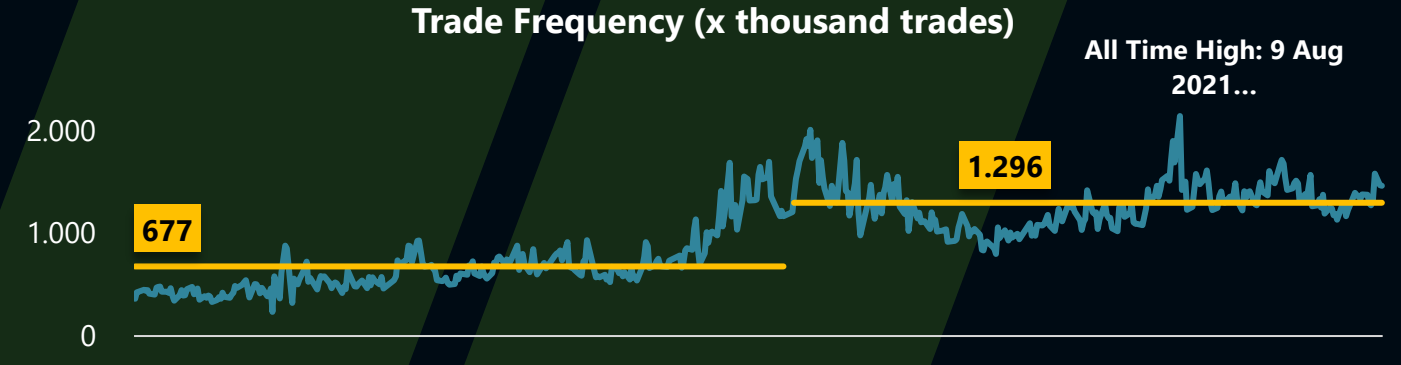


Source: IDX

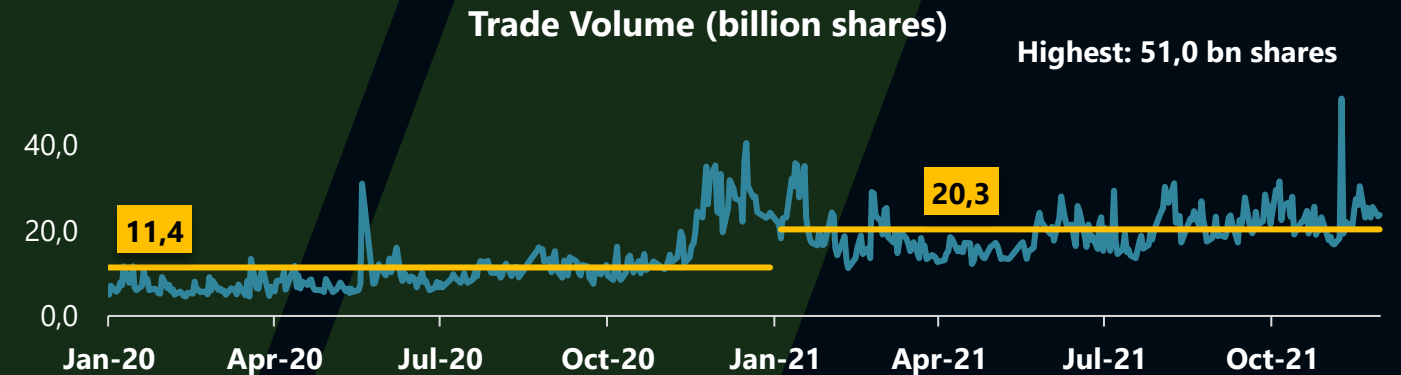
Trade Value (IDR trillion)



Trade Frequency (x thousand trades)



Trade Volume (billion shares)

