



Sustainable Sourcing Guideline

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WWF Indonesia & Indonesia Business Council
for Sustainable Development

Introduction



Sustainable sourcing is a terminology regarding the mechanism of procuring a product in a supply chain by emphasizing the importance of three main aspects, namely society, the environment, and profit. All of us, including producers, retailers and consumers, are encouraged to collaborate and implement the principles of sustainable consumption and production. The trend towards sustainability strongly influences the operations of industries, and it is no longer just a 'nice to have' for a company, but also a point that can add value to consumers and differentiate the company against its competitors. Therefore, companies are encouraged to take concrete actions to meet the demand and develop policies that can increasingly support the sustainability efforts. On the other hand, the active role of other parties, such as the government and consumers, is also crucial as the cost aspect arising from the efforts should be shared responsibly.

Based on the above reasons, we provide a guideline to help companies in understanding how to manage a sustainable sourcing that can easily be understood by companies. Some important aspects to keep in mind in using this guideline are the need for willpower, patience, and commitment of the company itself.

The guideline is targeted to a variety of companies; such as brand owners, hotels, restaurants, and supermarkets, the various commodities or issues are on palm oil, wood and paper, seafood, plastic, and energy - although we do understand that not all companies will use or implement them in their business. Therefore, each company can implement this guideline according to its relevance.

This guideline is a good first step for companies to support sustainability as it examines practical steps that companies can take to understand sustainable sourcing. In its design, we involved various stakeholders, including the government, eco-labeling institutions, companies, and business associations, so that this guideline is in line with the prevailing industry climate in Indonesia and can be utilized optimally.

Furthermore, this guideline is a living document which might be adjusted in the future based on the sustainability issues and trends.

Thank you and we hope this guideline is useful.

WWF-Indonesia

Our Partners

Our partners for developing this sustainable sourcing guideline are:



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What is Sustainable Sourcing?

What is Sustainable Sourcing?

Sustainable sourcing is beyond Corporate Social Responsibility (CSR). It is about transforming and elevating the way companies do business. Sustainable sourcing means making sure that the products and services being sold is an outcome of a production process that considers sustainability aspects, with the lowest environmental impact and most positive economy and social results.¹

Why Does Sustainable Sourcing Matter?

In general, business practices that do not pay attention to the principles of sustainability, can be one of the triggers for climate change. In the long run, this will result in various losses such as the uncertain (unpredictable) production cycle of raw materials, crop failure, natural disasters that hamper the distribution of goods, to the declining quality of the product on the market. On the other hand, sustainability is now a fast-growing and vitally important area of concern as sustainable sourcing is extremely visible to the consumer. Therefore, companies are encouraged to take concrete actions so that the fulfillment of needs can continue to be in line with environmental sustainability and social and economic welfare. Not only that, it is also an answer to the needs of consumers or government policies and non-governmental organizations that lead to the availability of sustainable products.

¹ UNDP Sustainable Procurement

Risk & Issues²

Companies that do not pay attention to the principles of sustainable sourcing have the following potential risks:

Internal Risks

Supply uncertainties could prevent companies from generating revenues and maintaining market share. For instance, when certain raw materials become scarcer, companies are faced with the uncertainty of whether they will have adequate raw materials needed for production in the long run. With this risk, the company may have to stop production at any time and cannot meet consumer demands. Furthermore, issues with supply continuity will later impact costs. When raw materials become scarce, it is

almost certain that the price will increase. It is possible that the production costs will be higher than the costs incurred by those who carry out sustainable practices. Cost increases will lead to a lower profit margin, which will be unfavorable for companies. Companies whose growth is tightly tied to scarce resources will find themselves at a competitive disadvantage due to rising and volatile prices that reduce their ability to forecast and compete with less resource-intensive competitors.

External Risks


High environmental impact and irresponsible business practices can reduce a company's brand value and reputation. Consumers, especially millennials, are increasingly being environmentally conscious and tend to choose products from companies that are considered responsible. Companies need to realize that they can lose consumer confidence because of a report stating that they have conducted irresponsible business practices. On the other hand, policy makers

and investors will tend to prioritize companies that can prove they have positive social impacts and can operate without damaging the environment. In addition, loss of public trust can also occur due to lack of corporate legal compliance with regulations established by the government.


² Accenture, *Circular Advantage: Innovative Business Models and Technologies to Create Value in a World without Limits to Growth* (2014)

Who is This Guideline for?


This guideline is suitable for the following business segments:




Brands




Hotels



Restaurants



Convenience
Stores



Supermarkets

What Commodities/Issues Does This Guideline Cover?

This guideline covers the following commodities/issues:



Palm Oil



Wood & Paper



Seafood

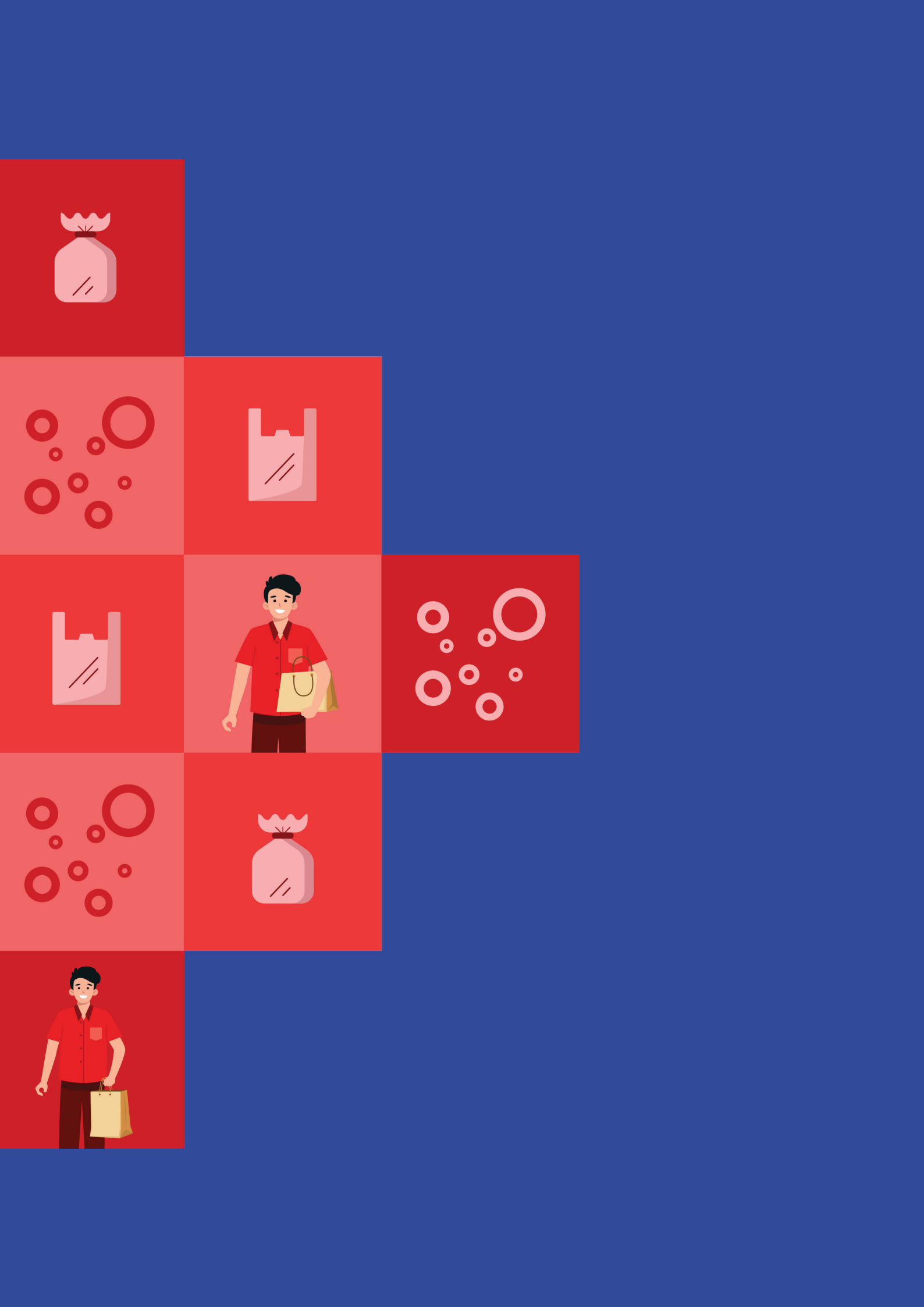


Plastic



Energy





What Impact Would Sustainable Sourcing Provide?

What Impact Would Sustainable Sourcing Provide?

Corporate/Employee Value

The majority of employees believe that sustainability is important and is part of their responsibilities.³ But often, employees do not feel that sustainability effort(s) is part of their job. To address this challenge, companies with employees who do not share sustainability value can consider top-down and peer-to-peer approaches. The top-down approach refers to the engagement of middle to lower-level employees by top management to socialize the values of sustainability, while the peer-to-peer approach refers to the appointment of a “role model” employee to set examples for their coworkers. Companies that benefit from implementing sustainability principles can make their employees feel a sense of ownership of the efforts that have been made.

Company’s real contribution to environmental protection and responsible management of natural resources will increase the economic value and social benefits for the people who help supply raw materials.

³ CB Bhattacharya, *How to Make Sustainability Every Employee’s Responsibility* (2018)

Top-Down

Companies can measure the impact of sustainability and translate it into numerical indicators to help employees understand the important aspects. Report and statistical analysis regarding the impact of sustainability should be shared with middle to lower-level employees, to give employees a sense of ownership from knowing that their actions have a positive impact for the company, environment, and social surroundings. In the long run, sustainability values will be an integral part of their own values.

Company raises awareness of employees regarding sustainability-related policies in order to cultivate a sustainability-aware culture among employees. This can be done by strong socialization of sustainability-related policies such as reducing use of plastic bags, recycling, effective and efficient use of water, minimizing paper use or implementing energy saving hours. In addition, companies can consider to include sustainability in employee’s Key Performance Indicators (KPI). These efforts are considered as the basic step before a company decides further such as implementing a corporate action plan related to sustainability.

This is a commitment that is best to be featured openly and accessible by employees, as well as by the public.

Peer-to-Peer

To achieve the same value/spirit, companies may consider determining certain employees as role models or initiators. As time elapsed, other employees may follow suit and finally, sustainability can be integrated into the workplace culture. Once such condition has been set, it is then up to each company to translate the energy into business value, such as new development for sustainable products or services. An example of this would be giving an annual award to select employees who contributed the most to sustainability matters, in which hopefully be followed by their peers to do the same. In addition, companies can also replicate successful activities or other new activities that lead to innovation by involving employees. Through employee involvement, a sense of belonging to create a sustainability culture within the company will be built.

Investor Appeal

Institutional investors interest in the environmental and social sustainability of companies are increasing due to the long-term benefits offered by sustainability. One of the guiding references is the United Nations Sustainable Development Goals 2030 Agenda (UN-SDG 2030), which aims to achieve a more sustainable future in health, education, environment, tackling poverty, gender equality, climate change, human rights, peace, and social justice. There are 193 countries partake in the efforts including Indonesia who institutionalized the framework in the Presidential Regulation No. 59 of 2017. The integration of company policies in support of SDGs agenda is important and strategic, and becomes an added value that can be considered by many parties who are currently focused on the SDGs.

In 2015, Indonesia’s Financial Services Authority (*Otoritas Jasa Keuangan* - OJK), has also put forward a bold and visionary strategy to develop a system where financial institutions to include environmental and social aspects in their risk management and where lending and investment decisions to take into account Environmental, Social, and Governance (ESG) principles. In accordance with this vision, OJK published a set of regulations on bonds for environmentally sustainable business activities under the OJK Regulation No. 60 of 2017.

