



# Strategic CSR and Sustainable Business: IBCSD / WBCSD Perspective



World Business Council for  
Sustainable Development



**KADIN INDONESIA**

6 December 2011  
AmCham, EUCham, KADIN Dialogue  
Jakarta



# Overview

## Themes:

- **Strategic CSR implementation**
- Trends in Reporting

## Topics:

- **WBCSD introduction**
- **Indonesian Business Council for Sustainable Development**
- **Why engage in CSR - philanthropy or self-interest?**
- **Smart business - turning challenges to opportunity**
- **Sustainable business - Strategic CSR**



# World Business Council for Sustainable Development (WBCSD)

The World Business Council for Sustainable Development (WBCSD) is a global CEO-led coalition of 200 international companies, from 35 countries and 22 sectors, with a shared commitment to sustainable development.

Collectively, members represent an estimated:

- 15 million employees
- 7 USD trillion annual revenues
- 5 USD trillion market capitalization

(Source: Observatoire de la Finance, Geneva, December 2009)

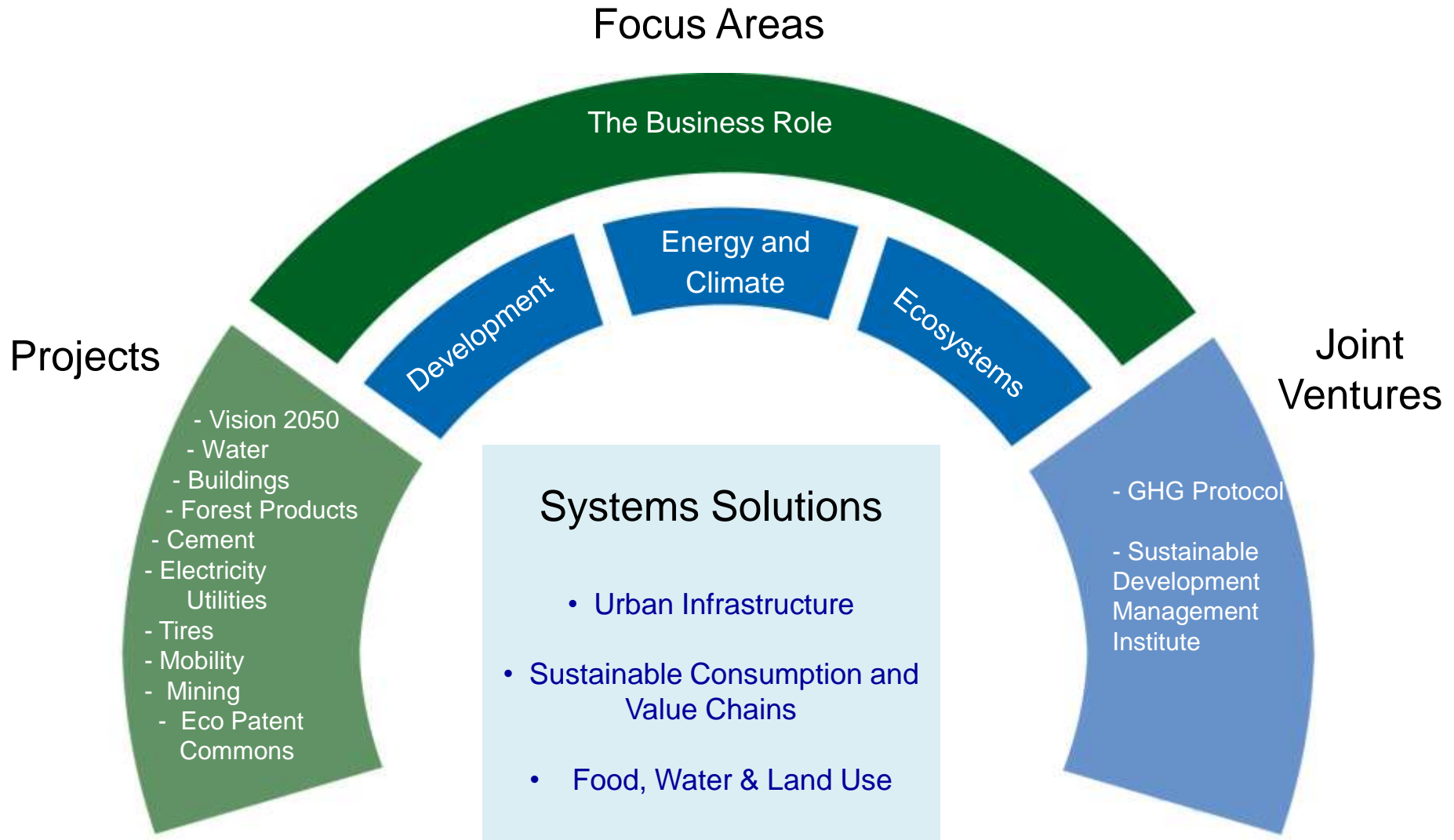
# BCSD Mission



- Provide business leadership as a catalyst for change toward sustainable development
- Support the business license to operate, innovate and grow
- Sustainable Business?
  - Long term business vision
  - Smart risk management
  - New markets and innovation
  - Responsive to trends
  - Balanced social and environmental



# WBCSD Activities





# Indonesian Business Council for Sustainable Development (IBCSD)

- Founding of IBCSD reflects 4 years effort between KADIN & WBCSD
- Process initiated at Business Day in Bali, COP XIII UNFCCC, 2007
- Launched April 2011, open to new members from November 2011

**Bakrie Telecom**  
**Bank Negara Indonesia**  
**APRIL**  
**Garuda Indonesia**  
**Holcim Indonesia**  
**Medco Power**



The Honourable:  
Minister of Industry  
Minister of Environment  
Chairman of DNPI  
Chairman of KADIN

*"IBCSD will be a resource for business to share experience and opportunities for increasing sustainability of their operations. It will also play an advisory role to government and reach out to entrepreneurs developing new green technologies,"* KADIN Chairman, Mr Sulisto.



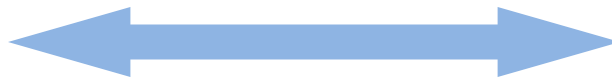


# Balancing Advocacy and Action Gaining Trust for the Business Role

- Advocate **the business case** for sustainability  
*Influencing the debate and public policy*
- Bring **a collective business voice**  
*“We can punch above our weight”*
- Provide **a radar for emerging trends and issues**  
*Helps companies spot risks and opportunities*
- Deliver **learning by doing and by sharing**  
*Allows companies to learn from each other*