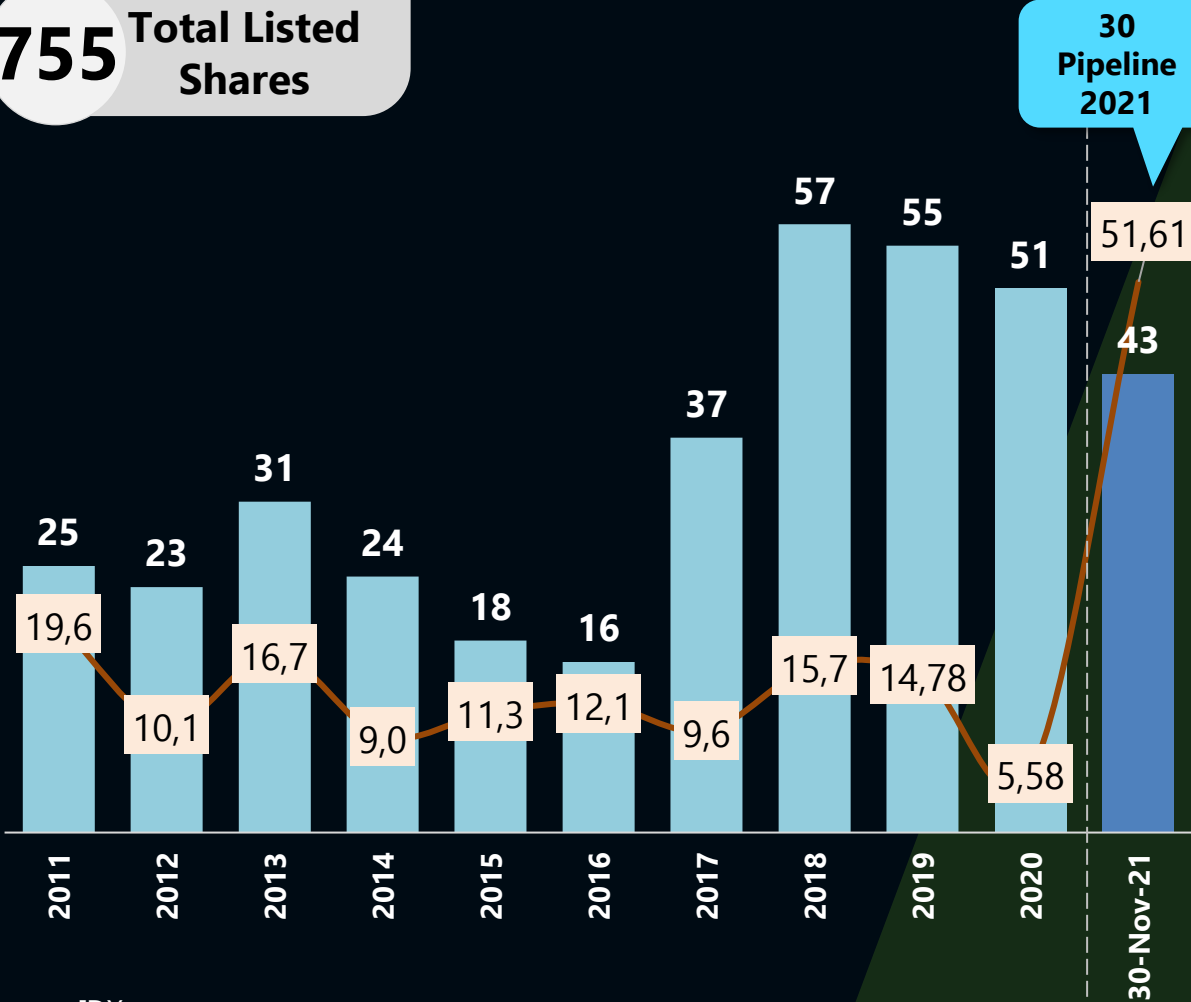


Strong supply in 2021

Number of New Shares Listed on the IDX

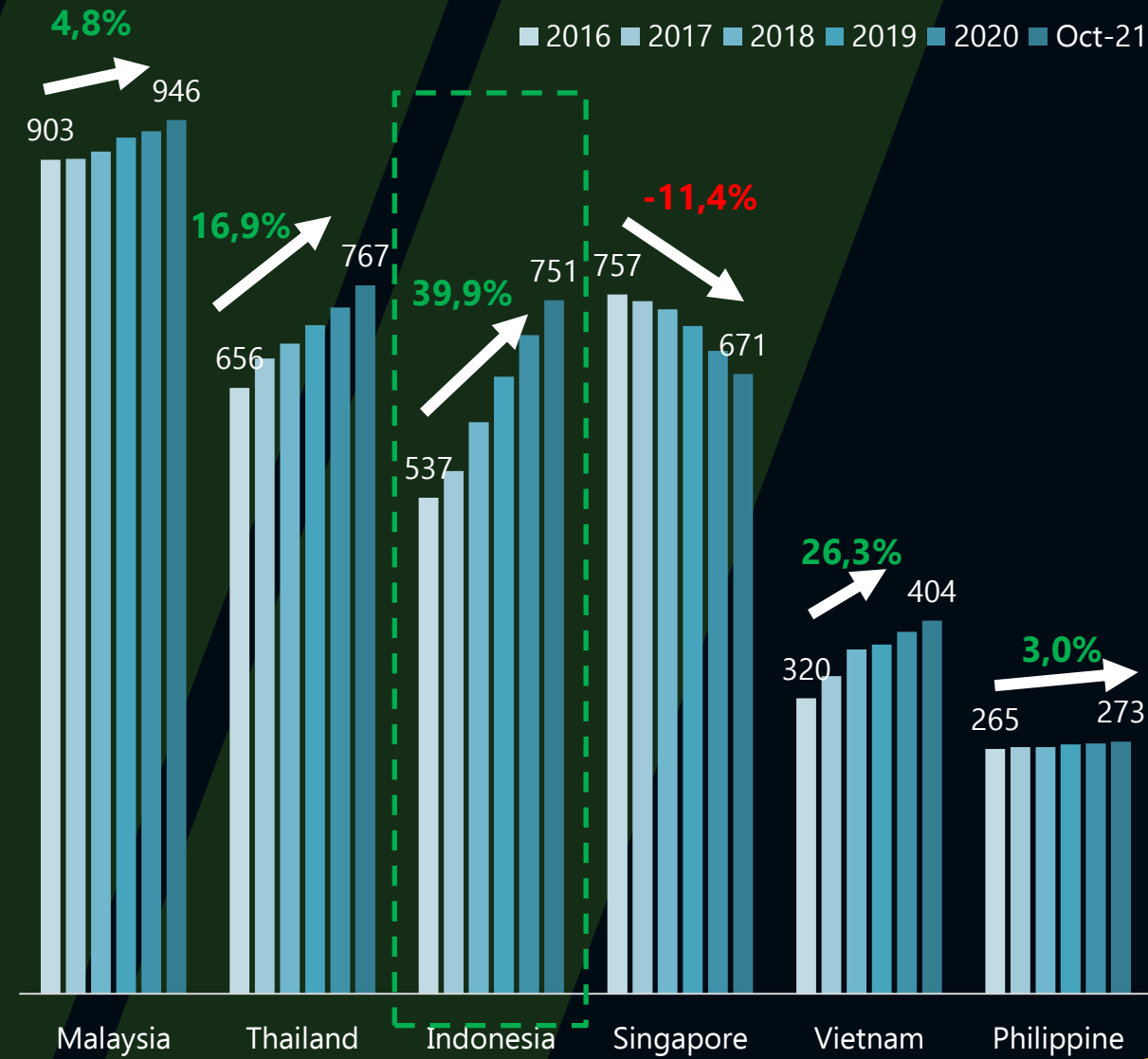
Jumlah IPO Total Fund Raised (Rp Triliun)