OJK, together with WWF-Indonesia and 13 national banks representing 60% national portfolio, have also started an initiative called *Inisiatif Keuangan Berkelanjutan Indonesia* (IKBI – Indonesia Sustainable Finance Initiative). The IKBI platform facilitates knowledge sharing among its members on making financing for sustainability efforts more accessible and is open to all players in the non-bank financial industry, and other relevant industries. This indicates that the financial sector can move towards sustainability and other industries to follow.

References

Presidential Regulation No. 59 of 2017 concerning the Implementation of Achievement of the Sustainable Development Goals

OJK Regulation No. 60 of 2017 on the Issuance and Requirements for Environmental Based Debt Securities (Green Bond)

WWF-Indonesia Sustainable Finance

Market Appeal

Consumer Trend

As previously described, consumers are becoming more environmentally conscious. WWF-Indonesia's survey (2017) of consumers age 15-45 found that 63% consumers are willing to use or purchase sustainable products/services; 61% feel responsible for the environment; 52% feel content to have contributed to preserving the environment, but 53% have trouble finding sustainable products/services in the market.⁴ The survey shows that there is an opportunity for a sustainable products/services market in Indonesia, while presenting a challenge for companies to increase the availability of sustainable products/services as requested by consumers.

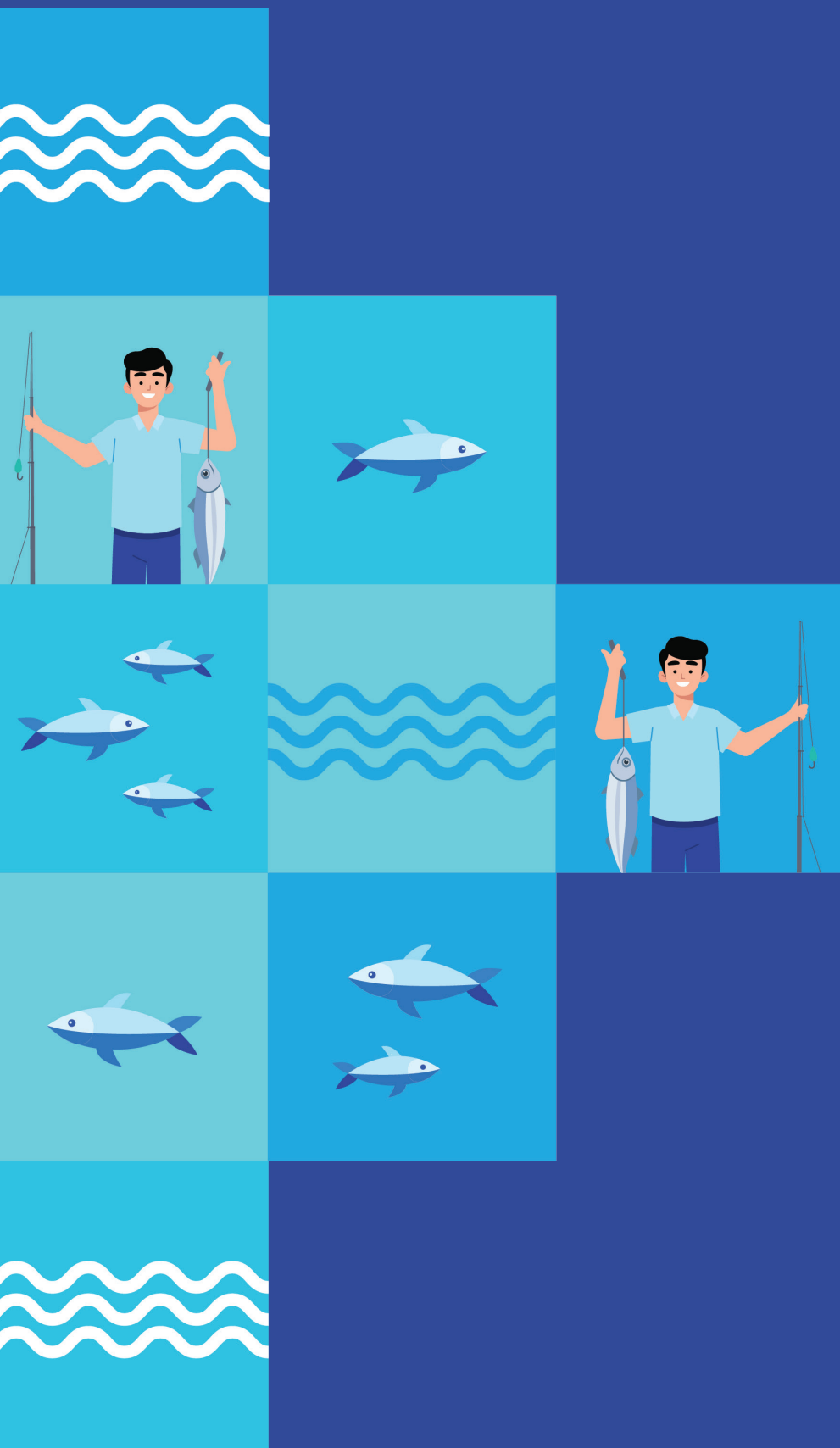


⁴ WWF, Persepsi Ritel Dan Konsumen Terhadap Konsumsi Berkelanjutan (2018)

Brand Enhancement⁵

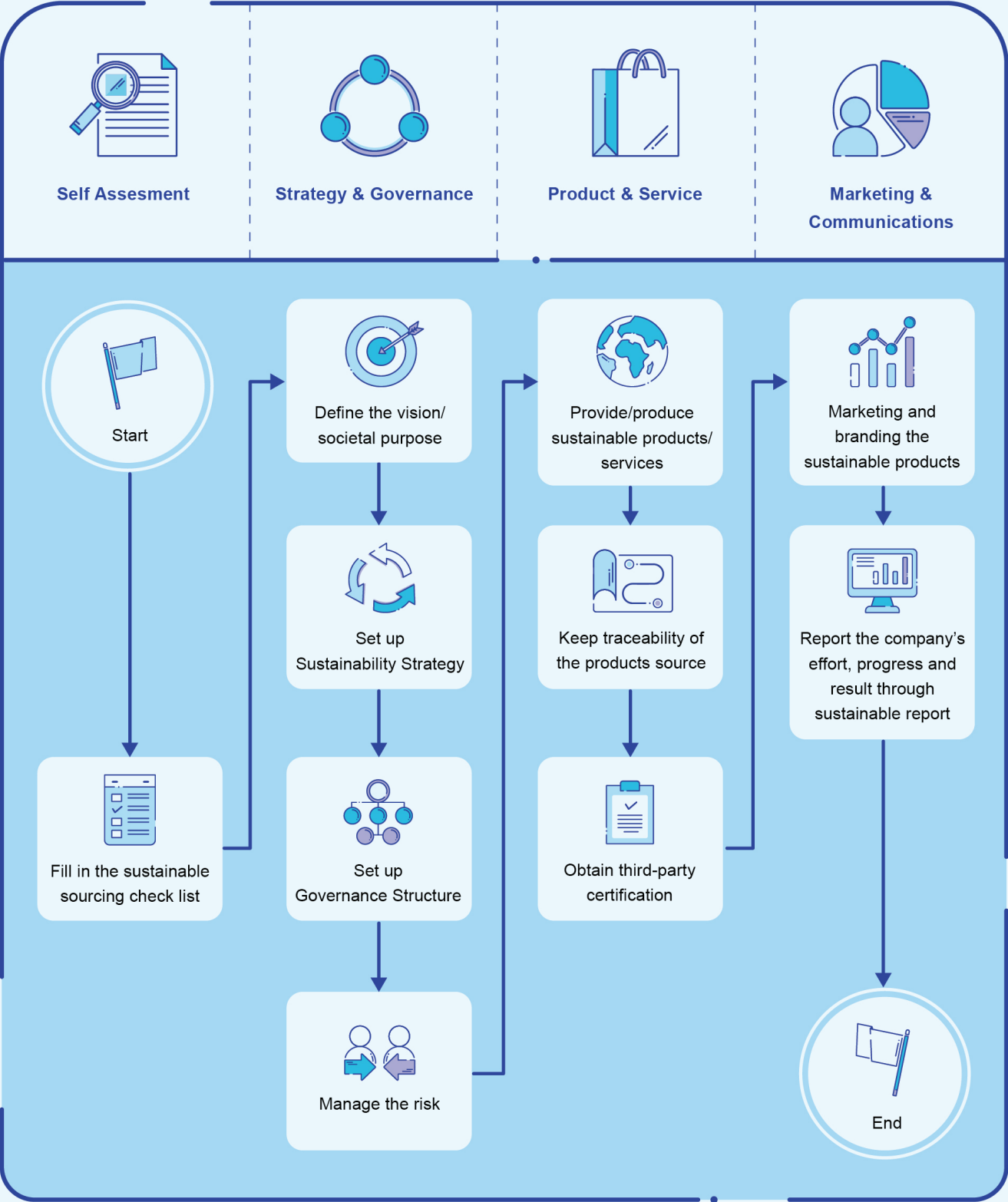
Having sustainable products and informing consumers about them provide positive publicity and secure consumer confidence of a brand or company. As responsible and sustainable business trends surface, companies that depend on unsustainable sourcing are at risk of losing market share in the long run. The image of a brand will increase, both in the eyes of consumers and business owners, when there are efforts made by the company in maintaining continuity between business needs and environmental sustainability. In addition, company branding will also be monitored as a commitment that is conveyed to the public in a transparent and accountable manner.

⁵ Accenture, Sustainability as a Critical Lever for Value Creation and Differentiation (2018)



Guideline to Sustainable Sourcing for Companies

Flowchart: Guideline to Sustainable Sourcing for Companies



Self-Assessment

Fill in the “Is My Company Sustainable Yet?” in page 82-93.

1. Strategy & Governance

To integrate the principles of sustainability, companies need to develop a comprehensive action plan of upstream to downstream practices and assign those who will be actively involved.