**ADVOCACY**

Influencing



**ACTION**

Implementing





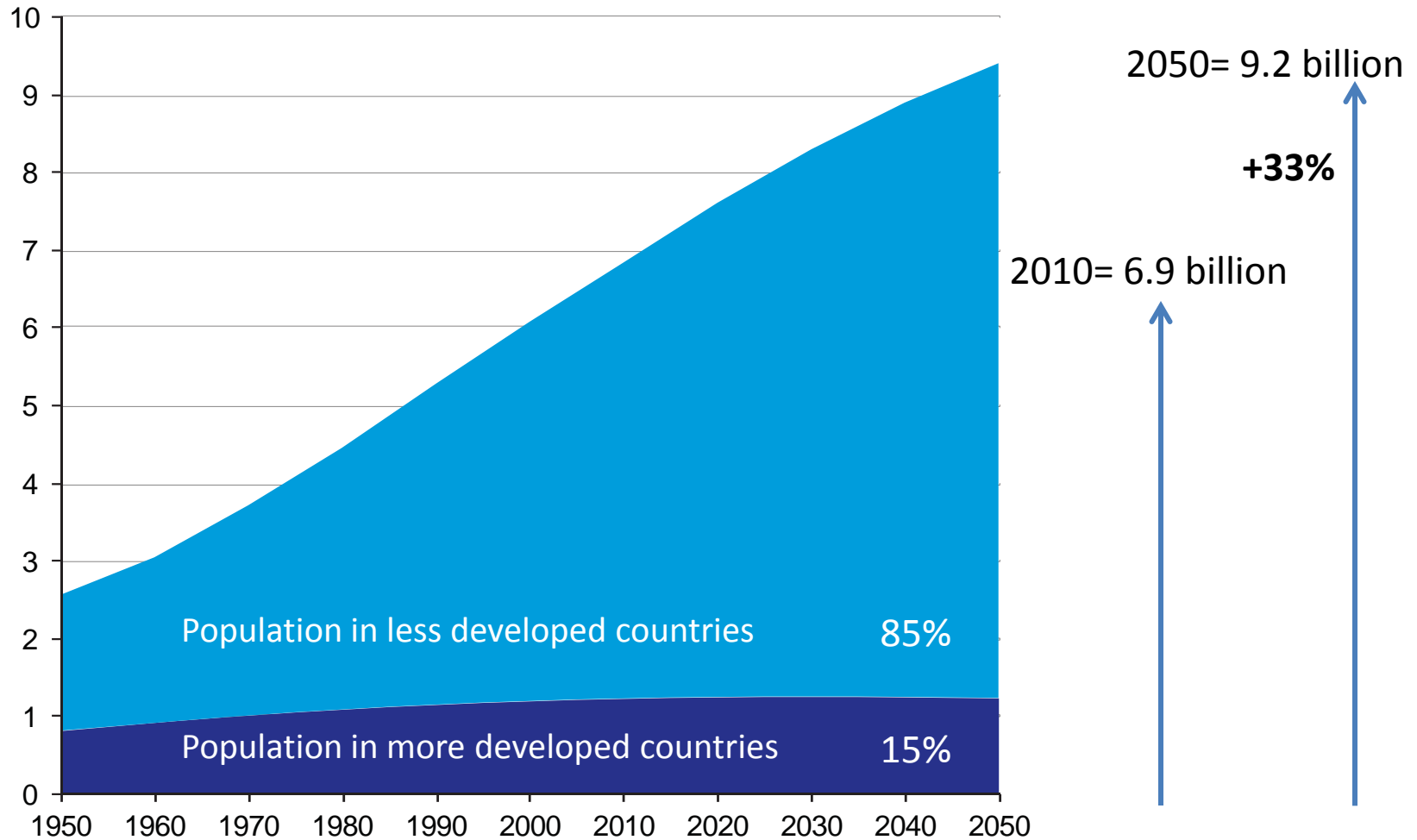
# WBCSD Lessons Learned

- What is the Business role?
  - Generating profit, now and in the future
- Why should business engage in CSR?
  - Philanthropy or self-preservation
- Business cannot succeed in societies that fail
- Society cannot succeed without business solutions to major challenges ahead



# Future Society: A growth story

**World population (in Billions): 1950-2050**



Source: United Nations Population Division, World Population Prospects: The 2006 Revision.



# Development: The poverty challenge

## **Income poverty:**

- Over 2 billion people live on less than \$2/day

## **Energy poverty:**

- 1.6 billion people today without access to electricity

## **Mobility poverty:**

- 900 million people without access to transport

## **Water poverty:**

- 1.8 million deaths per year due to lack of sanitation, poor hygiene and unsafe drinking water.

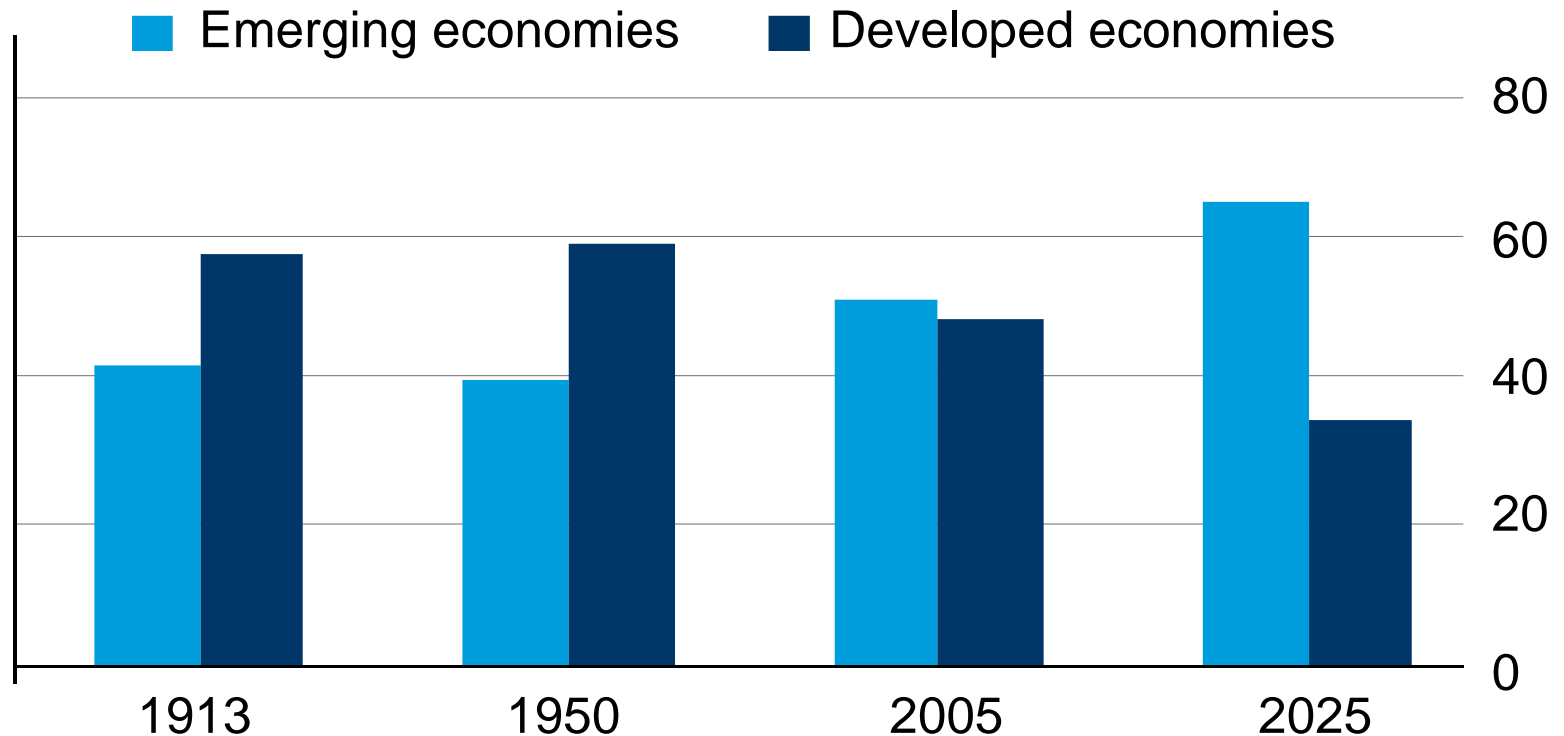




# Shifting Fortunes

## % Share of GDP

\* At purchasing-power parity



Source: Angus Maddison, OECD, IMF  
From The Economist print edition.  
"Wrestling for influence," July 3rd 2008.

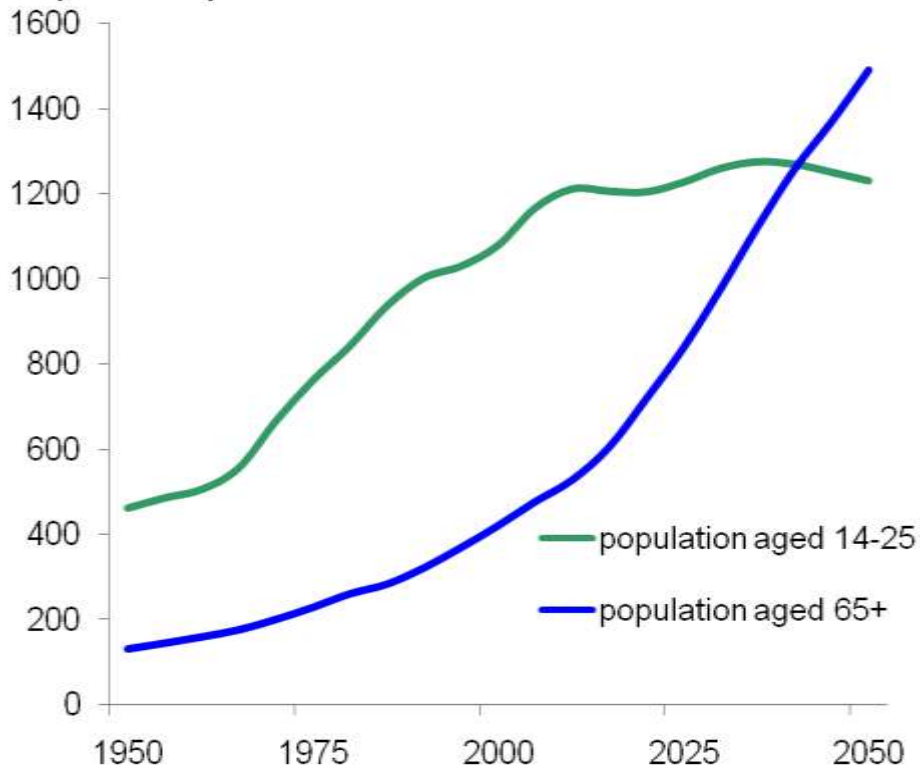
**Emerging economies > 50% of global GDP and trend will continue**