755 Total Listed Shares



ASEAN Listed Company Growth

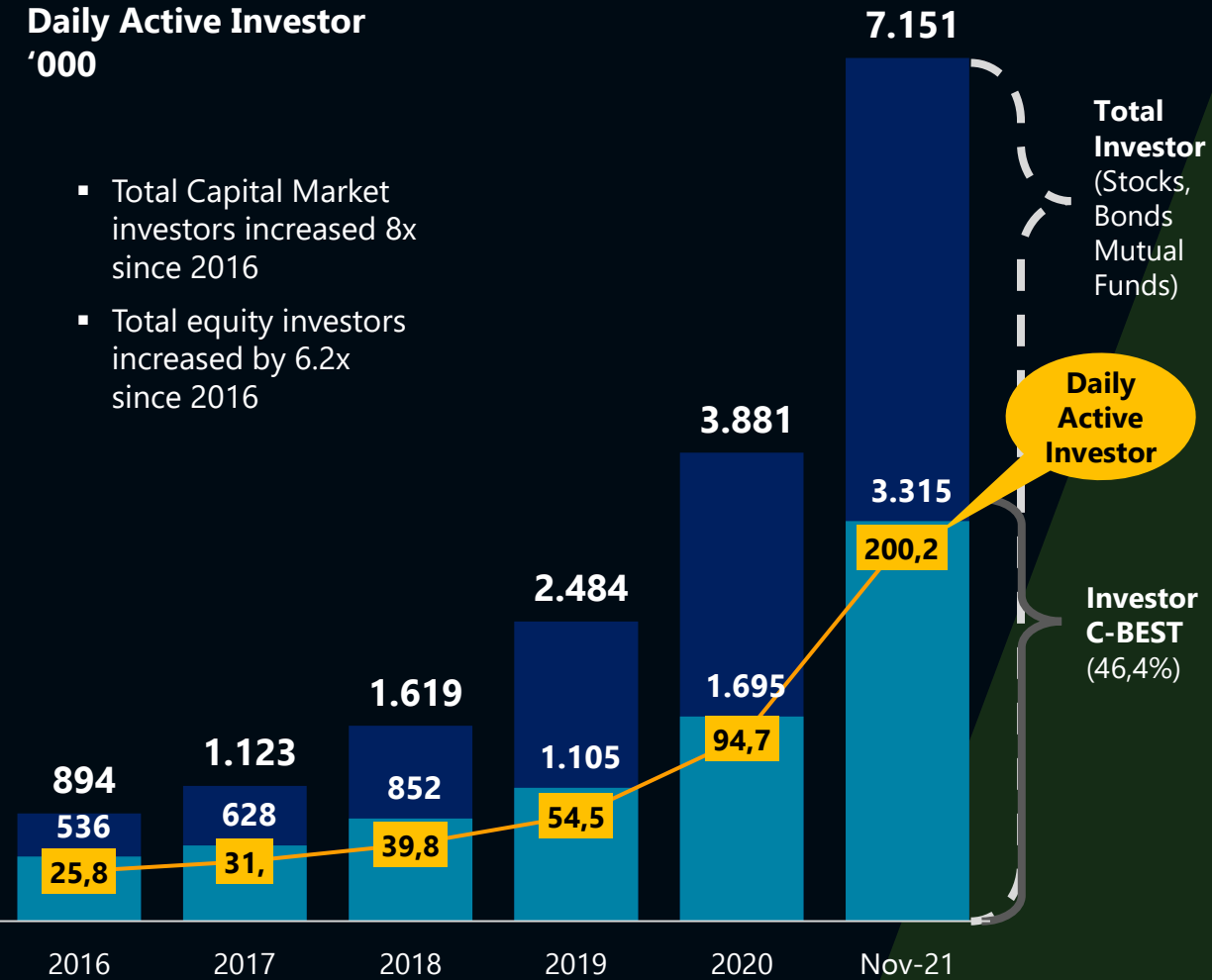
2016 2017 2018 2019 2020 Oct-21



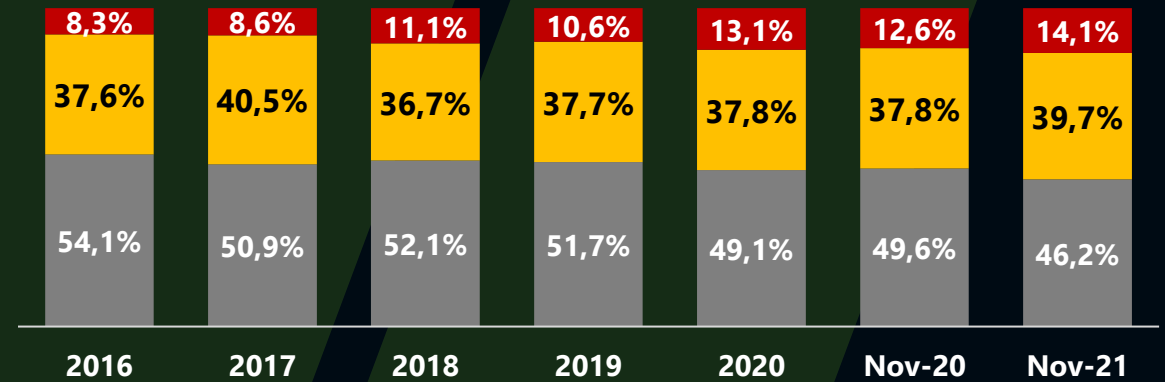
Growing Number of Retail Investors

Total Number & Daily Active Investor '000

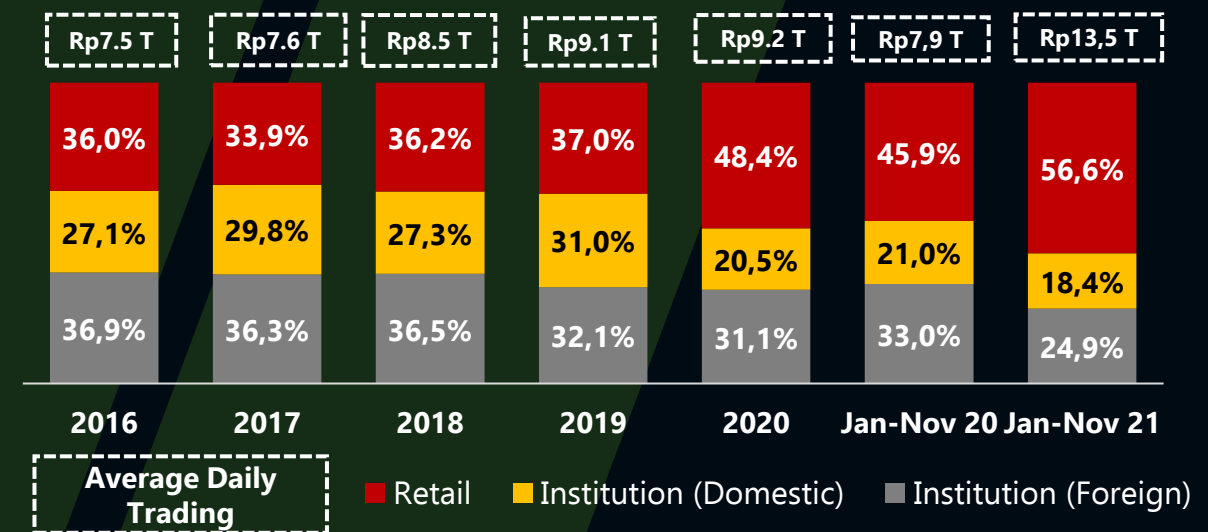
- Total Capital Market investors increased 8x since 2016
- Total equity investors increased by 6.2x since 2016



Investor Stock Ownership Composition



Investor Stock Trading Composition



IDX's Guidance to Implement Sustainable Finance



1. POJK No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies ("POJK 51") - 18 July 2017

2. Roadmap Keuangan Berkelanjutan Tahap II (2021-2025)



Source : OJK



the World Federation of Exchanges launched a set of five principles on sustainability (Oct 2018) to support the implementation Sustainable financial system, inclusive and sustainable economy :

- The principles commit WFE members to:
- 1) **Educate** participants in the exchange ecosystem about the **importance of sustainability issues**;
 - 2) Promote the enhanced availability of investor relevant, decision-useful **ESG information**;
 - 3) Actively **engage with stakeholders** to advance the **sustainable finance** agenda;
 - 4) **Provide markets and products** that support the scaling-up of sustainable finance and the reorientation of financial flows; and
 - 5) Establish **effective internal governance and operational processes and policies** to support their sustainability efforts.

Source : WFE Sustainability Principles Report 2018



IDX consistently promoting ESG Development in Indonesia Capital Market. As a start, **IDX has joined as Sustainable Stock Exchange partner on 18 April 2019**

Sustainability Development Goals (SDGs) for Stock Exchange



Source : SSE, <https://sseinitiative.org/>

IDX Milestone to Increase Stakeholder Awareness in ESG Implementation (1/3) (Start from 2016 – on going)



CSR Talks for Leaders in collaboration with CECT Universitas Trisakti (2016)



Awareness in collab with AEI for

“POJK no 51/POJK.03/2017 tentang Penerapan Keuangan Berkelanjutan bagi Lembaga Jasa Keuangan, Emiten, dan Perusahaan Publik” (2017)



IDX officially joined SSE since April 2019



Green Bond Support in collaboration with Climate Bond Initiatives (CBI) (2018)



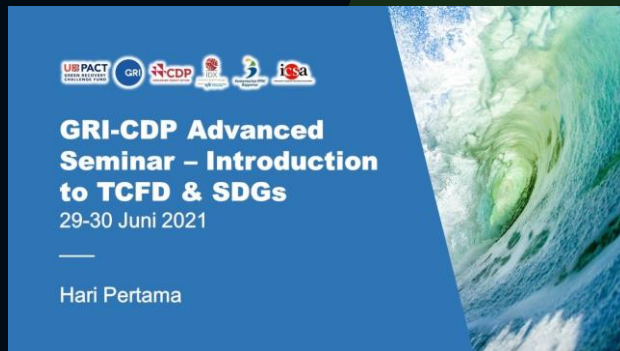
IDX continuously cooperate with GRI to provide seminar related to ESG aspect (2019-2020)



IDX Milestone to Increase Stakeholder Awareness in ESG Implementation (2/3) (Start from 2016 – on going)



Ring the Bell for Gender Equality (2020 & 2021)



TCFD and SDGs seminar in collaboration with GRI-CDP (2021)



TCFD Supporters (2021)

IDX became **TCFD supporters** since **June 2021**
Joining more than 2,300 TCFD supporters that include companies, financial institutions and governments around the world

**) Task Force on Climate-Related Financial Disclosures*

Sustainable Finance Task Force Indonesian Capital Market (2021)



IDX together with OJK, KPEI and KSEI collaborate in **Sustainable Finance Task Force** since **September 2021**
To accelerate the ESG implementation in Indonesia Capital Market

Member in ASEAN Exchanges ESG WORKING GROUP (3 Sept 2021 – on going)



IDX's Actions to Support The Implementation of ESG



GCG in INTERNAL PRACTICES

IDX supports Good Corporate Governance in internal process by maintaining Management System Certification :

- **ISO 9001** – Quality Management System,
- **ISO 27001** – Information Security Management and
- **ISO 22301** – Business Continuity Management.

PROVIDE INFRASTRUCTURE (MARKET AND PRODUCTS)

IDX develops market and products to implement Sustainable Finance through:

1. **Develop Regulations** to meet market needs and increase investor protection
2. **Acceleration Board**
3. **Support Economy Development in SMEs and Start Up in Indonesia** : IDX Incubator
4. **Green System** :
Promote Green Reporting & Filing through Listing & IPO Filing Integration through **SPRINT**
5. **Green Products** :
Green Bonds, ESG Related ETF Products, ESG Related Mutual Fund Products
6. **Green Indices** : **ESG Equity Index (SRI-Kehati Index), ESG Leaders**



ENGAGE STAKEHOLDERS TO IMPLEMENT SUSTAINABLE FINANCE

IDX engages Indonesia Capital Market through :

1. **Build strong relationship and collaboration** with related institutions
2. **Incentives** for Green Products, etc
3. **Appreciations** for the Stakeholders : ARA Award, ACGS



EDUCATE STAKEHOLDERS

IDX promotes **Sustainable Finance Literacy** and Inclusion to the Stakeholders (Especially Listed Companies) by collaborating with OJK, AEI, ICSA, AEI and other institutions.