1.1 Vision/Societal Purpose

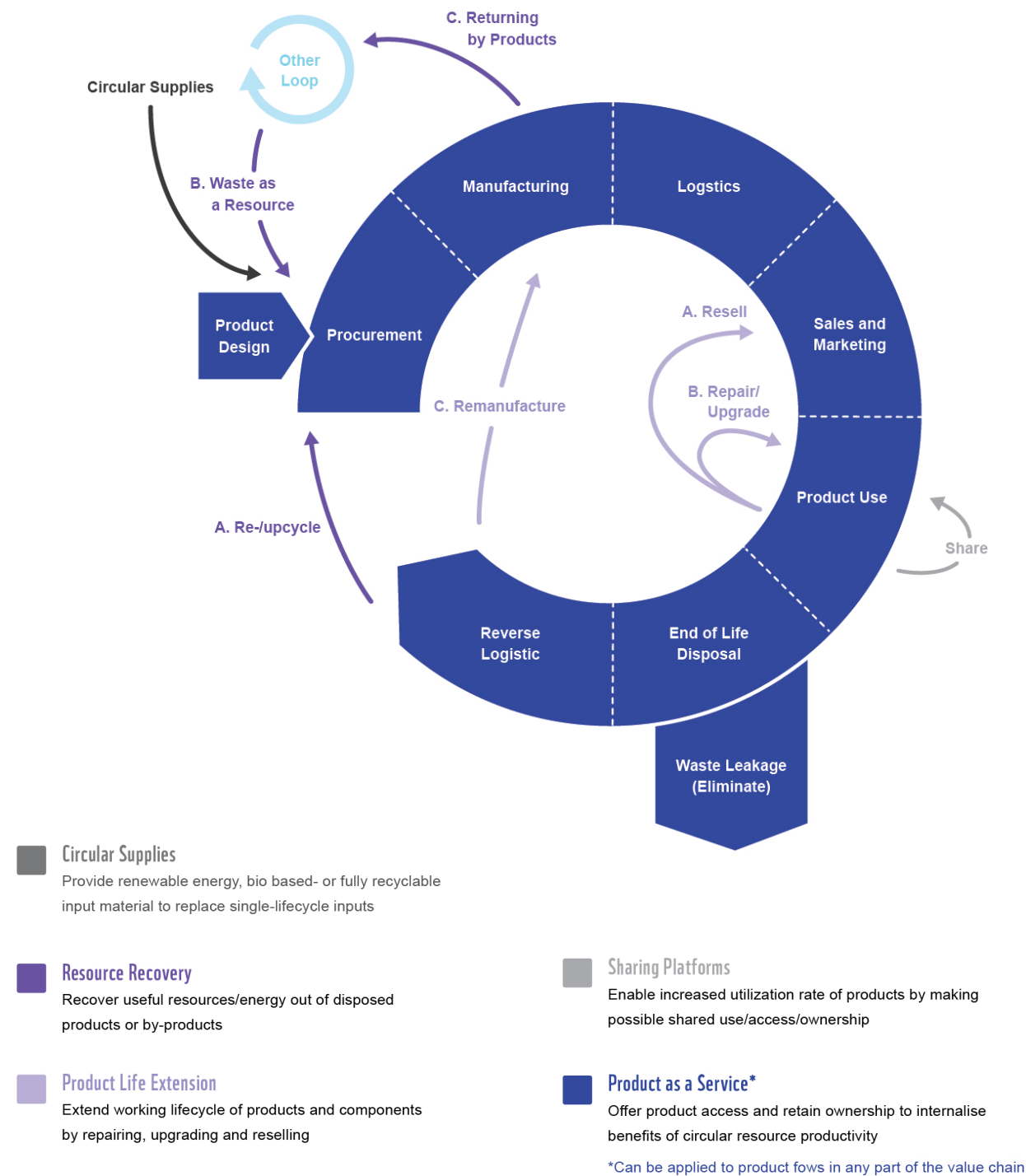
In this phase, the company should be able to define a big picture of what successful sustainable sourcing looks like and put down the company’s commitment to achieving that in writing as a commitment to reach targets. This will help identify the priority for the company and build the internal support moving forward to sustainability.

Circular Economy Business Model

When defining the big picture, take into consideration how the company can participate in the circular economy. Hand in hand with achieving sustainability, a circular economy entails gradually moving away from the consumption of finite resources and decreasing/eliminating waste out of the system. Today, the gap between resource availability and demand widens. Companies face a rapidly increasing challenge, and opportunity, to grow their businesses and create value amidst a volatile and scarce supply of natural resources and

environmental concerns, driving up prices and uncertainty. Circular economy serves as a concept to manage this challenge by encouraging economic development within natural resource limits and enabling companies to innovate to enable customers and users to do ‘more with less’. Companies seeking the advantage of circular economy will need to develop business models that are not just about doing ‘less bad’, but they are about driving positive impact ‘through growth’. There are five underlying business models that put the circular economy to work:

Business Models



Reference

Circular Advantage: Innovative Business Models and Technologies to Create Value in a World without Limits to Growth

Management Support

Similar to a captain who is commandeering a ship to reach a destination, a company needs its leadership support to achieve sustainable sourcing. Therefore, apart from determining the vision, it is also important

to obtain buy-in from the company's management to develop strategic programs. This way, the company can ensure there is a top-down support for its sustainable sourcing initiatives.

Commitment

Once a company has a clear picture of how its sustainable sourcing looks like, it is to express its commitment in writing. The commitment is the company's vision in a statement form. It can be a sentence or more but try to keep it clear and

succinct. Typically, the company can start its vision statement with "We strive to...". This is conducted to let the public know that the company is trying to implement sustainable principles in running its business.

1.2 Sustainability Strategy

Roadmap Development

The big picture and the commitment set by the company need to be explained in detail. Companies are encouraged to realistically identify sustainability targets within a certain time period in a roadmap. Each company will have different journey to sustainability.

There is no textbook timeframe on the best way to achieve sustainable sourcing. The most important thing is to start small, then moving towards a bigger goal and consistently follow the agreed format.

Industry Benchmarking

In a business industry, understanding and applying sustainability principles within a company certainly varies. It is not uncommon to find companies that do not understand the importance of sustainability while their competitors have been moving on the same issue for a long time. This can actually be used to share knowledge and work together between companies.

The next steps of learning and cooperative effort with peer companies can be engaged through:

- **Best Practice Sharing**
Industry collaboration focuses on sharing knowledge about approaches that companies have found to be

successful in their individualsourcing sustainability programs, challenges and benefits in implementing sustainable sourcing.

- **Joint Commitment**
Companies can collaborate to develop a mechanism in their joint commitment of an industry. For example, four major food delivery companies in Singapore have entered into a synchronized industry commitment to introduce supplier improvement programs for sustainable packaging material.⁶

Supplier Engagement

Developing a shared mindset about sustainability issues, to build supplier ownership of their sustainability vision, strategy and performance and to work more closely with suppliers can be considered as shared priorities. Keep in mind that a company may need to reach beyond its direct/first-tier suppliers. Even though its direct suppliers have practiced

sustainability, their suppliers (companies' sub-tier/non-direct suppliers) may not. Therefore, the company needs to identify where it stand in the supply chain, trace through its upstream supply chain and define ways to remediate with significant risk in the suppliers who are one or more links away in the sourcing.

1.3 Governance Structure

In a company, sustainable sourcing cannot be achieved by the procurement or CSR department alone, but it needs to have multi-stakeholder involvement. It requires an upstream and downstream approach throughout the supply chain, sustainability sourcing should be treated as a company-wide effort. Thus, in executing a company's sustainable sourcing agenda, it needs to create a structure of people and processes.

Below are items that need to be prepared to make it happen:

Stakeholders Mapping

A company needs to understand who the relevant parties are, both inside and outside the company, to support its efforts to create sustainable procurement. After the parties are identified, then describe their expertise and roles. This helps to ensure the company

in developing strategy and approaches to relevant parties and tailored to strategic programs. For example, the company's stakeholders may consist of:

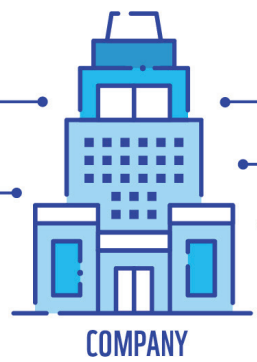
⁶ WWF, PACT (2019)

INTERNAL STAKEHOLDERS

Board of Director
Board of Commissioner

Department

Employees



COMPANY

EXTERNAL STAKEHOLDERS

Consumers

Suppliers

NGOs

Government

Internal

Board of Directors, Board of Commissioners

- The top-level executives be the final escalation point for resolving strategic-related issues.
- The top-level executives champion the project with relevant stakeholders in the company, for example in developing a team responsible for the sustainability in the company, as well in making relevant policy/vision.

Department/Division Heads

- Ensure the involvement and commitment from each department employees.
- Participate in identifying issue, risk, providing solution needed to achieve sustainable sourcing.

Employees

- Integrate sustainability into the ways of working.
- Actively support the company's sustainable sourcing initiatives by adopting environmentally-friendly lifestyle.

External

Consumers

- Voice their aspirations to companies to provide sustainable products.
- Be an agent of change by inviting friends to participate in a campaign on sustainability through social media.
- Take an active role in the use of sustainable products.

Suppliers

- Ensure the supplies provided are based on the sustainability criteria of the company.
- Become an intermediary who socialize to producers.
- Involve in sorting and separation.

NGOs

- Increase understanding and knowledge of the private sector and consumers, specifically related to sustainable sourcing.
- Become social control in the business and regulatory environment.
- Facilitate industry-wide dialogue or partnerships in industries to achieve a concerted commitment in sustainable sourcing.
- Provide assistance and understanding to other relevant parties with expertise and capacity.
- Together with other relevant parties campaigning for sustainable business practices in business management, and educating the public to use sustainable products.

Government

- Create the necessary policy or regulation to enforce companies to implement sustainability.
- Provide incentives to companies that have implemented sustainability correctly.
- Monitor and evaluate business actors.
- Together with other parties to promote sustainable practices.

Sustainability Committee

Based on the stakeholders mapping, form a specific corporate committee dedicated to sustainable sourcing and other sustainability related matters. The company’s sustainability committee will also need to obtain support from the top-level management to ensure that all internal stakeholders follow through with the commitment to sustainability.

It is important to note that the sustainability committee does need not to be a special division in the beginning of the formation, but can be meant to be a sustainability-related working group. When time comes, based on the development of a situation and condition, the company may decide that the committee becomes a new division.

Code of Conduct

Code of conduct serves as a standard or set of expectations for stakeholders in the company’s sustainable sourcing effort. There should be code of conducts for internal and external (mainly suppliers) stakeholders. This code of conduct would

be in the form of policies that govern the application of sustainability-related actions among internal and external stakeholders. Some examples of code of conduct would be for internal and external are as follows:

Internal Code of Conduct

- Promote a culture of sustainability among employees in order to recognize and continually reinforce company-wide effort to promote sustainability as a corporate value.
- Internal stakeholders to source materials for products only from certified suppliers to ensure that sourcing is done sustainably.
- Promoting the efficient and responsible use of energy, water and other resources throughout business

- activities and reducing the use of plastic and other finite sources for business in order to protect the environment.
- Engage suppliers in the implementation of code of conduct to promote sustainable use and sourcing of materials and products.
- Socialize the use of sustainable products to the public.
- Provide rewards and punishment mechanism that applies to all employees.

External Code of Conduct

- Suppliers to develop and maintain a process to identify, manage and control relevant sustainability-related risks associated with its operations.
- Suppliers to have sufficient knowledge of the raw materials or ingredients used in their product and the sources from which the ingredients of their products are extracted.
- Suppliers to comply with all relevant local and national laws and regulations in relation to sustainability practices.
- Suppliers to run business activities in a way that respects and supports the principles of human rights and other social issues.

1.4. Risk Management

Identify potential issues and risks affecting the company’s sourcing and where they might occur in the process. Select the potential risks and assess its level of importance to the business. These can include:

- Government policy
- Cost and pricing
- Demand
- Safety to consumers
- Fair labor practice

2. Product

2.1 Sustainable Products & Services

Taking account sustainability when developing products and services in the following ways:

Life Cycle

Think about the life cycle of the company's product; where it comes from, where it is used, and where it ends up. If a company can choose materials that are safe and circular, it can build a better offering for its consumers, while ensuring that the products and services it creates fit within a circular economy. Identify quick wins within the company's value chain where interventions have the greatest potential to improve the environmental and social impact of the system as a whole.

Innovation

The company's innovative power can be used to tackle various challenges in sustainability issues. The company's Research & Development (R&D) department has a vital role in developing a product through a process that has minimal negative impact as much as possible. This should consider how certain ingredients and manufacturing technologies in ensuring a product's sustainability.