# Shifting Demographics

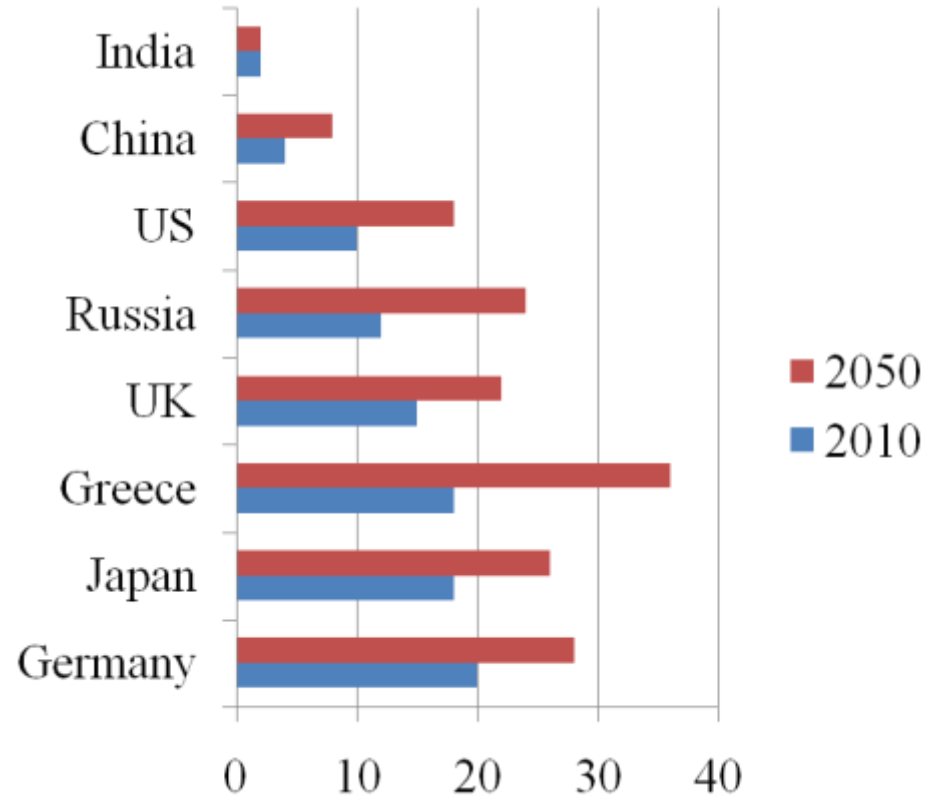
## A largely aging world

World population by age (millions)



Source: UN population prospects, 2008

## The cost of growing old



Age-related spending (as % of GDP in selected countries)

Source: Standard and Poor's 2010



# A World with Limits

- A *resource* constrained world
  - Oil
  - Food
  - Water
  - Rare earth minerals
- A *pollution* constrained world
  - Carbon concentration in the atmosphere will grow

## Consequences

- Competition for resources
- Pressure on how to “share the pain” in reducing CO2 emissions
- Environment will become economic development & trade issue





# Future Winners

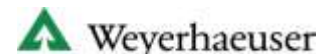
- Future winning companies are those that anticipate the trends
- Turn challenge to opportunity
- Solution providers
  
- Go beyond philanthropic CSR
- Have a sustainable business model, that can operate in a resource constrained world



# WBCSD's Vision 2050

## Vision 2050:

A platform for dialogue about the role of business in a resource & carbon constrained world.



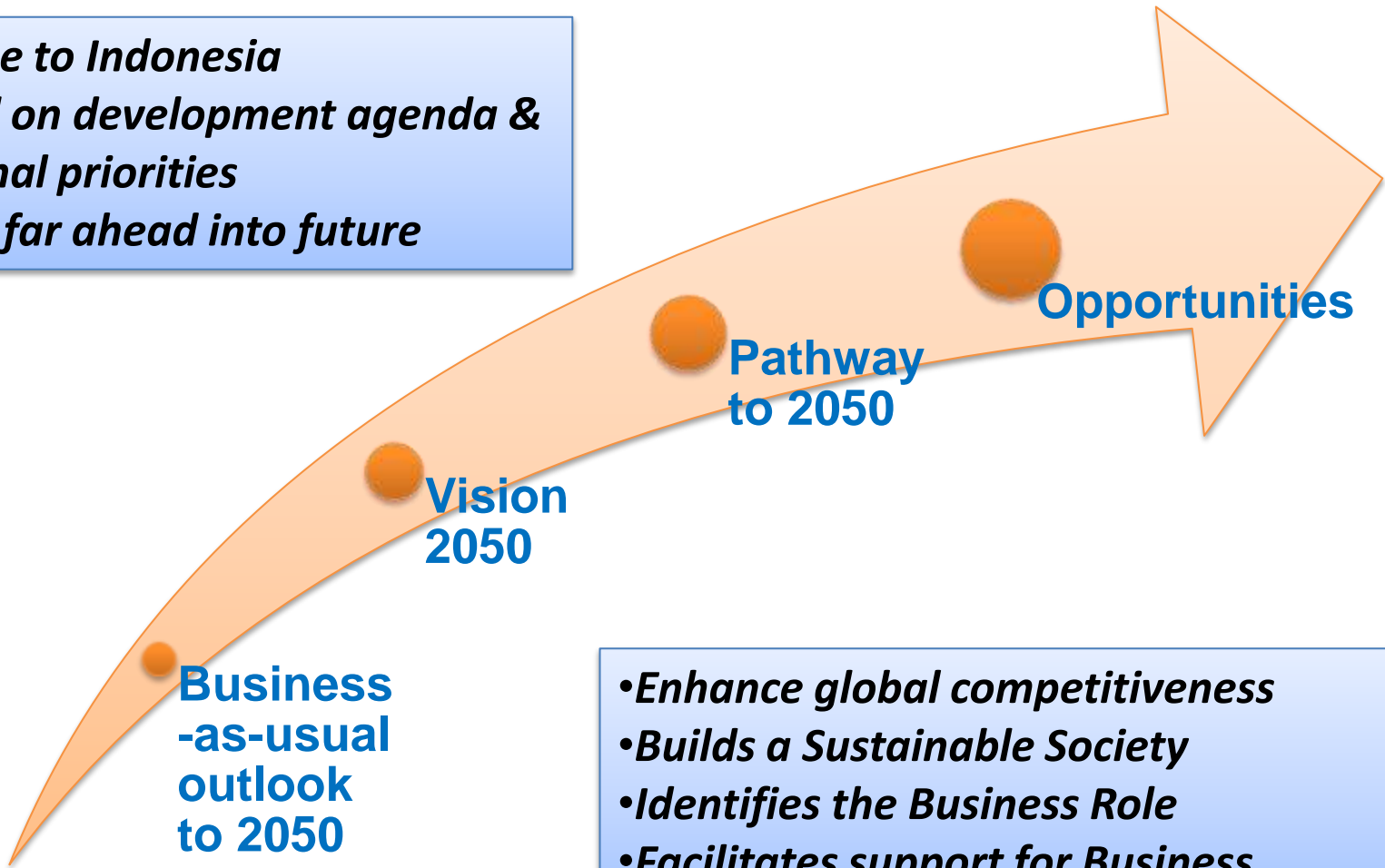
# Towards an Indonesian Vision 2050

- **Priority project of IBCSD in 2012**
  - Develop a business-led Vision for a sustainable Indonesia
  - A platform for business to contribute to ensuring the 2050 population can live well, within the resource constraints of the nation