- Year 2017 : 5x Seminars, Year 2018 : 11x Seminars
- Year 2019 : 10x Seminars, Year 2020 : 4x Webinar
- Year 2021 : 8x Webinar – on going
- Also Others continues capacity building for GCG aspects



ESG INFORMATIONS

IDX increases transparency and reduces asymmetric information for investors through:

1. Listed Companies' Calendar
2. Electronic reporting & integrated System (**SPE-IDXnet**)
3. Special Notations (**ABCD.X**)
4. **ESG Scoring**
5. Go Public Information Center
6. **30** IDX Representatives Offices
7. **558** Investment Galleries
8. **442** Investment Communities
9. **IDX Channel**



ESG Capital Market Exhibition & Showcase (1/2)

The Background of ESG Platform

The implementation of ESG CMES 2021 based on discussion with OJK as of April 19, 2021

SHOWCASE

is an event that provides an opportunity for listed companies to become benchmarks/role models as ESG Practitioners and share the ESG Journey with stakeholders through the following activities:

1. ESG CAPITAL MARKET SUMMIT :

The opening seminar with the theme "*Pursuing Sustainable Finance in Indonesia Capital Market*", 27 Juli 2021

2. ESG SEMINAR :

Capacity building and awareness for the stakeholders (Listed Companies, Investor, OJK, SRO, etc)



EXHIBITION

is a virtual exhibition through an electronic platform by providing ESG information, implementation from the Listed Company, and can be access by the public.

Initiative → **ESG Platform**

Objective:

1. Increase awareness of the benefits and promote the implementation of ESG in the Indonesian Capital Market.
2. Increase the financial literacy and inclusion level of the Indonesian Capital Market (as educational media).
3. Show virtually the Listed Company (showcase) as a role model that has implemented ESG.
4. Facilitate and become a communication media for the public with the Listed Companies that implement ESG.
5. Facilitate information related to ESG aspects to assist investors in making investment decisions.

ESG Capital Market Exhibition & Showcase (2/2)

ESG Platform as Initiative to Promote ESG in Indonesia Capital Market



The ESG microsite will provide information related to sustainability aspects and the principles of Environmental, Social and Governance (ESG), completed with a virtual showcase of ESG practitioners from the Listed Market Company that can be refer as role models and benchmarks for business players in Indonesia.

MAIN CONTENT OF ESG PLATFORM



ESG AT GLANCE



ESG STAR LISTED COMPANIES

1. PT AKR Corporindo Tbk (AKRA)
2. PT Bank Central Asia Tbk (BBCA)
3. PT Bank Mandiri Persero Tbk (BMRI)
4. PT Bank Negara Indonesia (Persero) Tbk (BBNI)
5. PT Bumi Serpong Damai Tbk (BSDE)
6. PT Semen Indonesia (Persero) Tbk (SMGR)
7. PT Unilever Indonesia Tbk (UNVR)



EVENTS



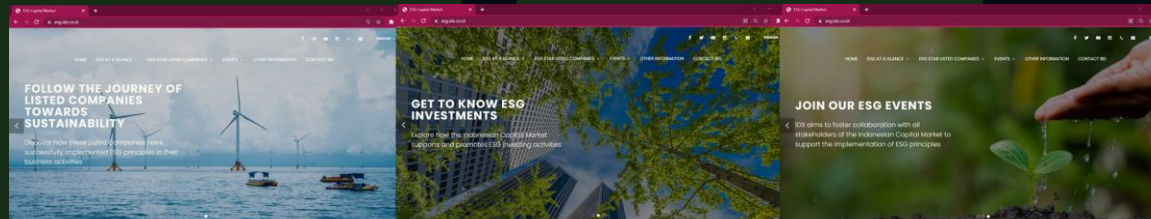
OTHER INFORMATION

SOFT LAUNCHING ESG PLATFORM

October 14, 2021 at CMSE



ESG PLATFORM



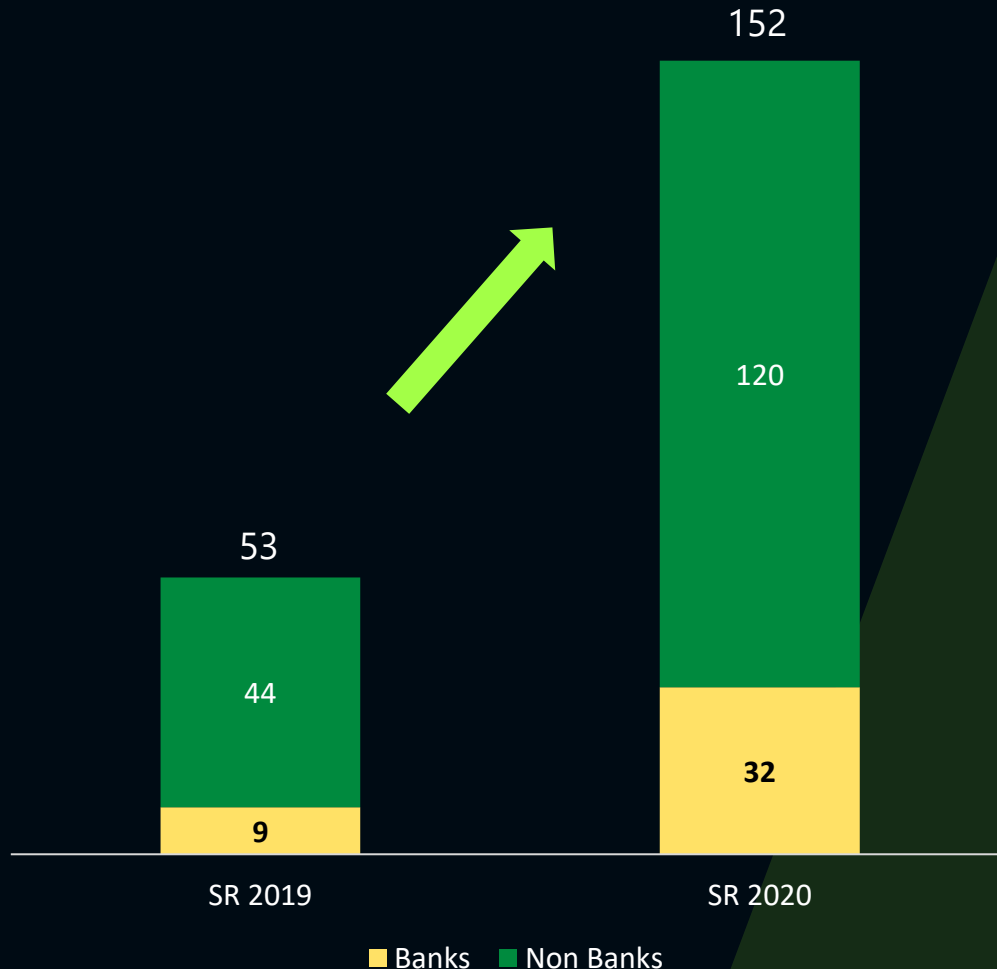
Go to ESG Platform



The Growth of Sustainability Report Submission from Listed Companies

Data based on SPE-IDXnet as of 30 Nov 2021

SR Reporter from Indonesia Listed Companies



Even though there's a relaxation 1 year period for Issuers that classified as big scale companies and Public Companies, that they must submit SR starting from year ending 2021*, as we can see that the number of SR Reporter rose significantly from 53 SR 2019 Reporter to 152 SR 2020 Reporter (187%)

The number of banks that have submitted SR also increase 256% compare SR year 2019 to SR year 2020.