Efficient Use of Sustainable Technology

In addition to the use of materials/ ingredients, the use of environment friendly technology in producing sustainable products also plays a role in product/service sustainability. Efficient use of environment friendly technology will lead to a decrease in energy consumption and emissions. Furthermore, with advances in this area, durability of products can be generated, which will contribute not only to the sustainability of the product, but potentially reduce waste.

Reference

TRACING THE SUPPLY CHAIN

- [How blockchain can enable traceability in the food industry](#)
- [Closing Loop](#)
- [Closing supply chain's 'hall of mirrors'](#)

Economies of Scale

When several companies collaborate and commit to sustainable production, new economies of scale are formed. This directly answers challenges on the high cost of basic ingredients to produce goods that cater to responsible business. Therefore, it is also important to manage relationships between companies so that a sustainable agenda can be conducted as a collective effort as an integrated business industry.

2.2 Traceability

Companies need to consider the traceability element in a product. When the company can show how the product is made, trace back the source of materials. It can mitigate the potential risk, such as avoiding illegal practice in the supply chain.

Tracking

The main element of traceability is the ability to track the product throughout the supply chain. One tool the company can utilize to do this is Chain of Custody (COC) – a chronological document train containing when, how, and by whom an item is handled. Key element of maintaining COC is rigorous documentation. A well-maintained COC can help to define responsible party within the supply chain who makes decisions or carries out procedures that can affect the integrity of the product/services. The main factor in this traceability system is strict documentation at each level.

Audit

The audit mechanism also has an important role in ensuring a sustainable supply chain, especially with regard to suppliers. The audit can be carried out in two ways as follow:

- **Scheduled**
Conduct regular evaluation on the suppliers’ operations as part of standard operating procedure (SOP).
This can be done to the first-tier supplier(s).

- **Unscheduled**
Conduct a supplier audit in which the visitation timing is random or without prior notice. This policy should be part of an agreement with the supplier(s).

2.3 Certification

Ecolabel certification given by third parties can ensure whether a product comes from sources and production processes that apply sustainable principles. This ecolabel varies, both initiated by the government and non-profit organizations. The presence of ecolabeling also makes it easier for companies to communicate to the public that their products have been verified as sustainable.

Here is an example of ecolabel certification:

Commodity	International Standard/Organization	National Standard/Organization
Palm oil	RSPO	ISPO
Pulp & Paper	FSC	SVLK
Seafood	MSC, ASC	IndoGap
Plastic	PlasticBank	Ecolabel SNI
Energy	ISO 50001:2018	ISO 50001:2018

3. Marketing & Communications

3.1 Marketing & Branding

After a company can make sure its products are sustainable or not, other important aspects are marketing and branding. These two things need to be done so that the public, especially consumers, know that a product can be produced in a way that is responsible and environmentally friendly. There are several ways to achieve this, including: placing ecolabel signs on product packaging and conducting consumer education on the meaning of the ecolabel itself. Marketing to emphasize the element of sustainability can benefit the company in the long run because it can distinguish itself in the market compared to other companies. In addition, consumers have a higher trust in the company knowing that the product purchased is the result of a responsible production.

Labelling

Ecolabels can be used as an effective tool to communicate the company’s sustainability efforts to the consumers. This is a visible indicator differentiating sustainable products from the non-sustainable ones and providing assurance to the customer that the product/ service has been sourced responsibly.

Depending on the certification standards, the company can display labels after it has been certified or have sourced from certified suppliers.

Below are examples of ecolabel criteria issued by the Indonesian Government or international ecolabel certification body;

Category	Product	Standard
Palm Oil	Sustainable Palm Oil	Minister of Agriculture Regulation No. 19 of 2015 RSPO Principles and Criteria for Sustainable Palm Oil Production
Paper	Printing paper without coating & multipurpose paper	SNI 19-7188.1.3:2016 FSC-STD-40-004a
Paper	Packaging	SNI 19-7188.1.1:2006 FSC-STD-40-004a
Wood	Furniture	SNI 7188.9:2015 FSC-STD-40-005 FSC-STD-40-004a
Plastic	Biodegradable Plastic Bag	SNI 7188.7:2016
Seafood	Sustainable seafood (Wild Catch)	MSC Fisheries Standard v2.0
Seafood	Sustainable seafood (Aquaculture)	ASC Shrimp Standard v1.1
Energy	Energy Management System	ISO 50001:2018

References

Ecolabel Criteria:

- [ISPO Audit Report Guideline and Template](#)
- [Ecolabel Criteria](#)
- [MSC Fisheries Standard and Guidance Version 2.0 Oct 2014](#)
- [ASC Shrimp Standard Version 1.1 Mar 2019](#)
- [ISO 50001:2018 Energy management systems - Requirements with guidance for use](#)
- [RSPO Principles and Criteria for Sustainable Palm Oil Production Including Indicators and Guidance Oct 2007](#)
- [FSC Product Classification Standard \(STD\) V\(2-1\) 2014](#)
- [Requirements for Sourcing FSC Controlled Wood Standard \(STD\) V\(3-1\) 2016](#)

Consumer Education

A campaign program is a tool that companies can use to educate consumers about the importance of implementing responsible consumption and production scheme. This aims to increase their understanding and awareness of sustainability issues. The positive impact of implementing the program is to attract new customers, increase sales, raise awareness, or expand market penetration of sustainable products.

WWF-Indonesia's survey on retail customers' perception found that 69% respondents would support sustainability campaign, while 88% stated a need for a guidance on implementing sustainable lifestyle. The guidance formats that the respondents were looking for are found in: public service advertisement (64%), brochure (57%), mobile application (54%), and booklet (33%).⁷ However, depending on the company's target market, it should pick the most suitable form of media to communicate the company's message. For example, if the target is youths age 15-21, the company may want to consider using social media and engage influencers who resonate with the message and target market. But what to say to the consumers about the company's sustainable-sourced product/ service?

Here are some points the company can consider in crafting its own message:

- Simply stating the fact that the company's product is sustainably sourced is not enough. Consumers' core expectations, like price point, convenience, and durability also need to be considered. Avoid forcing consumers to make trade-offs.
- Be transparent. Tell the company's journey. Inform the customers about its sustainable sourcing practices. How does it determine its sources? Where do they come from? How does it make sure they are sustainable? How does its product/service benefit the society or environment?
- Invite consumers to join the company's efforts. Encourage them to make a difference through using the company's product/service, and ask their peers to do the same.

Additionally, the company may also consider collaborating with NGOs or government to create activation programs. External parties mentioned can support the amplification of messages to be conveyed to a broader target.

⁷ WWF, *Persepsi Ritel Dan Konsumen Terhadap Konsumsi Berkelanjutan*

3.2 Reporting/Disclosures

In order to communicate sustainability-related efforts, it is important to disclose the company’s action, progress, and result report to assure the public that it takes actions based on the commitment. By creating and distributing a sustainability report and communicating how the company is managing sustainability to its consumers through the internet, both internal stakeholders and the public will know of the company’s sustainability-related efforts.

Sustainability Report

Sustainability report is soon becoming compulsory for all publicly traded companies as per OJK Regulation No. 51 of 2017. The company’s sustainability report contains its performance and achievement in its effort against its commitment.

In order for the company to be able to improve on sustainability efforts as time goes by, it is recommended that sustainability reporting is done annually, to enable year-to-year review. It is recommended that an annual

sustainability report is separated from an annual report in order to provide a more extensive reporting on the company’s sustainability efforts. Sustainability reports can also refer to several published sustainability report platforms such as CDP, AFI, SPOTT, and Palm Oil Buyer Score Card.

Apart from publishing the company’s performance and achievement, it can also consider including the following topics in the sustainability report:

Materials

List or report the percentage of materials/ ingredients present in the company’s products/services that have been certified as sustainable. The company may also include the systems of third-party verification the company uses or plans to use or describe the company’s approach to third party verification of the company’s policy.

Monitoring Engagement

Describe the company’s methodology for prioritizing, assessing, and engaging suppliers (including the sub-tiers).

External Initiatives

Provide specific examples of company involvement with industry platforms, jurisdictional approaches, NGO collaborations, strengthening certification schemes, and government engagement. List all regions in which the company is supporting jurisdiction-level or supply-shed sustainability approaches in partnership with local governments and/ or peer companies.

Website

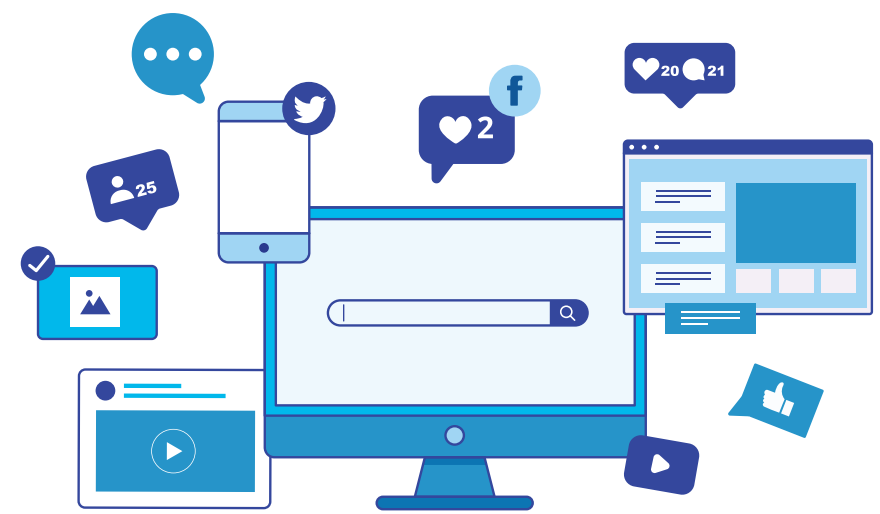
Other than creating a sustainability report, the company may also consider creating a web page dedicated to its sustainability effort on its company website. This way, consumers can easily access information about the

company’s sustainability action, progress, and result. The website may also feature a more user-friendly design and succinct information compared to sustainability reports.

Social Media

Link the company’s report from its social media to the corporate website and ensure there is an integrated messaging on how the company is managing sustainability. As social media is a day-to-day information platform, it would be ideal to regularly

post sustainability-related content on the company’s social media platform for the public to see. An example of this would be documenting the company’s sustainability-related programs on company social media platform.





General Introduction

In this section, companies can find more detailed information about what steps companies can take to make their products more sustainable.

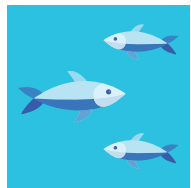
The main commodities or issues are as follows:



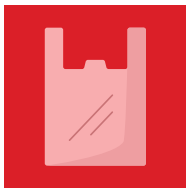
Palm Oil



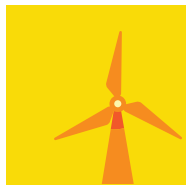
Wood & Paper



Seafood



Plastic



Energy

The steps listed in this guide illustrate that the more a company goes, it also requires a greater commitment from the company. Of course, the company will adjust to the conditions and situations it faces to determine at what level the company can begin its journey in this sustainability effort. The initial step that can be done is to look back at what types of products the company has. Afterwards, it can look at the material/ingredients that contained in the product. This can be followed up by identifying where and how the origin of the content is produced.

From this process, companies will be able to begin to understand the importance of sustainable principles and prepare to take the next concrete steps, such as starting to use raw materials that have been certified as sustainable even though with a small capacity.





Palm Oil



Palm Oil

Palm oil is the most efficient raw material for producing plant oils compared to other types of plants. However, currently palm oil is faced with negative issues where the production process is believed to be one of the causes of natural damage.