# Towards an Indonesian Vision 2050

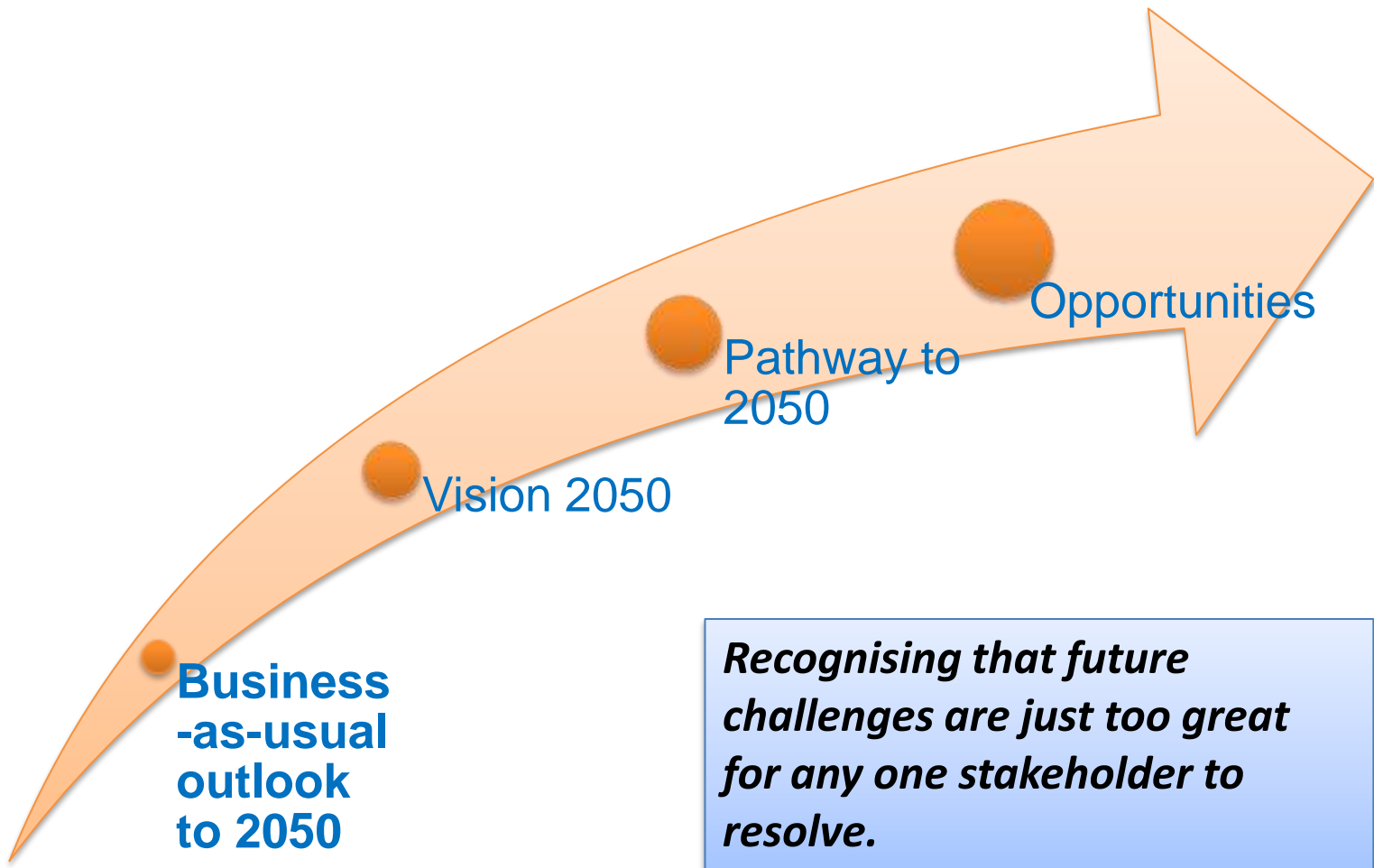
- *Unique to Indonesia*
- *Based on development agenda & national priorities*
- *Looks far ahead into future*



- *Enhance global competitiveness*
- *Builds a Sustainable Society*
- *Identifies the Business Role*
- *Facilitates support for Business*



# Understanding the Business-As-Usual Trends – Outlook to 2050

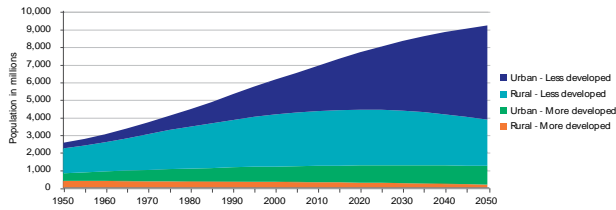


# Trends Ahead: Business-As-Usual



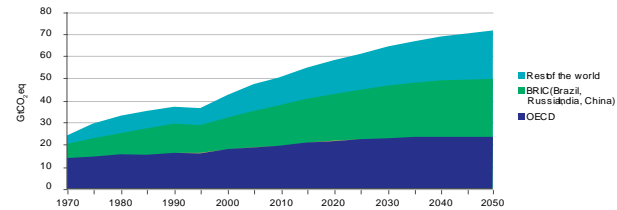
## The world population is increasingly urban

Global population by type of area and by region – 1950-2050



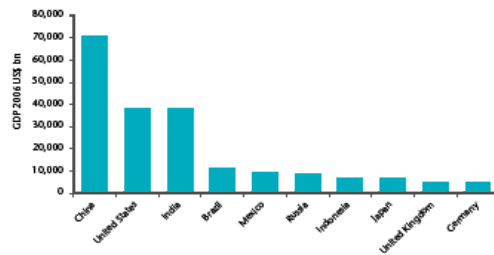
## Greenhouse gas emissions keep rising

GHG emissions by regions



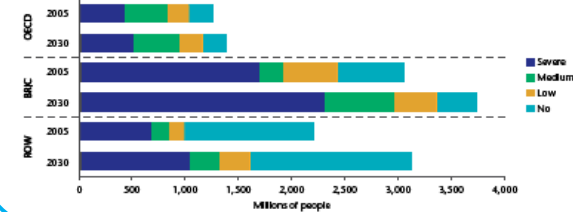
## Global economic power is shifting

Top 10 economies by GDP in 2050



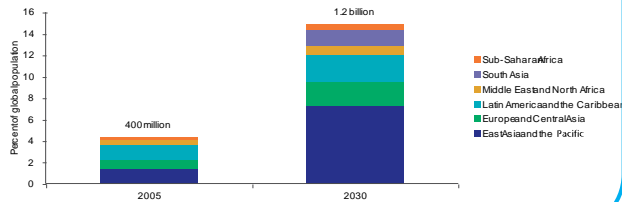
## Environmental degradation jeopardizes people's quality of life

People living in areas of water stress by level of stress



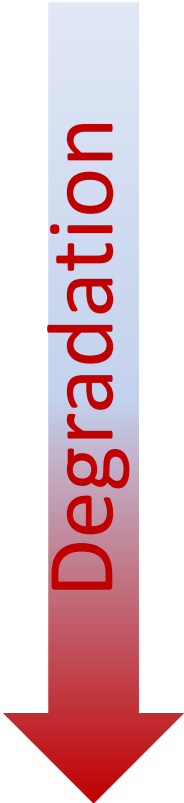
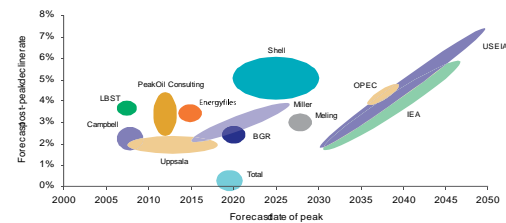
## The global middle class is rapidly expanding

Population in low- and middle-income countries earning US\$ 4,000-17,000 per capita (purchasing power parity)

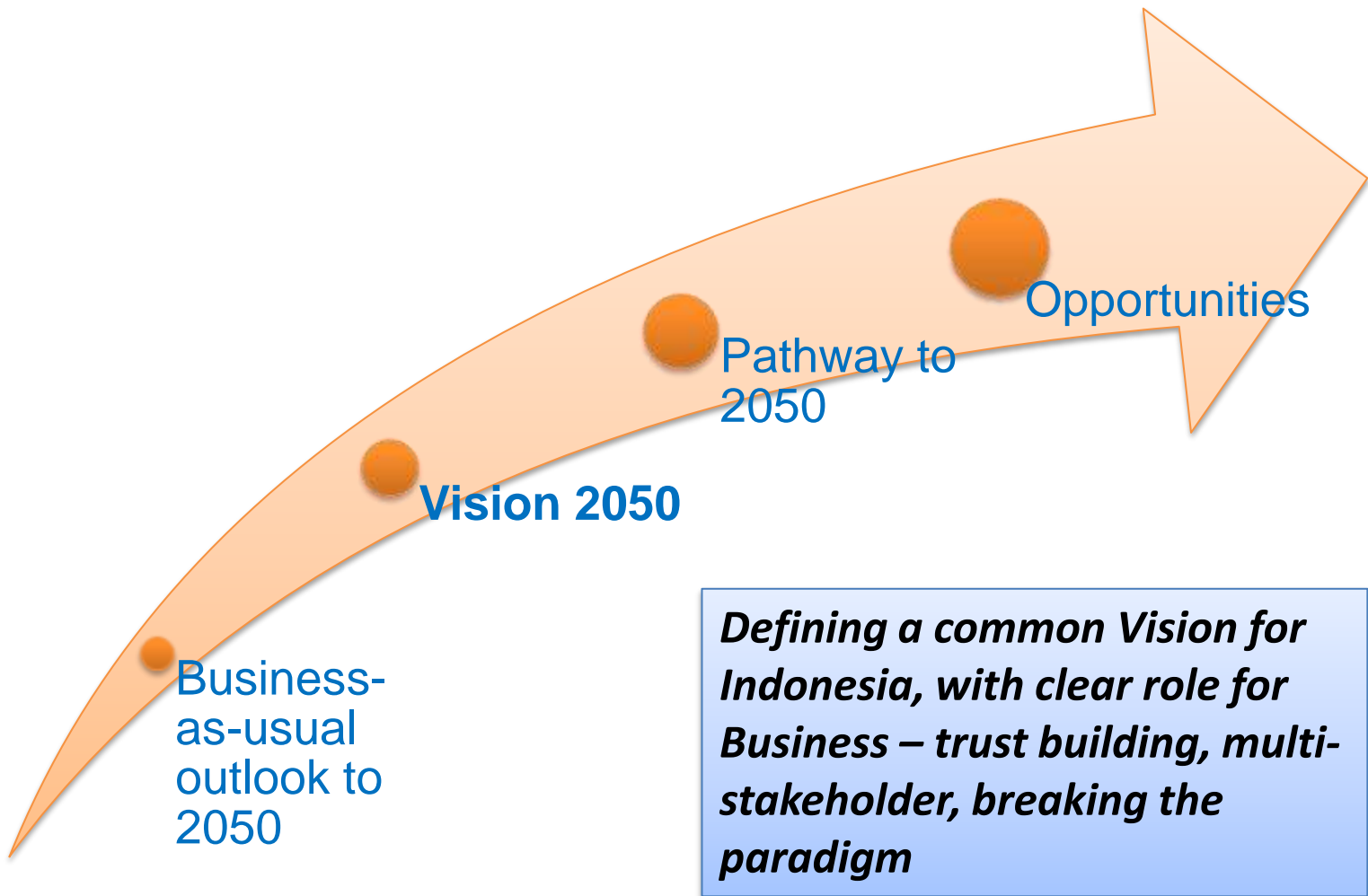


## The world could be running out of some resources

Global supply forecasts according to the implied ultimate recoverable resources of conventional oil, date of peak production and the post-peak aggregate decline rate