**) Based on OJK Letter No. S-264/D.04/2020 date 4 Nov 2020, regarding "Relaksasi atas Kewajiban Penerapan Keuangan Berkelanjutan serta Penyusunan dan Penyampaian Laporan Berkelanjutan".*

Performance of Listed Companies as of Sept 30, 2021: Sustainability Report Submission

| Amount of Listed Companies | SR Submission Status | |
|-------------------------------|----------------------|-------------------|
| | Submitted | Not Yet Submitted |
| Listed Companies | 121 | 489 |

| Profitability Ratio 30-Sept-2021 | SR Submission Status | |
|-------------------------------------|----------------------|-------------------|
| | Submitted | Not Yet Submitted |
| Return on Asset | 2,08% | 2,27% |
| Return on Equity | 8,23% | 7,85% |
| Net Profit Margin | 13,18% | 8,92% |

Key takeaway:

Companies that have submitted Sustainability Report generally show **higher ratios for ROE and NPM.**

Performance of Listed Companies as of Sept 30, 2021: Sustainability Report Submission

| Growth (%) 30-Sept-2021 | SR Submission Status | |
|----------------------------|----------------------|-------------------|
| | Submitted | Not Yet Submitted |
| Asset | 8,13% | 4,79% |
| Equity | 14,34% | 6,20% |
| Revenue | 12,73% | 14,31% |
| Net Income | 78,93% | 88,18% |

Key takeaway:

Companies that have submitted Sustainability Report also show **higher assets and equity growth**.

| Aggregate Value (Tn IDR) 30-Sept-2021 | SR Submission Status | |
|---|----------------------|-------------------|
| | Submitted | Not Yet Submitted |
| Asset | 7,734 | 6,029 |
| Equity | 1,952 | 1,747 |
| Revenue | 1,219 | 1,537 |
| Net Income | 161 | 137 |

Key takeaway:

Although there are fewer Companies that have submitted Sustainability Report as of 2021, the Companies recorded **higher aggregate Assets, Equity, and Net Income** compared to Companies who haven't.

This condition also inline with the POJK 51, which required Issuers that classified as big scale companies and Public Companies to submit SR starting from year ending 2020.

ESG Indices Around The World



EUROPE

STOXX® Europe 50 ESG-X
 STOXX® Italy 45 ESG-X
 STOXX® Spain 30 ESG-X
 STOXX® Nordic 30 ESG-X

SWITZERLAND

SXI Switzerland Sustainability 25

TURKEY

BIST Sustainability Index = 58

INDIA

NIFTY100 ESG = 90
 NIFTY100 Enhanced ESG = 80

HONG KONG

HSI ESG Index = 55

THAILAND

SET Thailand Sustainability
 Index (SETTHSI) = 73

MALAYSIA

FTSE4Good BM = 74

INDONESIA

SRI-KEHATI = 25
 IDX ESG LEADERS = 30
 MSCI Indonesia ESG Leaders = 10
 FTSE Indonesia ESG = 32
 FTSE4Good Indonesia = 16

SINGAPORE

iEdge SG ESG Transparency = 103
 iEdge SG ESG Leaders = 64

AUSTRALIA

MSCI Australia ESG Leaders = 34

ESG Indices in Indonesia Capital Market Trend :

The performance of **ESG Indices**, mostly outperform JCI Index & LQ45

ESG Leaders



- ESG Integration approach;
- Consist of **30 stocks** that are leaders in ESG rating;
- Do not have significant controversy;
- High trading liquidity;
- Good financial performance; and
- ESG assessment and controversy analysis is done by Sustainalytics.

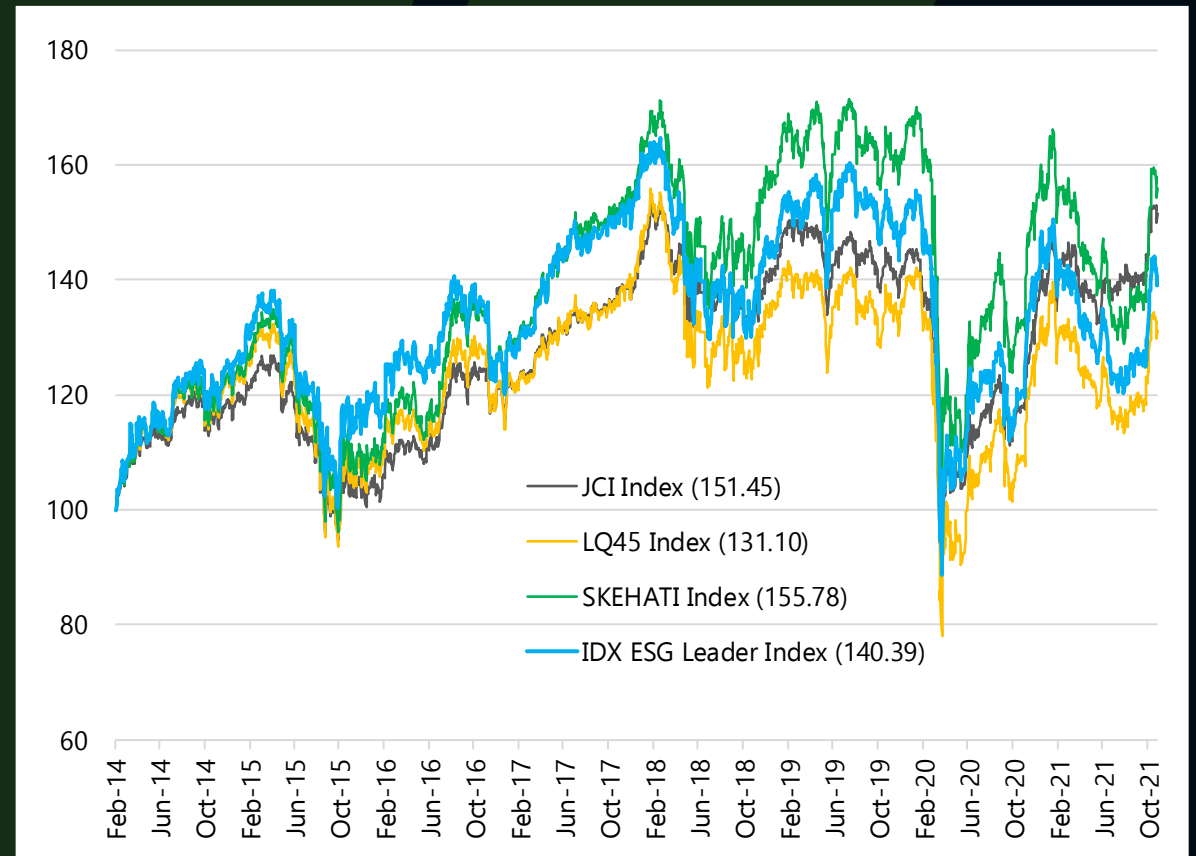
SRI-KEHATI*



*SRI-KEHATI is a jointly developed index with Indonesian Biodiversity Foundation (KEHATI Foundation).

- ESG Screening approach;
- Consist of **25 stocks** that have good performance in encouraging sustainable businesses;
- Have awareness of the environment, social, and good corporate governance; and
- Assessment and selection is done by KEHATI Foundation.