The government itself certainly does not remain silent in responding to the problem. At least, there are several regulation to answer the challenges: Presidential Instruction No. 08/2018 on palm oil moratorium; Decree of Ministry of Agriculture No. 833/2019 on the total surface area planted with oil palm in Indonesia in 2019 (16.37 million hectares); Presidential Instruction No. 06/2019 (National Action Plan for Sustainable Palm Oil Plantation 2019-2024) as the road map for Indonesia in achieving sustainable palm oil in 2024. Therefore, companies that use palm oil as raw material for their products, increasingly encouraged to ensure that the oil palm used comes from legal and sustainable sources. The latest are Presidential Regulation No. 44/2020 on ISPO (upstream and downstream) and Regulation of Minister of Agriculture No. 38/2020 regarding the implementation of sustainable palm oil certification.

The content of oil palm is actually found in a variety of products, both food and non-food. The majority of people usually associate palm oil with cooking oil, but products such as soap, shampoo and candles also contain palm oil derivatives in them.

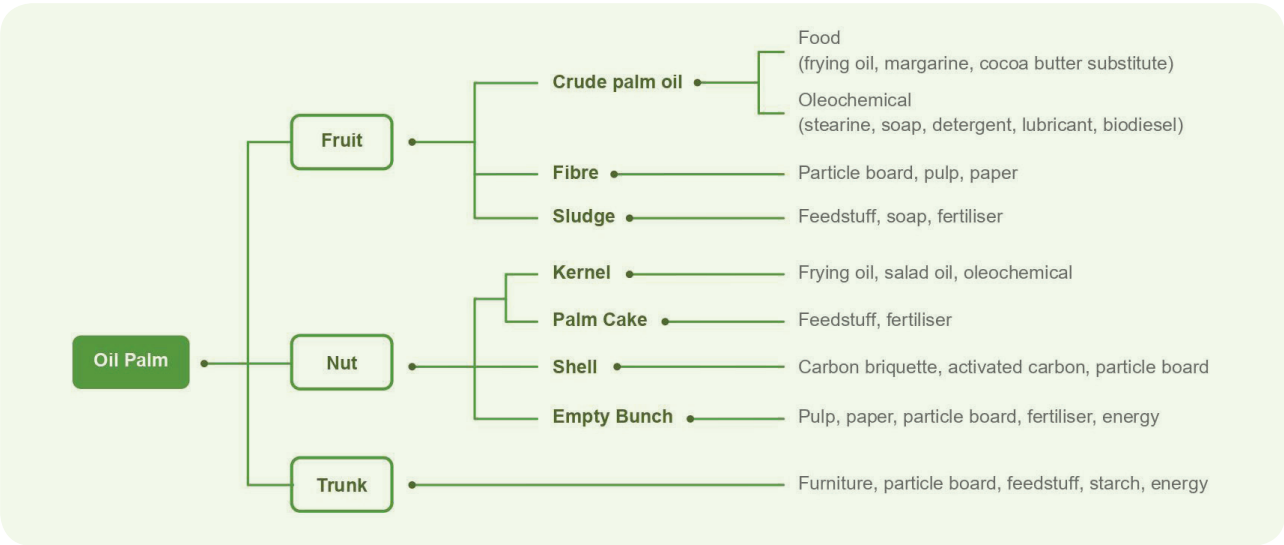
The chart below illustrates the use of palm oil in various types of products:

A Day in Your Life with Palm Oil



Source: The IUCN Oil Palm Task Force

The chart below illustrates the possible usage of palm oil and its derivatives.⁸



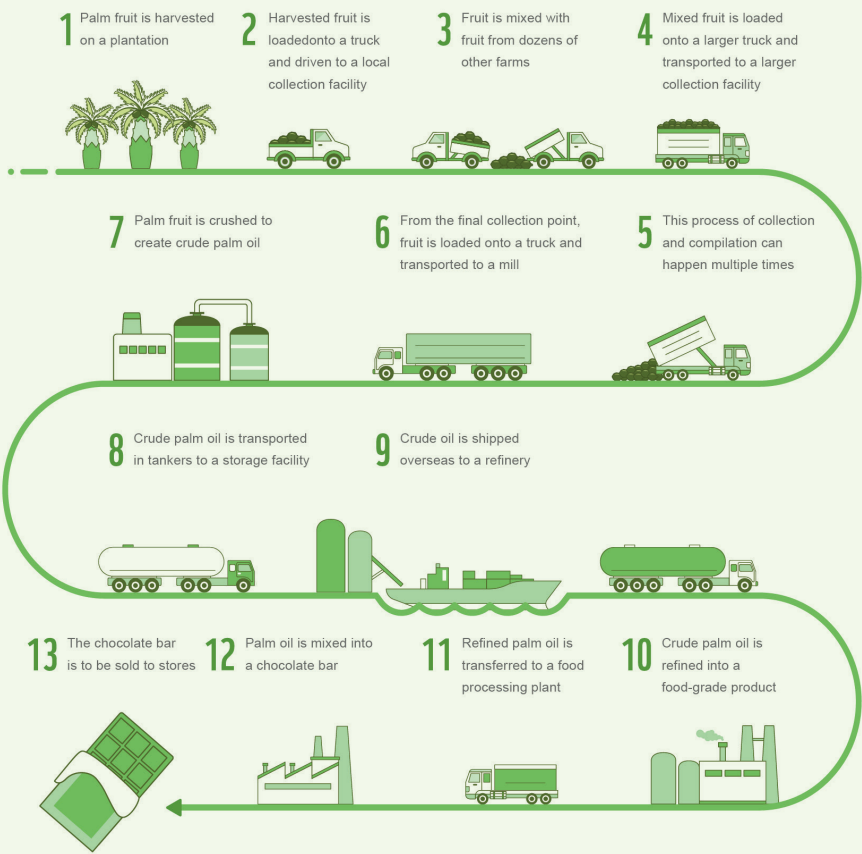
⁸T.H. Fairhurst and E. Mutert, *Introduction to Oil Palm Production* (1999)

Below are the gradual steps for companies to source sustainable palm oil:

1. Known

Companies can begin to trace the materials used primarily to identify the content of palm oil and its derivatives in its products. It is not easy, but companies can work together with suppliers to be able to get this information. Then this can be followed up by making data transparency (for example, the origin of how suppliers get their products) as part of business contracts with suppliers. Suppliers are asked to provide detailed information about the raw materials for palm oil so that companies can map their use in each of their products. Finally, the company has basic information from which raw materials containing palm oil and its derivatives originate. This can be used as an initial assumption to find out whether the company is in a supply chain that has problems or not.

The diagram below is an example of the flow of palm oil used in chocolate bar products:



2. Request for License and Commitment

After successfully identifying the content of palm oil in the products, the company can request further data and information, especially those relating to legal aspects and ongoing commitments, to its suppliers.

These things can be:

Plantation

Ensure suppliers that the raw materials that contain palm oil come from plantations that are permitted by the government. In addition, it is also important to know that the plantations are free from illegal practices, such as illegal logging, as well as conflicts with local communities. Therefore, the compliance of the parties in this supply chain with the applicable rules and regulations is crucial.

Commitment

Companies can ask their suppliers if they know and understand the commitment of No Deforestation, No Peat and No Exploitation (NDPE). At this stage, if the company already has it, it would be better if there is a socialization effort to the supplier while asking for his commitment in implementing the NDPE policy.

Both efforts are part of the company's encouragement to increase awareness on the importance of understanding the origin of palm oil products throughout the supply chain. Suppliers need to be aware that there are negative impacts resulting from illegal plantation practices for the environment and society. The company may also consider adding value to the cooperative suppliers in providing clear data completeness. As additional information, there are currently institutions that can help companies search for licenses to palm oil farmers. However, these institutions generally can only map the origin of raw materials without evaluating whether the practice is environmentally friendly or not.

3. Conduct Verification

Knowing the quality and the traceability of the palm oil is essential to ensure the sustainability of the product. In this case, the company can refer to several certification mechanisms that have been widely used. Among these is the certification of the Indonesian Sustainable Palm Oil (ISPO). ISPO certified palm oil producers can certainly meet the legality requirements and criteria set by the government at the plantation level. In addition, there are other certifications namely the Roundtable on Sustainable Palm Oil (RSPO). This certification aims to ensure practices throughout the supply chain, from crude palm oil to processed products, meet sustainable principles. To maintain the independence of each of these certifications, the verification process is carried out by a third party. Companies should also be encouraged to find palm oil vendors that have sustainability certification to ensure that the palm oil they sourced is coming from responsible sources.

4. Purchase Certified Sustainable Palm Oil

A further step to support sustainable palm oil efforts is to fully purchase certified palm oil. The certified palm oil needs to go through a dedicated supply chain and thus can be easily traced to its source. However, for the record, these suppliers/producers, even though they are already certified, still have the option to sell non-certified products. The advantage of certified products is the availability of data and information so that the product can be traced back to its source. This traceability is one of the main requirements for obtaining sustainable certification.

Meanwhile, the palm oil certification mechanism itself has various levels. This is of course to accommodate the needs and readiness of the company in its efforts to support the development of sustainable issues. The company can undergo a mechanism whereby the company invests in supporting programs that aim to advance the sustainable palm oil industry. In addition, there are also mechanisms by which companies can buy palm oil products that come from a combination of certified and non-certified supply chains. At a higher level, companies can buy products that all come from certified supply chains.

At this stage, companies are encouraged to analyze the company's ability to choose the existing certification mechanism. It can be understood that true change requires a process that is not short. Start with initial steps the company can immediately take while evaluating the resulting impact. Of course, this must be in line with the road map and targets that have been previously committed. In the end, the company will gradually be able to fully use palm oil that has been certified as sustainable.

Another challenge in carrying out this activity is that market demand is still low. At present, the majority of domestic consumers are more focused on the price of buying a product. Thus, the public also needs to be educated about the advantages possessed by products that have been certified as sustainable. In general, most consumers still think that everything that contains oil palm is not good without knowing that there is an environmentally friendly oil palm. In addition, there are no producers who show in their products that these products contain palm oil from sustainable sources, so that consumers currently do not understand which products they should support.

References

- [RSPO Education Pack](#)
- [ISPO Certification – Public Announcement](#)



Wood and Paper



Wood and Paper

If the company is currently using paper products from unknown sources, this should be mitigated. To start, the company can take a step-by-step progress to achieve its sustainable sourcing through the following categories:

1. Known

The company should know the origin of material from the product they sold.

The minimum knowledge which the company should know are;

- The location of the forest which is used as material resources. If the risk of the source forest being illegally harvested is low, knowing the location as broad as a district is sufficient, but if the risk is higher, the specific forest management unit (FMU) should be identifiable.
- Wood are not sourced from forest areas identified as high conservation value (HCV) or high carbon stock value (HCSV).
- Know the traceability and unbroken chain of custody from the company back to the forest source; accessible via silk.dephut.go.id.

- Documentation that identifies the source entity, and each intermediary in the supply chain. Preferably, the company has systems in place that periodically check the authenticity of this documentation.
- This minimum knowledge should not only be for domestic products, but also for imported products.

2. License and Legality

After knowing the information of “Known” forest source, inquire to suppliers about the basic legality of the source, e.g., permit license, official boundary map. The source of materials should be coming from, at least, forest with legal status using *Sistem Verifikasi dan Legalitas Kayu* (SVLK)/Verification System and Wood Legality. Companies should be made aware by their supplier if there are any disputes over the legality of the forest status. The forest source should not be regarded as legal, while proceedings are in progress alleging that harvesting activity is in breach of the law or regulations. This should be avoided to prevent mixing product supply. Companies can visit the official government link at silk.dephut.go.id and contact third party auditors to carry out certification assessments on suppliers.