# An Alternative to Business-As-Usual: Developing the Vision 2050



# Long Term Development Mission 2005-2025



Source: Bappenas, 2010



# National Priorities and Action Plan 2010-2014

## 11 + 3 National Priorities 2010-2014

- 1 Bureaucracy Reform and Good Governance
- 2 Education
- 3 Health
- 4 Poverty Alleviation
- 5 **Food Security**
- 6 Infrastructure
- 7 Investment Climate
- 8 **Energy**
- 9 **Environment and Disaster Management  
(incl. Climate Change)**
- 10 Culture, Creativity and Technology Innovation
- 11 Disadvantaged, Borders and Post-Conflict Areas
- 12 Politic, Law and Security
- 13 Economic Development
- 14 Social Welfare



# Indonesia's Green Growth Vision



***“We are devising an energy mix policy ...that will reduce our emission by 26 percent by 2020. With international support... as much as 41 percent”.***

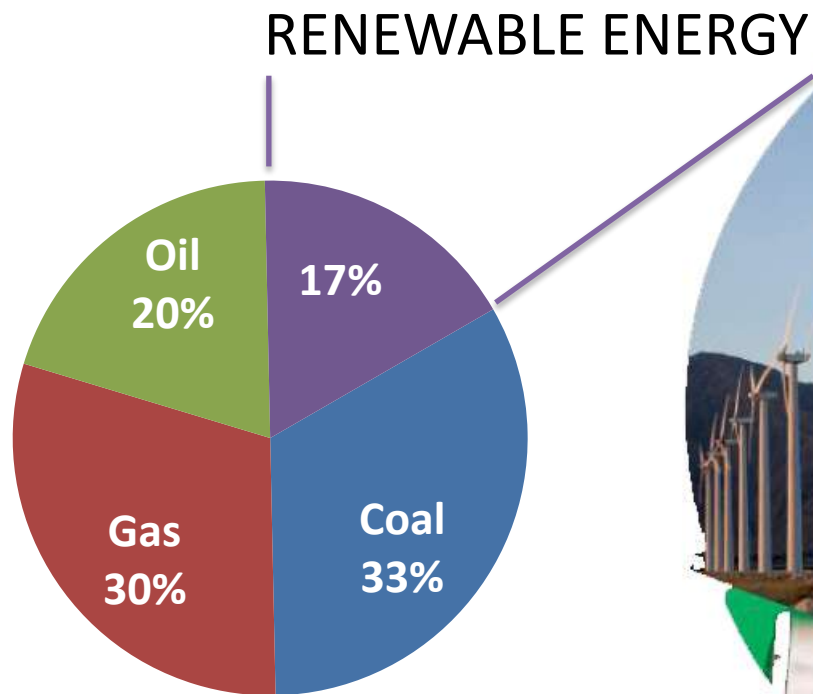
***“...a billion tons of CO2 reduction by 2050. We will change the status of our forests from that of a net emitter sector to a net (carbon) sink sector by 2030”.***

*Source : Kementerian Negara Lingkungan Hidup (2010)*

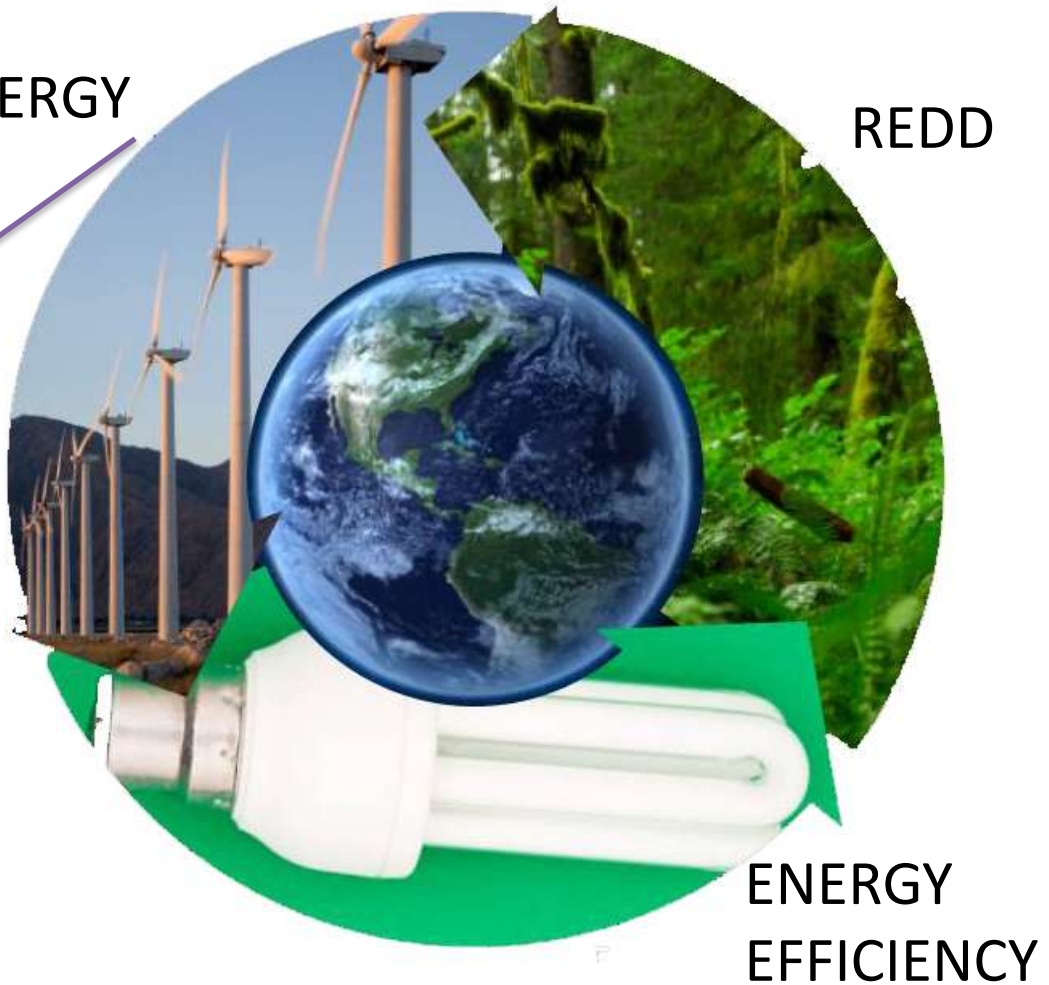
**Susilo Bambang Yudhoyono,  
President of Republic of Indonesia, 2009**



# Carbon Mitigation & Energy Mix



Source: MOEMR



# National Action Plan for GHG Mitigation: A Roadmap for Business Action?

## Presidential Regulation, No. 61, September 2011

Mandates specific actions by sector, and region, for GHG mitigation towards national targets for low carbon development:

- Agriculture
- Forestry and peatland management
- Energy and transport
- Industry
- Waste management
- Other supporting activities

**46 pages of appendices:** Strategy, actions, activities, implementation period, location, GHG mitigation impact, responsible agency



# National Action Plan for GHG Mitigation: A Roadmap for Business Action

NO	RENCANA AKSI	KEGIATAN/SASARAN	PERIODE	LOKASI	INDIKASI PENURUNAN EMISI GRK (Juta Ton CO <sub>2</sub> e)	PENANGGUNGJAWAB
4.	Penyediaan dan pengelolaan energi baru terbarukan dan konservasi energi	Terlaksananya pembangunan: <ul style="list-style-type: none"> <li>• Pembangkit Listrik Tenaga <i>Micro Hydro</i> (PLTMH): 46,17 MW</li> <li>• Pembangkit Listrik Tenaga <i>Mini Hydro</i> (PLTM): 182 MW</li> <li>• Pembangkit Listrik Tenaga Surya (PLTS): 102,1 MW</li> <li>• Pembangkit Listrik Tenaga Bayu ( PLTB): 21,67 MW</li> <li>• Pembangkit Listrik Tenaga Biomassa: 0,4 MW</li> <li>• Desa Mandiri Energi (DME): 250 desa</li> </ul>	2010-2014	Seluruh provinsi	1,27 terdiri atas: PLTMH: 0,21 PLTM: 0,85 PLTS: 0,11 PLTB: 0,02 PLT Biomassa: 0,00032 DME: 0,06	Kementerian ESDM