Index growth



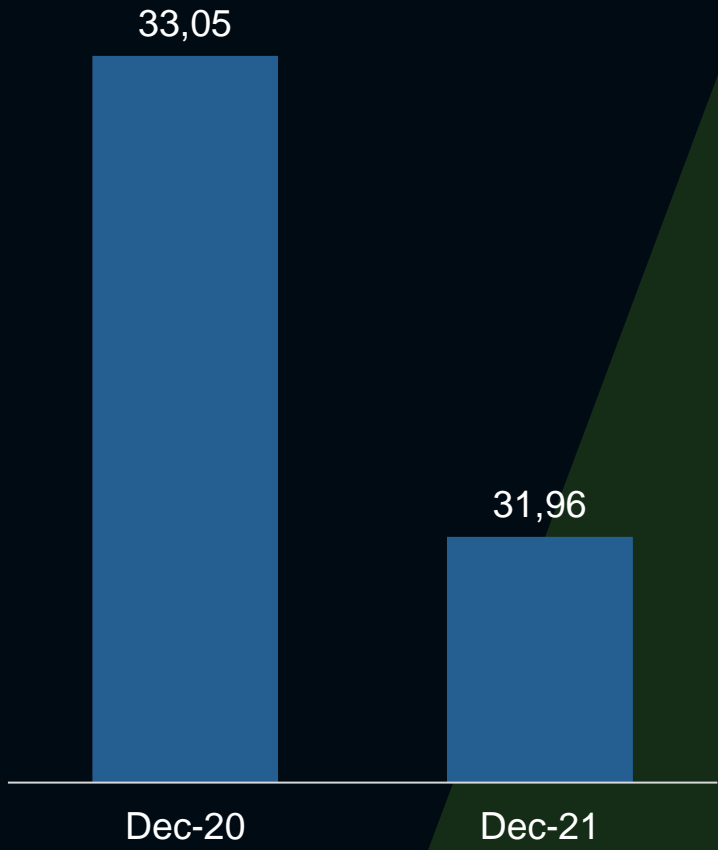
Source: IDX, Bloomberg

ESG Risk Rating Improvement

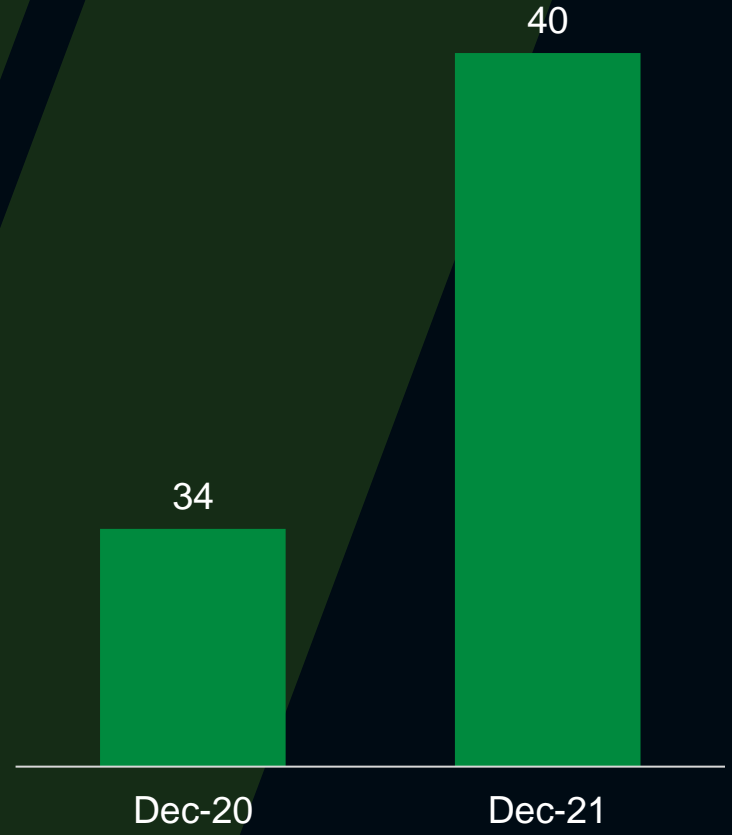
ESG Leaders



Average ESG Risk Rating
IDX80's Constituent



Number of Company in IDX80's Constituent
With ESG Risk Rating 0-30
(Negligible – Medium Risk)



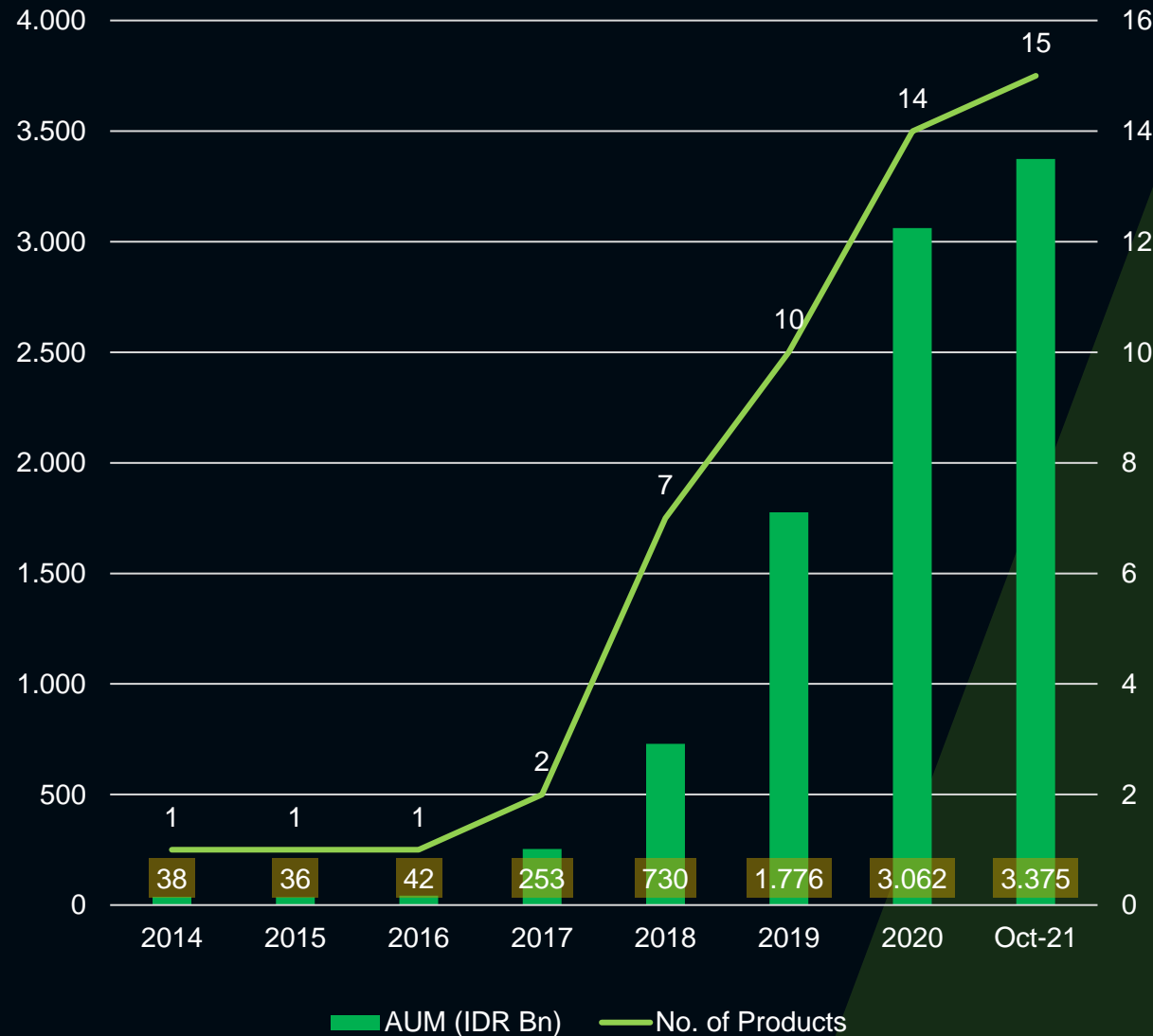
Scale of ESG Risk Rating

- Severe
40
- High
30-40
- Medium
20-30
- Low
10-20
- Negligible
0-10

Note :
the smaller number of the ESG Risk Rating,
it represents better ESG performance of the company