3. Verified

At this point, a company has known an overall knowledge about the forest source and should consider a third-party verification.

The points of the company’s focus in ensuring to suppliers are as follows:

- Confirmation that the timber was legally harvested and legally traded and that all harvesting charges were duly paid.
- Traceability of the timber can be traced along an unbroken chain of custody from the company back to the forest source.
- Confirmation of the authenticity of the documentations. One of the authentic documentations needed is *Hak Penggunaan Hutan* (HPH)/Forest Concession Rights or wood products, plywood, and furniture, and or Industrial Plantation Forest (HTI) for pulp and paper.
- The company is able to minimize the potential for conflict over supply chain issues, both social, environmental and legal conflicts, and prioritize solutions that are acceptable to all parties.

4. Certified

Finally, after verification, the company may consider obtaining wood and paper products that are certified by a third party. There are various kinds of certification bodies that have been recognized internationally. A certified product means that it comes from forests that are managed in a way that is responsible both in terms of the environment, social benefits, and economic value.

Certified forest source typically has:

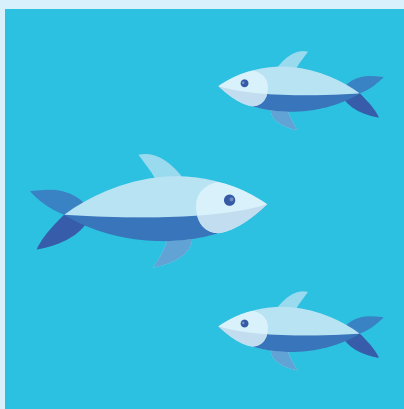
- Completed and validated permits/legality documents.
- Segregation between certified and non-certified product by clear marking.
- Segregation can be physical or temporal separation of materials.
- Identification attached to the product, such as a valid COC certificate number is printed on the relevant invoices.
- Documented procedures (manual) for all the process being conducted.

Reference
FSC CERTIFICATION REQUIREMENTS AND GUIDELINES: Policies and Standards

At this stage, the company should start to source sustainable wood and paper and have a plan to gradually increase its percentage of mix certified materials in the company's final product. Ideally, the source of material comes from 70% certified materials and 30% from verified material or recycled materials. However, the non-certified materials cannot be used to fulfill the certification standard. On the other hand, products made from recycled materials are well known to be a more environmentally friendly option which can reduce the carbon footprint and support the concept of circular economy. To use the product, the company also needs to verify that the recycled product is from a product that has been previously certified.

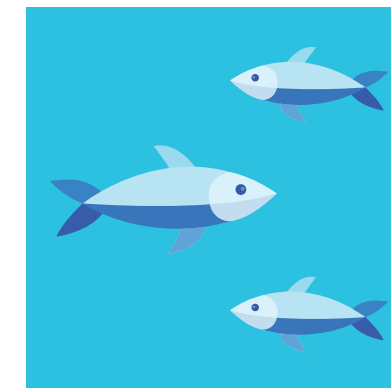
A company usually starts to use recycled products for small items such as; business cards, envelopes, and merchandise. For recycled packaging, some companies consider this option uneconomical. However, the more times the product is recycled, the lower the quality. This could be part of the company's consideration in determining which material should be used.

Reference
FSC Chain of Custody Certification



Seafood

Seafood



Seafood contributes about 54% of animal protein intake in Indonesia⁹. Seafood products are obtained in two ways: capture or aquaculture. Solely relying on wild capture methods of fishing cannot meet the rising demand. Fishing resources are finite and much of marine fish stocks are either fully exploited or overfished, in which the impact will damage the environment and the balance of the marine ecosystem. Yet with sustainable practices in the industry, these fishing resources could last longer.

Aquaculture is an alternative response to wild capture to meet the rising demand while reducing the pressure on wild capture fisheries, as wild captures have the potential to harm not only fish but also the environment. The use of nets, for example, could result in non-targeted species of fish being caught alongside the targeted species of fish, and aquaculture prevents such problems from happening. But the rapid rise in demand for farmed fish presents its own problems. When aquaculture is not properly managed, it can result in poor site management, water pollution, disruption of local ecosystems and poor working conditions. There are also issues regarding the sustainability of fish feed used in aquaculture. As the aquaculture industry grows faster, the need for sustainable seafood becomes greater.

With various challenges, the company can do the following as an effort to support sustainable fisheries:

⁹FAO, Economic Analysis of Supply and Demand for Food up to 2030 – Special Focus on Fish and Fishery Products (2014)

1. Awareness of Responsible and Sustainable Seafood

At this early stage, companies should have basic understanding on their seafood products, such as, where they source their products, what kind of seafood they sourced and how their suppliers obtained the seafood, which kind of seafood are allowed to be consumed, and wild catch or aquaculture. From this, many other things are also important to ensure. For example, if the seafood comes from wild catch, start asking a few things to the supplier such as; whether the product comes from a legal fishing area or not, what type of fishing gear is used. As for aquaculture, whether it comes from land that is intended for cultivation, how is the welfare of farmers, and waste management.

In general, fisheries practices, both capture and aquaculture, can be grouped into responsible fisheries and sustainable fisheries. The difference between the two, is suppliers that have not been certified, but they have made efforts towards certification, then their efforts can be regarded as responsible seafood in which they have started some internally initiated efforts to becoming more responsible in the future. Whereas for sustainable seafood means that the company has followed and met certain certification standards and can put certification labels into their products.

2. Purchasing Certified Seafood

Similar to other commodities, certified seafood can be purchased from certified suppliers. Certification standards specializing in sustainable seafood, such as Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC), typically provides a directory of suppliers that the company can look at. Identify the companies' supplier composition, whether the current supplier is sufficient, whether the company needs to add more suppliers or even switch to other suppliers that are more sustainable.

Afterwards, the company can achieve traceability by identifying the supplier source; asking them the source of the seafood and supporting legal documents or certifications. If suppliers cannot currently show certified products, companies are encouraged to request them. But if this cannot be fulfilled, start looking for alternative other suppliers who sell certified products.

3. Separate Certified Seafood

Segregation in sustainable fishery supply chains is one important mechanism that needs to be maintained. Companies can ask suppliers to separate, identify and prevent the mixing of certified seafood with those that do not facilitate identification. The company and subcontractors should also have measures to segregate, identify and prevent mixing between certified and non-certified seafood for easier identification. Once the company has identified the certified from the non-certified, the company can then avoid mixing both certified seafood and non-certified seafood in its supplies mix by providing separate fridge or labeling for each category. To verify the efforts that have been made previously, companies are encouraged to carry out an audit process based on certain sustainable fisheries standards conducted by the certification body. This will make it easier for companies to be able to make claims that the products sold/used come from sustainable sources.

4. Make Certified Seafood Identifiable

To make certified seafood identifiable, restaurants and hotel companies can display in their food menu on where the seafood is captured and how it is processed. This product storytelling can help increase consumer awareness of environmentally friendly seafood. As for raw seafood, supermarkets and stores may use banners or videos above their shelf storage or packaging to inform how the seafood is being sourced. This information will give insights and additional value of their products to consumers.

References
Chain of Custody Certification Guides and Directories of Marine Stewardship Council and Aquaculture Stewardship Council





Plastic

Plastic



Most of us are aware that poor plastic waste management derives negative impacts. At present, this has become a global issue that is widely discussed. Consumers and producers have begun to voice their concern over the impact caused mainly from the environmental side. However, due to its high economic value and benefits, plastic products are still widely used in daily life. Not that it means it is being ignored, but as an example, the Indonesian government through Presidential Regulation No. 83 of 2018 set a target to reduce 70 percent of marine debris by 2025, in which plastic waste is the largest percentage of marine debris. In addition, the policies of several Local Governments in Indonesia have effectively encouraged businesses to reduce and limit the supply of disposable plastics such as plastic bags and straws.

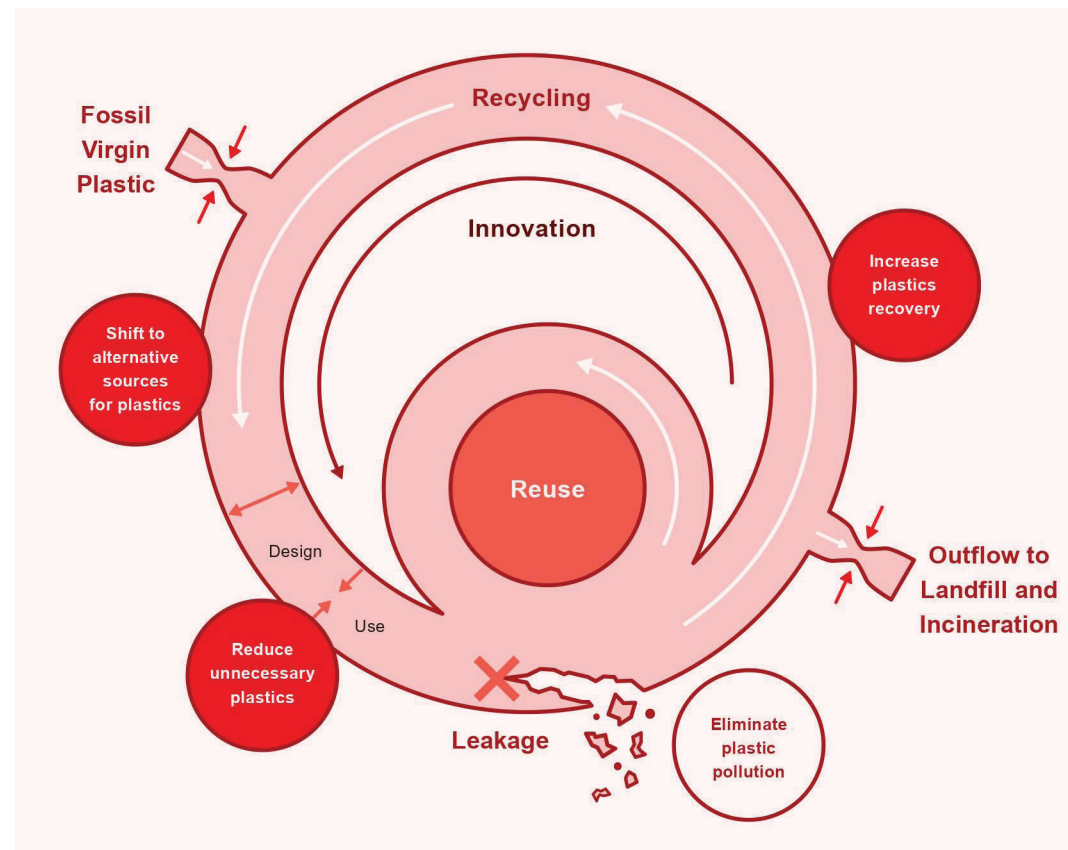
References and Further Reading

[Presidential Regulation No. 83 of 2018 on Combating Marine Debris](#)

[Bali Gubernatorial Regulation No. 97 of 2018 that enacts a ban on the use of plastic materials in Bali](#)
[Balikpapan City Regional Regulation No. 1 of 2019 on Reducing The Use of Disposable Plastic Products/Packaging](#)

One of the wise efforts in the use of plastic is to understand the circular economic approach as shown in the diagram below.

Starting at the production stage, companies are encouraged to reduce plastics that come from new plastic (virgin plastic), while switching to alternative sources other than plastic. In addition, reduce the use of unnecessary plastics such as changing product design. The next step is to ensure the reuse of existing plastic as well as to carry out the recycling process as a step to reduce the pollution of plastics that have the potential to settle in landfills.