2010-2014: 350 MW of renewable energy (biomass, geothermal, hydro, solar)

2.	Konservasi dan audit energi	a. Terbentuknya sistem manajemen energi di 9 perusahaan industri semen, 35 perusahaan baja dan 15 pulp kertas.	2010 – 2014	<ul style="list-style-type: none"> <li>• 9 perusahaan industri semen di 9 provinsi: NAD, Sumbar, Sumsel, Jabar, Jateng, Jatim, NTT, Sulsel, dan Kalsel</li> <li>• Industri baja di 12 provinsi: Sumut, Sumsel, Riau, Jambi, Banten, DKI, Jabar, Jateng, Jatim, Kalbar, Kalsel, dan Sulsel</li> <li>• 15 perusahaan industri pulp kertas</li> </ul>	2,06 terdiri dari: <ul style="list-style-type: none"> <li>• Semen : 1,04</li> <li>• Baja : 0,64</li> <li>• Pulp kertas: 0,38</li> </ul>	Kementerian Perindustrian
		b. Terbentuknya sistem manajemen energi di perusahaan industri gelas dan keramik, pupuk, petrokimia, makanan dan minuman, tekstil, dan kimia dasar	2015 – 2020	8 provinsi: Sumut, Banten, Jabar, Jateng, Jatim, DKI Jakarta, Kaltim dan Sulsel	2,75	

2010-2014: Energy audit systems and managers in 9 cement, 35 steel and 15 pulp/paper companies

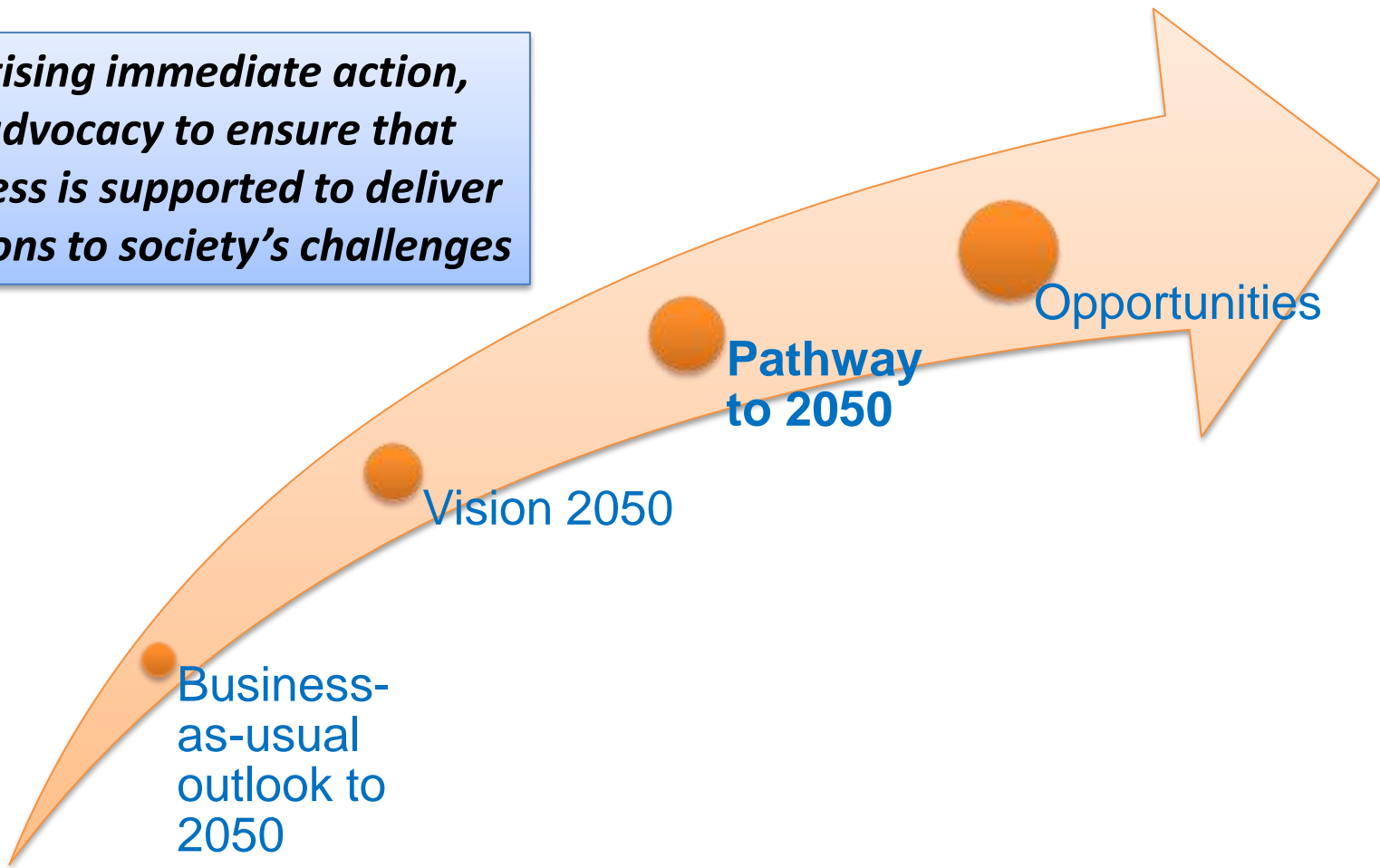
2010-14: Ecosystem restoration on 2.5m ha of forest land. Peatland rehabilitation 250k ha.

2.	Perencanaan pemanfaatan dan peningkatan usaha kawasan hutan	Terlaksananya pemberian Izin Usaha Pemanfaatan Hasil Hutan Kayu - Hutan Alam/Restorasi Ekosistem (IUPHHK-HA/RE) pada areal bekas tebangan ( <i>Logged Over Area/LOA</i> ) seluas 2,5 juta ha	2010-2014	12 provinsi: Jambi, Sumbar, Kalteng, Kalbar, Kalsel, Kaltim, Sulbar, Sulteng, Sultra, Sulut, Gorontalo, dan Papua	22,94	Kementerian Kehutanan
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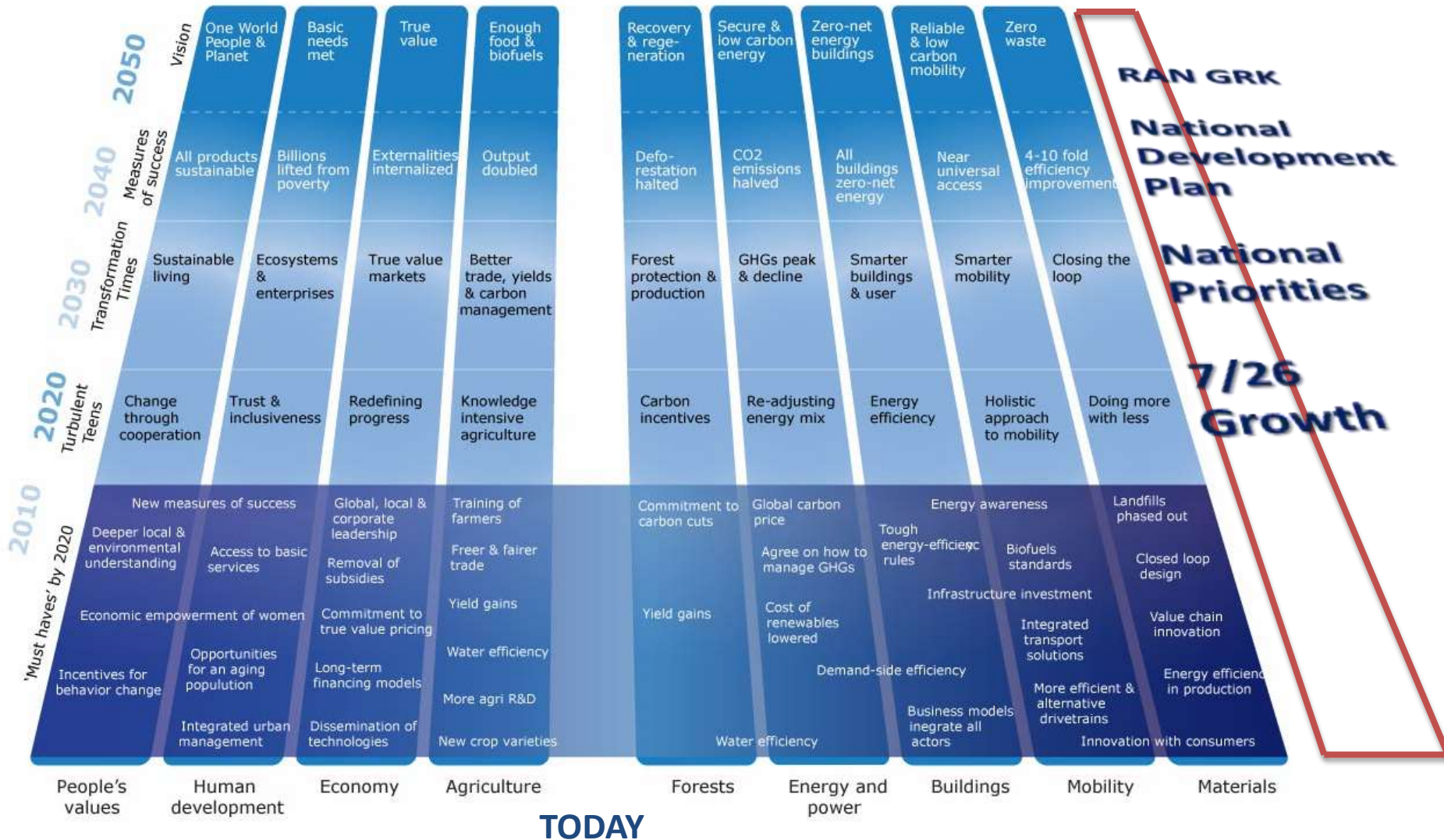
# Constructing the Pathway: Shifting from BAU to Vision 2050