ESG Investment Trend : Increasing Demands in ESG Related Domestic Funds

as of November 2021



| No. | ESG Related Index Fund and ETF | AUM (IDR billion) |
|-----|---|----------------------|
| 1. | Reksa Dana Indeks Panin Sri Kehati | 724.8 |
| 2. | REKSA DANA INDEKS BNI AM ETF MSCI ESG LEADERS INDONESIA | 653.7 |
| 3. | REKSA DANA PREMIER ETF SRI KEHATI | 431.4 |
| 4. | Reksa Dana Indeks Simas Sri Kehati | 367.2 |
| 5. | REKSA DANA INDEKS BATAVIA SRI KEHATI ETF | 362.8 |
| 6. | REKSA DANA INDEKS INSIGHT SRI KEHATI LIKUID I SRI LIKUID | 307.8 |
| 7. | Reksa Dana Indeks BNP Paribas Sri Kehati | 254.9 |
| 8. | Reksa Dana Indeks RHB SRI KEHATI Index Fund | 220.7 |
| 9. | REKSA DANA INDEKS PREMIER ETF FTSE INDONESIA ESG | 16.4 |
| 10. | REKSA DANA INDEKS STAR ETF SRI KEHATI | 10.3 |
| 11. | REKSA DANA INDEKS SAM ETF SRI KEHATI | 10.0 |
| 12. | REKSA DANA INDEKS DANAREKSA ETF MSCI INDONESIA ESG SCREENED | 7.3 |
| 13. | REKSA DANA INDEKS AURORA ETF FTSE INDONESIA ESG | 4.3 |
| 14. | REKSA DANA INDEKS SYAILENDRA ETF MSCI INDONESIA ESG UNIVERSAL INDEX | 1.8 |
| 15. | Reksa Dana Indeks Ayers Asia Asset Management Equity Index Sri Kehati | 1.1 |

Sumber: reksadana.ojk.go.id, diolah

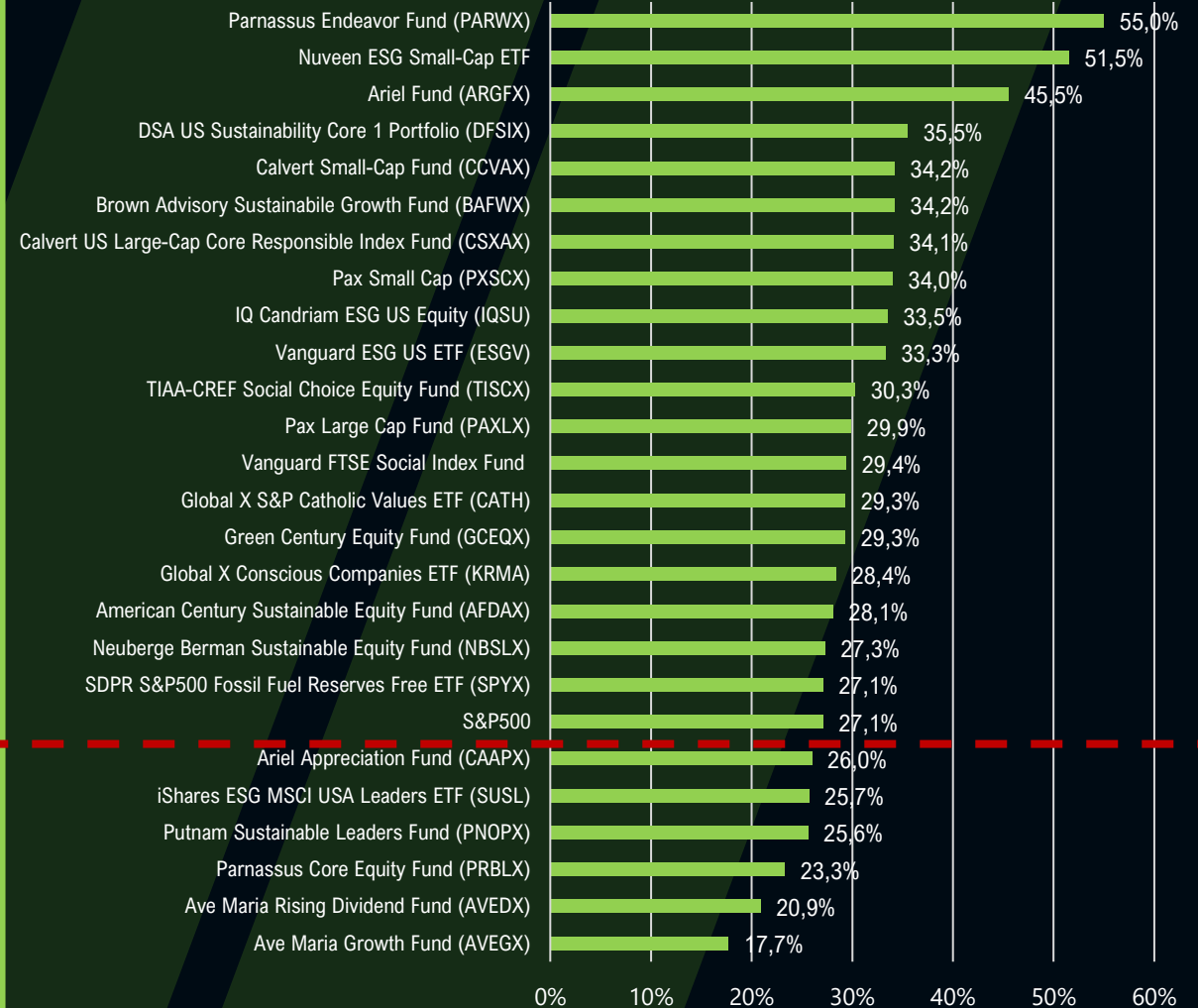
Providing resiliency amid pandemic uncertainty

US ESG Funds Outperformed S&P500 in 2020

19 out of 26 US ESG ETFs and mutual funds with \geq USD 250 million in AUM **outperformed** the S&P500 in 2020, increasing between 27.3% and 55% while the S&P500 only rose 27.1%.

This has led to the **rapid shift of investor capital towards ESG-focused funds**, due to the belief that they are more **resilient** in the face of crisis and better for **long-term value creation**.

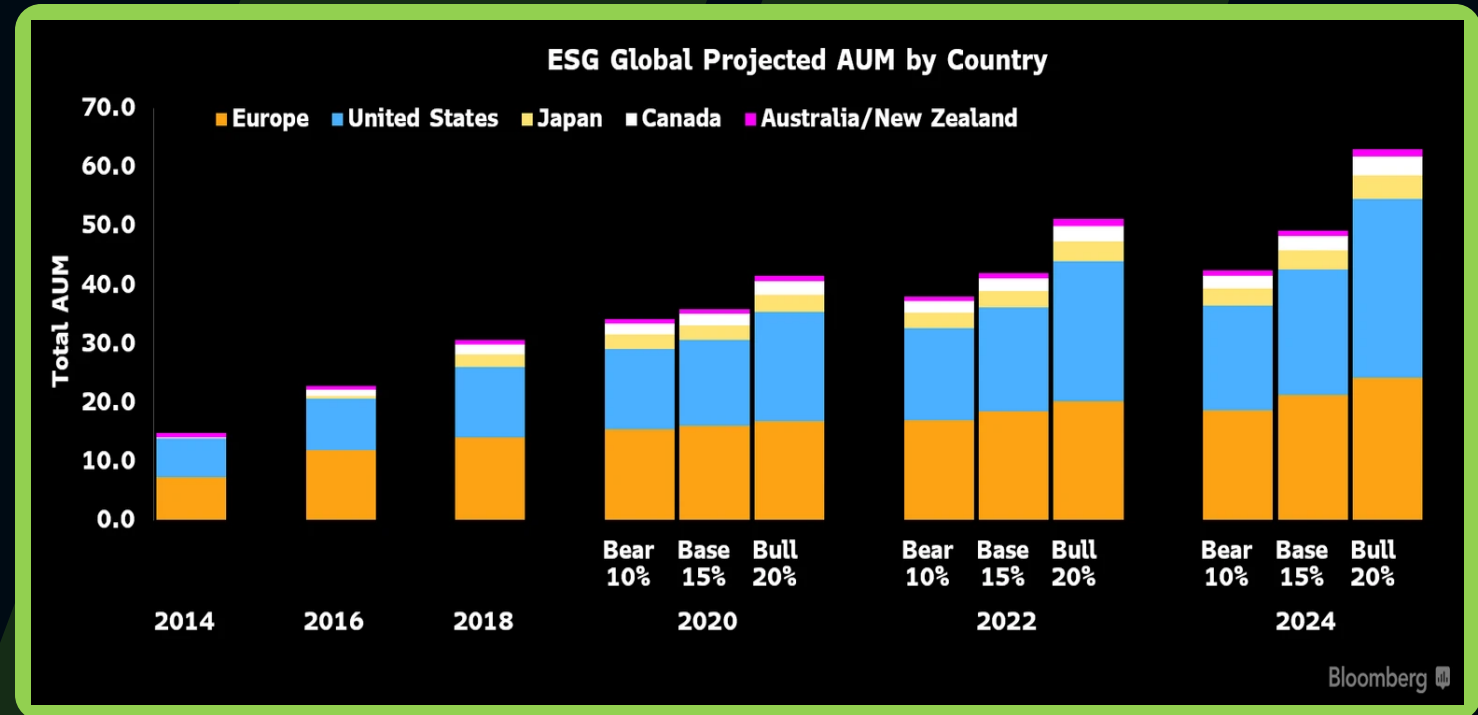
Increase in Market Performance (%), 2020