Source: WWF PACT (Plastic ACTION)

1. Reduce the Use of Plastics

Rethink the use of plastic in the company's products. The initial step is to map any product that contains plastic raw materials. From the results of the mapping, it can be identified with several important information such as products that contain the most plastic or the type of plastic used in each product. This information is useful for determining the next steps that the company needs to take. Determine what products and types of plastics can be reduced/replaced that have the biggest positive impact.

For example, bottled water companies innovate by reducing plastic seals on bottle caps, reducing grammage on plastic bottles, and also using embossing directly on bottles in an effort to remove plastic labels on their products. Another example that companies can do such as retailers and restaurants not providing plastic bags or disposable straws. Instead, offer consumers to buy bags or straws that can be used repeatedly. To run a program like this, companies can socialize to consumers as part of education and introduce new environmentally friendly habits.

2. Preventing Plastic Waste

The main issue with plastic today is too few plastic products are recycled or reused. Therefore, there is a need to “close the loop” – increase or create the demand and uses for recycled and recovered plastics. There are two definitions of waste related to plastic products, namely post-consumer and pre-consumer¹⁰. Post-consumer, in this case, plastic waste discarded by end users has fulfilled its manufacturing goals. Whereas pre-consumer means the plastic is discarded before arriving and used by consumers who generally come from factories. Pre-consumer plastic waste can generally be used and traded among plastics producers for their uses.

At present, recycling is focusing on post-consumer plastic waste. Companies need to have a life cycle analysis for their own products whether the product can be used for other functions or can be recycled as the same product after use by consumers. Examples of steps to take by companies in recycling post-consumer plastic products:

- Inviting trash collector groups to do collaboration in the process of plastic recycling. The collaboration includes educating them on how to treat plastic trash and providing facilities for chopping the plastic. To treat the plastic trash, the groups need to know how to clean up, how to separate (label, cap, and bottle), and how to chop into granules.
- Providing a drop box for used emptied bottles and offer incentives such as discount or point rewards in retail stores or outlets.
- Plastics packaging should be recollected to be processed into granule and then used again for raw materials.
- Collaborate with small-medium enterprises to create new products from plastic such as clothes or shoes.

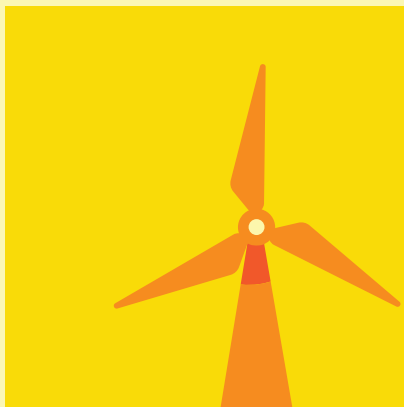
For the record, there are several companies that have already produced recycled bottles and sell in the market. Unfortunately, the selling price becomes a challenge due to the high cost of recycled production is greater than using new plastic raw materials. Collaboration between sectors is needed to meet these challenges together.

3. Plastic Product Substitution

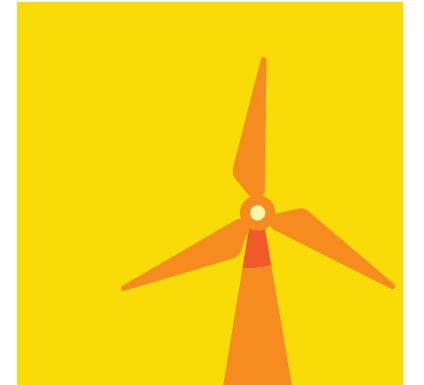
At this stage, start looking for alternative raw materials to replace plastic. Some products have begun to emerge, such as packaging bags that use plant-based materials. The product is believed to have different characteristics from plastic bags which can be degraded naturally without having a negative effect. However, it needs to be reconfirmed that the packaging bag is 100% using environmentally friendly materials. If the packaging turns out to still use some plastic material, the impact will be very dangerous for the environment because it can actually evolve into micro plastic in the future. In addition, companies can consider using paper to be used as packaging bags. Some companies, such as restaurants, have implemented this with their customers as well as their efforts to reduce plastic waste.

The handling of plastic waste cannot be done by one party alone. Stakeholders have their respective roles as an inseparable bound. One that is expected is the development or research to find alternative products whose function and economic value are close to that of plastic. Therefore, companies can collaborate with various parties to invest together to make it happen.

¹⁰ When looking for recycled content products, what do the terms "postconsumer," "pre-consumer" and "total recycled content" mean?



Energy



Energy

Based on the 2018 electricity statistics data, 84.94% of Indonesia's electricity is generated from power plants that use limited and non-renewable energy resources or is often called fossil energy, namely oil, natural gas and coal.¹¹ Power plants that use these energy resources will produce carbon emissions in the production process which will ultimately impact global warming and climate change. The Government of Indonesia has committed to reduce greenhouse gas (GHG) emissions by 2030 by 29% with its own efforts and 41% with international cooperation. The energy sector received a reduction in GHG emissions by 314-398 million tons of CO₂, or by 11%-14%. This was realized by ratifying the Paris Agreement through Law No. 16 of 2016.¹²

Reducing GHG emissions from the energy sector can be done through energy conservation efforts and also switch from fossil energy sources to renewable energy sources. This is in line with the National Energy Policy set forth in Government Regulation No. 79 of 2014 and Government Regulation No. 70 of 2009 concerning Energy Conservation, which also regulates the responsibility of employers to:

- a. Implement energy conservation in every stage of business implementation; and
- b. Use energy efficient technology; and/or
- c. Produce energy-efficient products and/or services.

¹¹ STATISTIK KETENAGALISTRIKAN 2018

¹² Data Inventory Emisi GRK Sektor Energi

Energy conservation can be done through the application of efficient technology, efficient and rational use of energy, and the application of an energy-efficient culture to ensure the availability of environmentally sound national energy.¹³ By conserving energy, the most easily felt benefits of companies are the reduction in operational costs such as electricity costs and other energy costs. However, what needs attention is that with companies doing energy conservation, companies contribute positively to efforts to prevent global warming.

To start energy conservation, companies can do the following things:

1. Known

It is very important for companies to recognize the energy consumption used which will later be used to increase management and employee awareness. Understanding in more detail the portion of energy consumption owned, will facilitate the company in the future in designing energy conservation programs that will be run.

Below is important information that companies should know:

- a. What type of energy is used?
- b. How much energy is consumed?
- c. Where does the energy source come from?
- d. What equipment uses this type of energy?

¹³ Government Regulation No. 70 of 2009

2. Energy Audit

Energy audit is the process of evaluating energy use and identifying energy saving opportunities as well as recommendations for increasing efficiency in energy users and energy source users in the context of energy conservation.¹⁴ Energy auditors can come from internal (auditors work on energy source users and energy users) or from accredited third-party institutions. Both are required to have competency certificates in accordance with statutory regulations. Based on the results of the energy audit, there will be several recommendation criteria, including:¹⁵

- a. Recommendations without investment, where implementation of the recommendations do not require a fee.
- b. Low Investment Recommendations, with the criteria of potential energy savings of up to 10% and/or investment return time of less than 2 years.
- c. Medium Investment Recommendation, with the criteria for potential energy savings between 10%-20% and/or investment payback period of 2-4 years.
- d. High Investment Recommendations, with the potential for energy savings greater than 20% and/or an investment return of more than 4 years.

3. Follow Up on the Energy Audit

The implementation of recommendations from the energy audit results must be followed up within the following time frame:

- a. Less than 1 year for Recommendations Without Investment.
- b. Less than 2 years for Low Investment Recommendations, and
- c. Less than 5 years for Medium and High Investment Recommendation.

¹⁴ Government Regulation No. 70 of 2009

¹⁵ Minister of Energy and Mineral Resources Regulation No. 14 of 2012

4. Energy Management

Government Regulation No. 70 of 2009 Article 12 regulates Energy Conservation in terms of utilization wherein the use of energy and energy sources that use energy sources ≥ 6,000 tonnes of oil equivalent (TOE)¹⁶ per year must implement energy management, among others;

- 1. Appoint an energy manager.
- 2. Develop an energy conservation program.
- 3. Carry out regular energy audits.
- 4. Carry out recommendations on energy audit results.
- 5. Reporting the implementation of energy conservation.

To support Government Regulation No. 70/2009 and Minister of Energy and Mineral Resources (ESDM) Regulation No. 14 of 2012 in energy management reporting, the government provides Online Energy Management Reporting (POME) through its website simebtke.esdm.go.id/sinergi.

ISO / SNI 50001: 2018 Energy Management System is one of the references that can be applied by companies to optimize energy management.¹⁷ The purpose of this energy management system is that the company can build the systems and processes needed to improve the company's energy performance. Within this standard there are significant energy governance requirements and information. The hope is that with this standard, companies can develop and implement energy policies, set goals, targets and action plans to manage energy well.

5. Renewable Energy Sources

Renewable Energy Sources are energy sources that are produced from sustainable energy resources if managed properly, including geothermal, wind, bioenergy, sunlight, flow and waterfall, as well as movements and differences in the temperature of the ocean lining.¹⁸ The Government has targeted an increase in the use of New Renewable Energy (NRE), so that the portion of NRE is at least 23% in 2025 and at least 31% in 2050.¹⁹ However, until May 2019, the contribution of renewable energy has only reached 13.42%.²⁰ The use of renewable energy can be optimally increased through the electricity system.

To achieve the 23% target for New Renewable Energy (NRE) by 2025, the government is implementing several strategies including:²¹

- 1. Encourage capacity building of existing Renewable Energy Power Plants (NREPP) and existing Renewable Energy & Energy Conservation (REEC) projects that are running according to the Electricity Supply Business Plan (ESBP).
- 2. Strive for the creation of the NRE market.
- 3. Increasing energy access to the public directly through national development budget funding.
- 4. Issued supporting policies to improve governance in the context of efforts to accelerate REEC projects such as ease of licensing, application of online licensing systems at the Ministry of Energy and Mineral Resources, improvement of data and information.

The role of the private sector is needed in helping the government's efforts, in which among others can be done through:

¹⁶ 6,000 TOE equals to 251,400 giga joule (GJ) or 69,780-megawatt hour (MWh)
¹⁷ ISO 50001:2018 Energy management systems

¹⁸ Minister of Energy and Mineral Resources Regulation No. 53 of 2018 concerning amendments to Minister of Energy and Mineral Resources Regulation No. 50 of 2017 concerning Utilization of Renewable Energy Sources for the Provision of Electric Power
¹⁹ Presidential Regulation No. 22 of 2017 on the National Energy General Plan
²⁰ Minister of Energy and Mineral Resources Regulation No. 50 of 2017 concerning Utilization of Renewable Energy Sources for the Provision of Electric Power
²¹ Government Strategy in Renewable Energy Development Towards National Energy Independence

Producing Own Energy

Roof Solar Power Plant (RSPP - PLTS Atap)

In September 2017, the Government launched the Million Solar Roofing Movement to accelerate the construction of rooftop solar power plants in housing, public facilities, office buildings and government commercial and industrial buildings.²² Indonesia's geographical location at the equator allows all regions to get sunshine throughout the year, besides that solar power plants are relatively more easily reached by the retail, hotel and restaurant industries.