***Prioritising immediate action,  
with advocacy to ensure that  
Business is supported to deliver  
solutions to society's challenges***



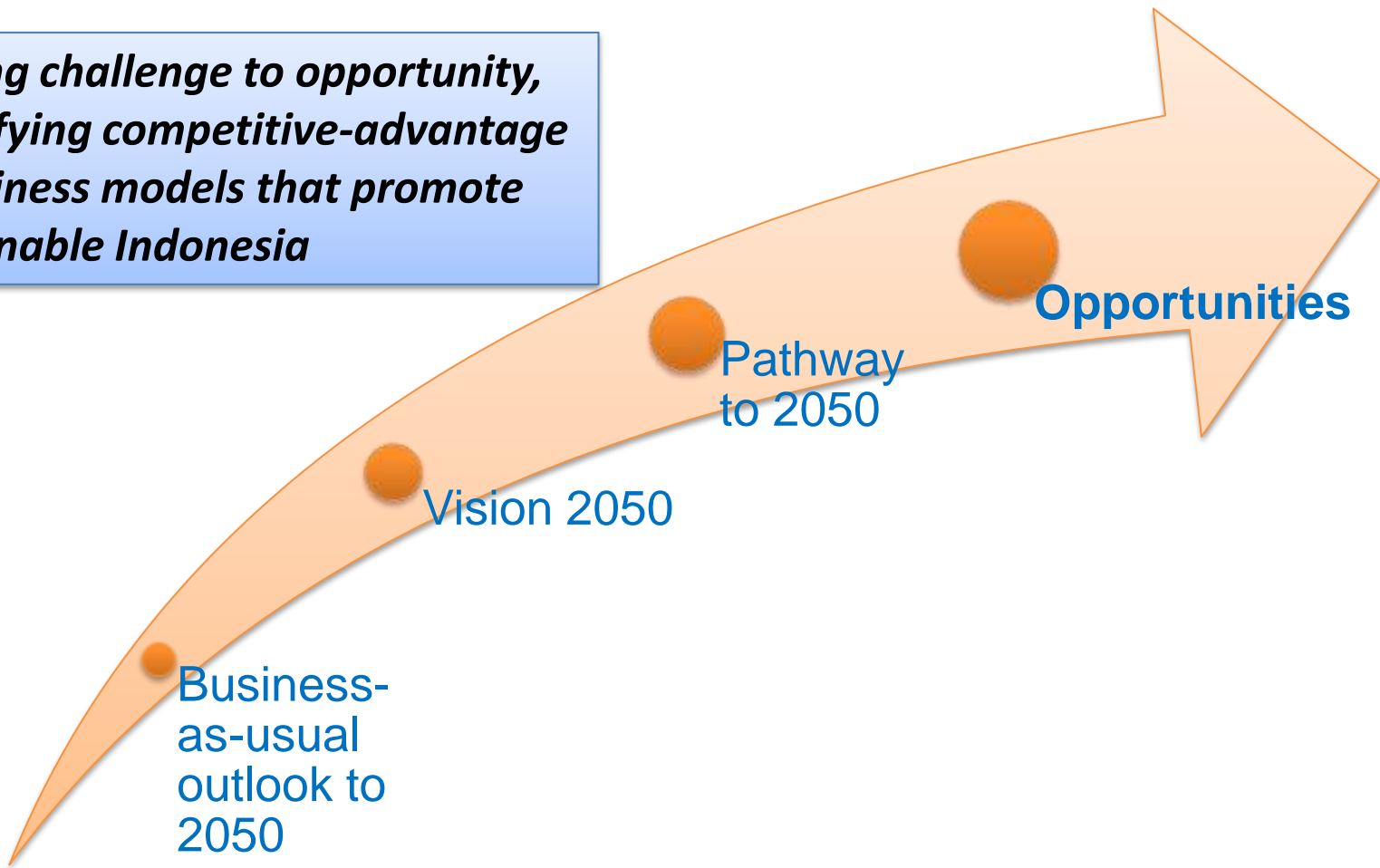
# Pathway to Vision 2050: Business Action with National Priorities

## FUTURE

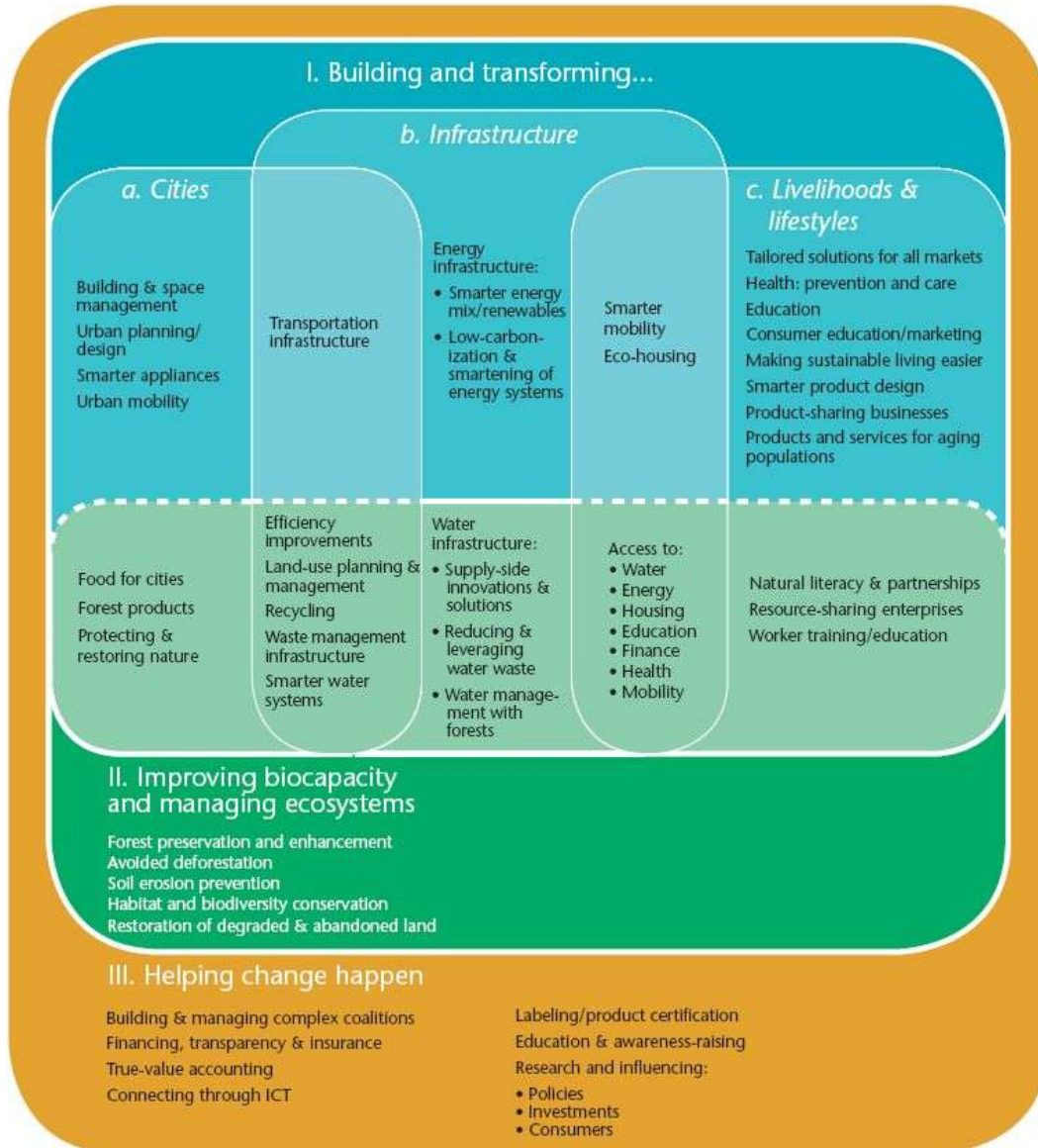


# Business Opportunities on the pathway to Vision 2050

***Turning challenge to opportunity,  
identifying competitive-advantage  
& business models that promote  
sustainable Indonesia***