Investor Appetite Towards ESG Investments

Global Increase in Demands for ESG Funds

1. In 2020, global sustainable investment reached **USD 35.3 trillion** in the five major markets for ESG investments, marking a 15% increase in the past two years.
2. According to Bloomberg, ESG AUM are on track to **exceed USD 53 trillion by 2025**, representing more than a third of the projected USD 140.5 trillion AUM globally.
3. The US is likely to overtake Europe in ESG AUM by 2022, with Asia (particularly Japan) predicted to bring the next wave of growth.



Sustainability Report Study 2020 (Nov 2021)

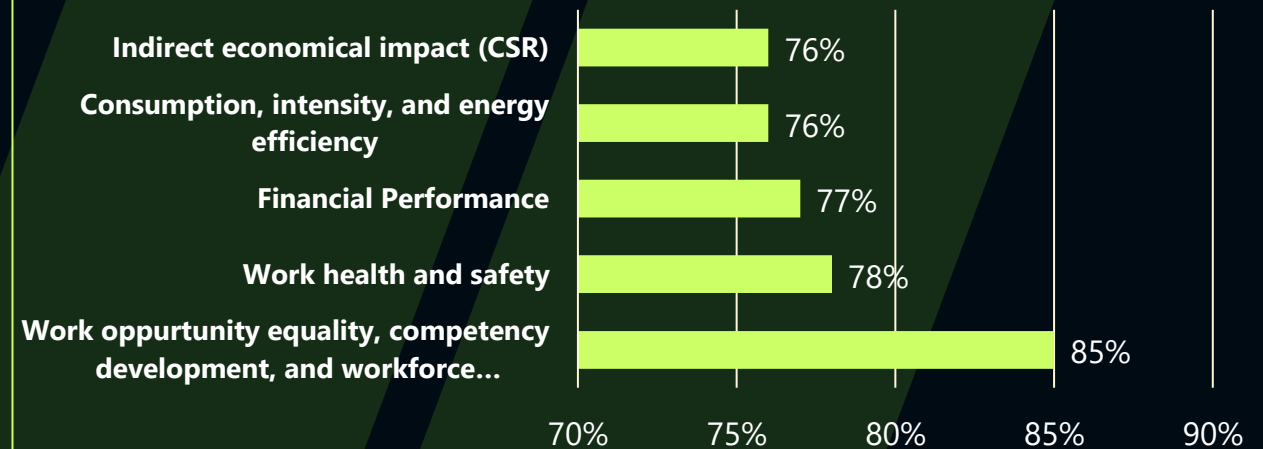
Foundation For International Human Rights Reporting Standards (FIHRRST)

Based on Study conducted by FIHRRST, following are top rating result of SR 2020 report submitted by the public companies:

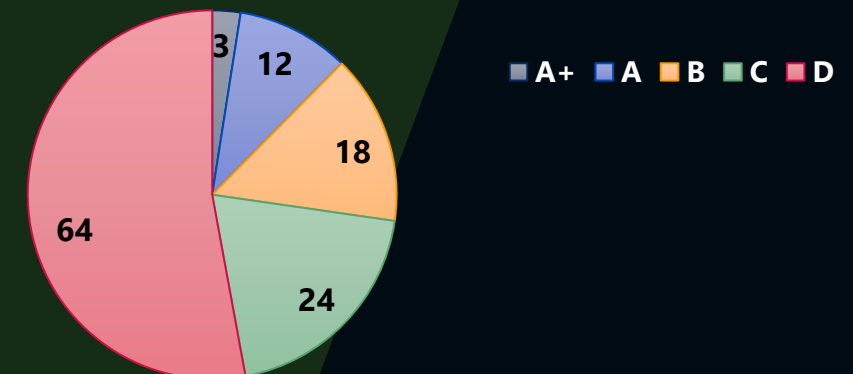
| No | Company | Rating |
|----|--|--------|
| 1 | PT Bank Central Asia Tbk (XIDX:BBCA) | A+ |
| 2 | PT Bumi Resources Tbk (XIDX:BUMI) | A+ |
| 3 | PT Unilever Indonesia Tbk (XIDX:UNVR) | A+ |
| 4 | PT Aneka Tambang Tbk (XIDX:ANTM) | A |
| 5 | PT Bank BTPN Tbk (XIDX:BTPN) | A |
| 6 | CIMB Islamic Corporate Deposit 1 | A |
| 7 | PT Bank Mandiri (Persero) Tbk (XIDX:BMRI) | A |
| 8 | PT Bank Negara Indonesia (Persero) Tbk (XIDX:BBNI) | A |
| 9 | PT Bank Rakyat Indonesia (Persero) Tbk (XIDX:BBRI) | A |
| 10 | PT Bank Syariah Indonesia Tbk (XIDX:BRIS) | A |
| 11 | PT Bukit Asam Tbk (XIDX:PTBA) | A |
| 12 | PT Indo Kordsa Tbk (XIDX:BRAM) | A |
| 13 | PT Cikarang Listrindo Tbk (XIDX:POWR) | A |
| 14 | PT Indah Kiat Pulp & Paper Tbk (XIDX:INKP) | A |
| 15 | PT Vale Indonesia Tbk (XIDX:INCO) | A |

- **A+ Rating:** Companies that satisfied more than 90% of the assessment criteria.
- **A Rating:** Companies that satisfied 81-90% of the assessment criteria.
- **B Rating:** Companies that satisfied 71-80% of the assessment criteria.
- **C Rating:** Companies that satisfied 61-70% of the assessment criteria.
- **D Rating:** Companies that satisfied below 60% of the assessment criteria.

Most topic covered by SR 2020



Number of Companies by SR 2020 Rating Result



The Potential Benefits of ESG (SR) Reporting for Indonesia Capital Market

1. **Increase GCG Implementation**

The implementation of ESG or Sustainability Reporting is expected to increase compliance, risk management, and GCG in the listed companies, so that the supervisory process from stakeholders becomes easier and promote investor confidence to invest in the Indonesian Capital Market.

2. **Increase Companies' value (Short – Long Term)**

By integrating ESG aspects with corporate strategy and business decision making, the Company will increase its value in the long-run and will help companies obtain acknowledgment and recognition in advocating sustainable development.

3. **Increase Investor Demand**

By increasing the quality of information from Companies which applied ESG aspects, will help the investment decision-making process by the investors.

4. **Increase Market Performance**

The more confident the investors, the more likelihood they will invests in capital market which eventually increase capital market transaction value, IHSG's performance, and market development on aggregate level.

5. **Increase Economy Performance**

Listed companies' increase in performance will positively boost to the development of capital market in Indonesia, which eventually give positive contribution to the development of Indonesia's economy.

6. **Contribute to Support Sustainable Finance in Indonesia**

Capital market which incorporating to ESG aspects will further assure sustainability of its financial performance.

End of This Document

Contact us:
listing@idx.co.id

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