Minister of Energy and Mineral Resources (ESDM) Regulation No. 49 of 2018 concerning the use of Roof Solar Power Generation Systems by PT PLN consumers. Solar power plant (PLTS) is the process of generating electricity using photovoltaic modules which are installed and placed on the roof, walls, or other parts of buildings owned by consumers of PT PLN. The Ministerial Regulation regulates the provisions regarding the procedure for application, development,

installation and calculation of the value of electrical energy from the roof solar power plant.

The use of this RSPP System aims to not only support the National Energy Policy targets, but also to save the company's electricity bills in the long run. The system consists of solar modules, inverters, electrical connections, safety systems, and export-import kWh meters. Where the electricity bill will be calculated from the difference between the value of kWh Import (the amount of electrical energy received by the customer installation system from the PLN network system) and the export kWh value (the amount of energy supplied from the customer's installation system to the PLN network system) after having a Certificate of Eligibility for Operations (SLO) which states an electric power installation has functioned as specified requirements and is ready to operate.

²² Gerakan Nasional Sejuta Surya Atap

Purchase A Green Product Certificate

The private sector, in this case the company, can participate to support and be involved in renewable energy initiatives such as demand for NRE which can be in the form of NRE purchases for companies that cannot/ have not produced renewable energy independently. Current Clean Energy Investment Accelerator (CEIA) facilitates the commercial and industrial sectors

in an effort to obtain renewable energy sources in the form of NRE certificates that are required by businesses to be recognized internationally have participated in the Global 100% RE movement. This movement is a global movement by multinational companies that are committed to using electricity from renewable energy sources to reach 100%.²³

Increase Knowledge about Renewable Energy

The development and progress of technology and knowledge related to renewable energy is very dynamic and fast. In some developed countries, the use of renewable energy opens market opportunities for businesses, especially in enhancing their brand image and environmental responsibility. Therefore, it is important for companies to increase knowledge through research, training/capacity building, expert assistance and joining existing renewable energy forums.

References

Energy Conservation Standards and Regulations

- [Law No. 30 of 2007 on Energy](#)
- [Government Regulation No.70 of 2009 concerning Energy Conservation](#)
- [Minister of Energy and Mineral Resources Regulation No. 14 of 2012 concerning Energy Management](#)
- [Minister of Energy and Mineral Resources Regulation No. 01 of 2013 concerning Controlling Use of Fuels](#)
- [Minister of Public Works and Housing No. 02 of 2015 about Green Buildings](#)
- [Minister of Energy and Mineral Resources Regulation No. 18 of 2014 concerning Affixing Energy Saving Sign Labels for Swabalast Lights](#)
- [Government Regulation No. 79 of 2014 on National Energy Policy](#)
- [Presidential Regulation No. 22 of 2017 on the National Energy General Plan](#)
- [Minister of Energy and Mineral Resources Regulation No. 53 of 2018 concerning amendments to Minister of Energy and Mineral Resources Regulation No. 50 of 2017 concerning Utilization of Renewable Energy Sources for the Provision of Electric Power](#)
- [Energy Management Online Reporting \(Pelaporan Online Manajemen Energi - POME\)](#)
- [Guide to using the Energy Management Online Reporting \(POME\)](#)
- [ISO/SNI 50001:2018 Energy Management System](#)
- [Green Building Council Indonesia - Greenship](#)
- [Clean Energy Investment Accelerator \(CEIA\)](#)
- [WRI Indonesia – Clean Energy Investment Accelerator](#)

²³ Artikel: Pengumuman! Urus Sertifikat Energi Baru Terbarukan Bisa di Dalam Negeri



Is My Company Sustainable Yet?

Is My Company Sustainable Yet?

Explore your company’s sustainability. Do not be afraid, this is an exercise to verify whether your company has met the actions recommended in this guide.

Checklist – Overview

Questions	Yes	No
Strategy & Governance		
• Does your company participate in activities or initiatives related to sustainable issues?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company have a formal policy regarding sustainable sourcing?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company have a dedicated team to handle sustainability issues?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company have a policy towards the sustainable sourcing practices of raw materials used?	<input type="checkbox"/>	<input type="checkbox"/>
• Is there any commitment and support from senior management to carry out sustainability initiatives in every business process? E.g., Product development, raw materials procurement etc.	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company have a strategic sustainability plan that is communicated throughout the company?	<input type="checkbox"/>	<input type="checkbox"/>
• Has your company established metrics to ensure sustainable sourcing practices?	<input type="checkbox"/>	<input type="checkbox"/>
• Are purchasing personnel educated/trained in sustainability?	<input type="checkbox"/>	<input type="checkbox"/>

Checklist – Overview

Questions	Yes	No
Products & Services		
• Does your company consider providing sustainable products and/or services?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company already have sustainable products and/services?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company record the sources of raw materials used?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company have sustainability requirements towards its suppliers?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company require suppliers to have third-party certification in meeting those requirements?	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>		
Marketing & Communications		
• Does your company promote and communicate sustainable products to consumers?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company’s marketing/sales staff communicate sustainability issues to consumers?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company publish sustainability report?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company measure its customer’s demand for environmentally responsible products and/or services?	<input type="checkbox"/>	<input type="checkbox"/>



Checklist – Palm Oil

Questions

Yes

No

Know

- Does your company identify whether there is processed palm oil and its derivatives used in its products?
- Does your company know all the sources of raw materials used in the company's products?

☐☐☐☐

Known Licensed

- If your company is a supplier, does your company know about the legality of plantations?
- If your company uses palm oil derivative products from third parties, does your company require that it only accepts from suppliers whose legality is guaranteed?
- Does your company use third-party services to investigate the licenses until from its sources (farmers)?

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Verified

- Does your company know the quality and traceability of palm oil obtained?
- Does your company ensure that oil palm and its derivatives are obtained from responsible sources and do not violate the law?
- Does your company use third-party services to verify the risk of sources that are unsustainable or contribute to land degradation?

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Checklist – Palm Oil

Questions

Yes

No

Purchase a Mix of Conventional and Certified Sustainable Palm Oil

- Does your company have a plan to gradually increase the percentage of certified palm oil in the final product?
- Does your company require suppliers/manufacturers to have sustainability certificates?
- Does your company ensure that the palm oil purchased from suppliers/producers is certified palm oil?

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Purchase Certified Sustainable Palm Oil

- Does your company have a target to buy 100% of certified palm oil within a certain period?
- Does your company give a special label to products that use certified palm oil?

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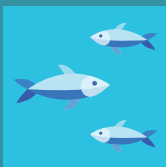


Checklist – Wood and Paper

Questions	Yes	No
Known		
• Does your company know the origin of the material resources that you purchased?	<input type="checkbox"/>	<input type="checkbox"/>
• Can you identify forest risk documentations?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company know the traceability and chain of custody until its source?	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>		
Known Licensed and Legalized		
• Does your company require documents that identify the source entity, and each intermediary in the supply chain?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company know the basic legality of suppliers such as license licenses, official harvest forest boundary maps?	<input type="checkbox"/>	<input type="checkbox"/>
• Does the source of the material obtained come from forests with legal status, for example using <i>Sistem Verifikasi dan Legalitas Kayu</i> (SVLK)/Verification System and Wood Legality?	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>		
Verified		
• Does your company use third-party services to verify the risk of sources that are unsustainable or contribute to land degradation?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company know what the steps are in the verification process?	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>		
Certified		
• Does your company consider getting certified?	<input type="checkbox"/>	<input type="checkbox"/>

Checklist – Wood and Paper

Questions	Yes	No
• If your company manufactures wood, plywood and furniture products, does your supplier have a certificate as <i>Hak Pengolahan Hutan</i> (HPH)/Forest Processing Rights and or if your company produces pulp and paper, does your supplier have a certificate as <i>Hutan Tanaman Industri</i> (HTI)/Industrial Forest?	<input type="checkbox"/>	<input type="checkbox"/>
• If your company uses wood products, plywood and furniture and or if your company uses pulp and paper, does your supplier have certificates?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company promote the use of paper from certified sources?	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>		
A Mix of Certified Product and/or Recycled Materials with Non-certified Product		
• Does your company have a plan to use a mixed source?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company gradually want to increase the usage ratio of certified recycling sources?	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>		
Recycled Materials		
• Does your company control the use of recycled content in purchased materials?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company produce products made from 100% recycled materials?	<input type="checkbox"/>	<input type="checkbox"/>
• If yes, has the traceability of the recycled material been verified by third parties?	<input type="checkbox"/>	<input type="checkbox"/>



Checklist – Seafood

Questions

Yes

No

Awareness of Responsible Seafood

- If your company gets products from wild catches, do you know what fish species can be caught or not, and what types of fishing gear are used?
- If your company gets products from aquaculture, do you know how these products are cultivated?

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Including Certified Seafood in the Stock Mix

- Does your company have a plan to gradually require buying only from certified suppliers?
- Has your company identified the composition of certified suppliers, whether current suppliers have met the target or need to add more suppliers?

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Separating Certified Seafood from Non-certified

- Has your company made efforts to separate, identify and prevent the mixing of certified and non-certified seafood?
- Does your company provide special coolers or labeling separately for each product category?

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Listing the Source and Amount of Seafood that has been Certified

- Does your company have a special team or system to list the source and number of certified products in the entire inventory?

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Checklist – Seafood

Questions

Yes

No

- Has your company used the data as material for the publication of sustainable procurement practices through the media as a promotional tool?

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Certified Seafood Identified

- If your company sells raw seafood, has there been an effort to inform how the seafood is obtained?
- If your company serves cooked seafood, is it already showing on the food menu how the seafood is caught and processed?
- Does your company promote and communicate sustainable products to consumers?

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Checklist – Plastic

Questions

Yes

No

Reducing Unnecessary Plastic Products

- Do marketing employees promote steps to reduce, reuse, recycle and sustainability for the packaging? ☐
- Has your company made efforts to eliminate the use of plastic in its products or in its packaging? ☐
- If so, in what form? ☐
(.....)
- Are there existing regulations in your area that govern / limit the use and supply of disposable plastics? ☐

Increasing Plastic Recovery

- If your company has pre-consumer waste, is there an attempt to reuse it? ☐
- Does your company look for opportunities to sell or exchange its waste material (pre-consumer waste) with other companies that can use it in their production process? ☐
- If your company sells plastic packaging, has your company taken the initiative to collect post-consumer waste? ☐
- If so, in what form? ☐
(.....)
- Are there any incentives from your company so that consumers bring their own place to buy your company's products? ☐

Checklist – Plastic

Questions

Yes

No

Shifting to Alternative Source for Plastic Products

- Does your company have an effort to develop new products or new packaging that comes from alternative sources? ☐
- If so, in what form? ☐
(.....)
- If your company has used other alternative sources of plastic, does your company notify consumers? ☐
- If so, in what form? ☐
(.....)



Checklist – Energy

Questions

Yes

No

Known

- Does your company know information about the type of energy used so far and where does the energy source come from?
- Does your company know how much consumption per type of energy for each month and what equipment consumes that energy?

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Energy Audit

- Does your company have a plan for conducting an energy audit?
- If your company has already conducted an energy audit, what kind of audit recommendations were produced?
 - Without Investment Recommendation
 - Low Investment Recommendation
 - Middle Investment Recommendation
 - High Investment Recommendation

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Checklist – Energy

Questions

Yes

No

Following-up Energy Audit Results

- Has your company implemented recommendations from previous energy audits?

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Energy Management

- Does your company have a team that is responsible for the energy management system?
- Does your company have an energy conservation program and report on energy conservation implementation?

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The Use of Renewable Energy

- Does your company have a target to produce and / or use energy from renewable sources in the future?
- If so, what kind of renewable energy will be produced/used?
(.....)
(Target power generated.....)

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