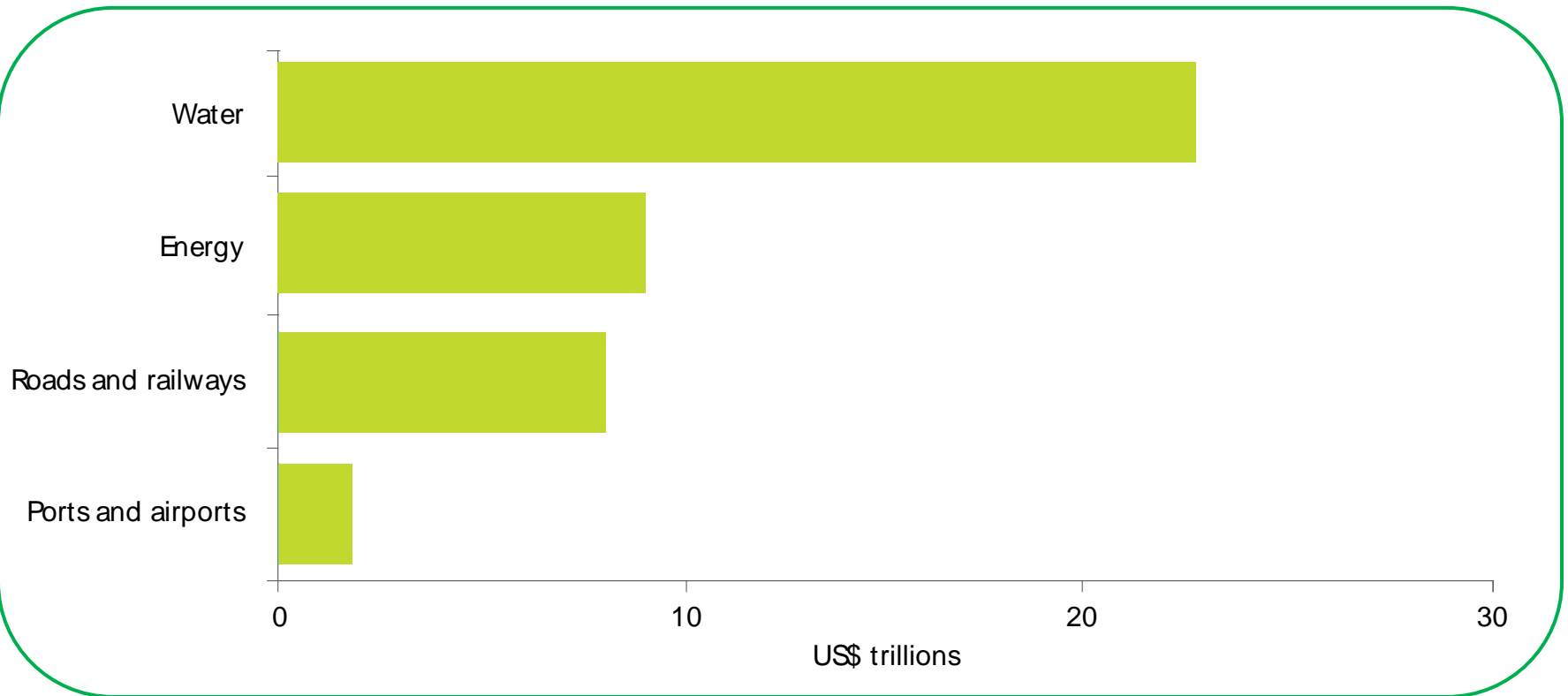
# Business domains for the next decade – Opportunities and overlaps (WBCSD Vision 2050)



- Cities and infrastructure
- Livelihoods and lifestyles
- Intensified agriculture and forestry
- Efficiency improvements
- New energy sources
- Water access
- Education
- Improving bio-capacity and managing ecosystems
- Making change happen: services & partnerships

# Opportunities: Building urban infrastructure (\$40T investment by 2030)

## Investment requirements for urban infrastructure up to 2030



Source: Booz Allen Hamilton, *Strategy+Business*, n°46, 2007 (from Booz Allen Hamilton, *Global Infrastructure Partners*, World Energy Outlook, OECD, Boeing, Drewry Shipping Consultants, U.S. Department of Transportation)





# The Green Race is On

- **“The Green Race is on”** between countries to transform to low carbon economies and to become the leading supplier of resource efficient technology & solutions for challenges of the future

## China

- The leader in the race
- Key focus of 12<sup>th</sup> 5-Year Plan
- Clean energy investment : No. 1 rank with 21% of \$162 billion invested globally in 2009
- Taking lead on solar & wind

## Korea

- Largest share of economic stimulus devoted to “green” sector (80%)

## India

- Leading supplier of low cost solutions to domestic demand from low-income sector



# Vision 2050: Value to Business

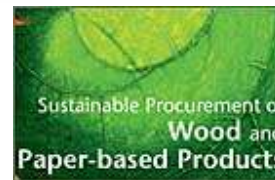
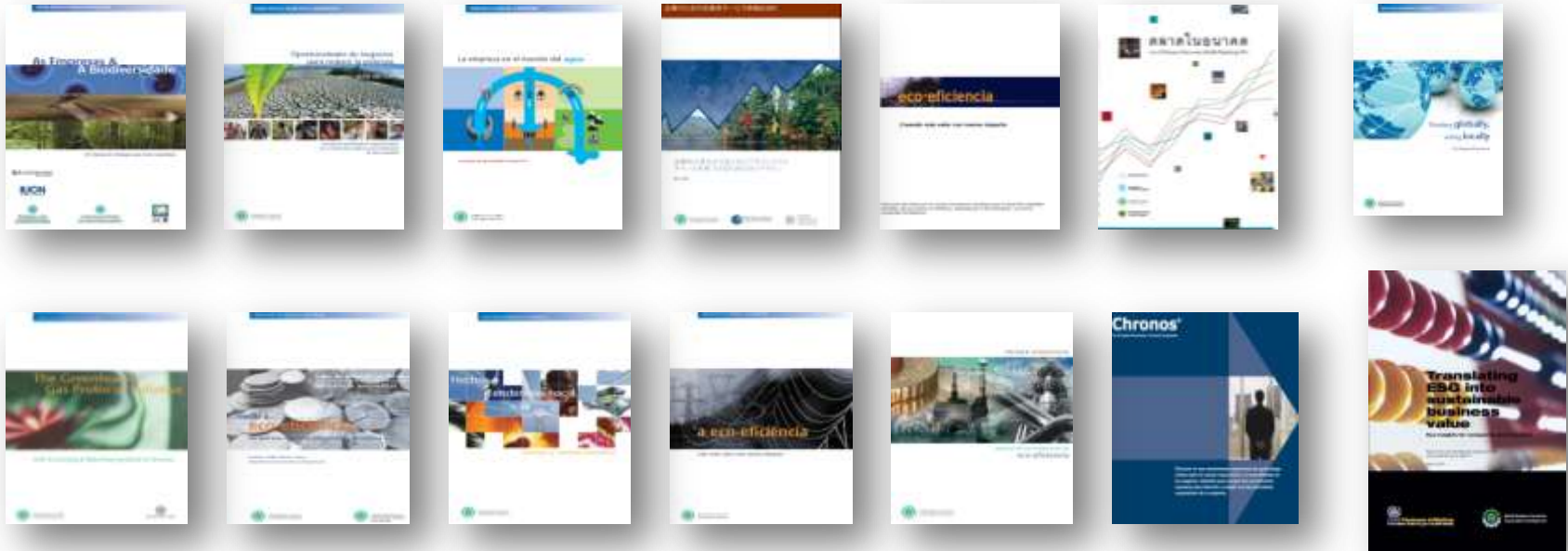
## What are the opportunities:

1. Develop a long-range vision based on **consensus with stakeholders**
2. Strengthen the business voice in future development agenda
3. Define CSR around measurable business contributions to the current and future challenges of society
4. Advocacy to Government for policy that facilitates business to implement sustainable development



# Reporting and Accountability: Tools, case studies, protocols, best practice

in 12 languages



[www.wbcسد.org](http://www.wbcسد.org)



# Summary

- **CSR is “strategic” when its deeply integrated**
- **Beyond philanthropy, need to promote business models that deliver visionary solutions to societies’ challenges**
- **Need Government to expand definition of CSR to include measureable impacts resulting from core business strategy**
- **Need expanded, local reporting frameworks to ensure that these business contributions are quantified**
- **Need policy incentives for companies that deliver sustainable development solutions**
- **Look forward to collaboration on Vision 2050 - to develop a platform for business to engage**



# Thank you



For more information on membership of IBCSD and to participate in Vision 2050:

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World Business Council for Sustainable Development