5 Promoting and enabling responsible business conduct

This chapter focuses on how promoting and enabling responsible business conduct in Indonesia as part of COVID-19 recovery measures could lead to far-reaching and strategic successes for promoting a more sound and sustainable investment climate, upgrading in global supply chains, encouraging the private sector contribution to the Sustainable Development Goals, while also protecting Indonesia's resources for the future.

Summary

Promoting and enabling responsible business conduct (RBC) is of central interest to policy-makers wishing to attract and keep investment and ensure that business activity contributes to broader value creation and sustainable development. RBC expectations are prevalent throughout global value chains and refer to the expectation that all businesses – regardless of their legal status, size, ownership structure or sector – avoid and address negative consequences of their operations, while contributing to sustainable development where they operate. RBC is an entry point for any company that wishes to contribute to the Sustainable Development Goals (SDGs) or to achieve specific economic and sustainability outcomes.

The COVID-19 crisis has exposed significant vulnerabilities in company operations in global value chains, including as related to disaster preparedness and supply chain continuity and resilience. Evidence has already shown that companies that are responsible have been better able to respond. An RBC lens can help them make more balanced decisions, while ensuring that further risks to people, planet and society are not created or contribute to further destabilising supply chains down the line.

Indonesia has historically promoted corporate social responsibility (CSR) and was one of the first countries to integrate CSR and corporate philanthropy within the legal framework during the previous decade. Recent efforts have looked to expand more toward RBC, notably in sustainable finance and business and human rights. A notable effort has also been Indonesia's ambition to introduce transparency of beneficial ownership information. RBC-related activities in Indonesia have also been undertaken by the private sector and civil society.

These activities are positive and should be encouraged; however, a more strategic and coherent approach to promoting implementation of RBC across sectors by the government may be warranted, particularly in light of the heavy social impact COVID-19 has had on Indonesia's manufacturing sector and the high environmental costs that growth so far has brought. International RBC standards, which address responsibility throughout the whole supply chain, can provide a useful framework for finding solutions to mitigate the worst impacts of COVID-19 in the short term and to help stakeholders avoid making harmful unilateral decisions. In the medium- and long-term, benchmarking sustainability efforts with international RBC standards can lead to more clarity in the market and promote trade and investment.

The *Review* suggests a bold policy direction where RBC can help ensure ongoing industrial strategies are stronger and fit-for-purpose for today's global economy; reframe the conversation around existing business operations in sectors where risks are high; help re-orient the financial sector toward sustainable finance; give a signal to the market by directing state-owned enterprises (SOEs) on RBC and ensuring future growth does not exacerbate existing challenges; lead by example in key structural sectors like infrastructure; and fighting corruption and promoting integrity.

Main policy recommendations on responsible business conduct

- Promote RBC and communicate clearly to businesses and investors government expectations on RBC in the context of the main national policies such as the 2015-2035 Master Plan of National Industrial Development and the efforts to promote the SDGs (in particular the follow up efforts to the 2019 Voluntary National Review and actions by the National Coordination Team for SDGs Implementation).
- Promote broad dissemination and implementation of the practical RBC tools and instruments, such as the OECD due diligence guidances which are designed to support businesses. Support and facilitate collaborative industry and stakeholder initiatives on RBC.
- Integrate explicit references to and expectations on RBC due diligence in *Making Indonesia 4.0* strategy (including as related to the implementation of sectoral objectives) and promote industry

alignment with global practice through the cross-sectoral national initiative to improve sustainability standards.

- Ensure that the implementing regulations for the Omnibus Law on Job Creation include due consideration of environmental and social impacts of business operations and that streamlining of administrative procedures does not come at the expense of labour and environmental protection and an inclusive and sustainable development pathway. Consider making RBC due diligence a standard operating procedure in this context. Broad consultations with a wide range of stakeholders and at national and regional levels, including trade unions, civil society, affected stakeholders, and academia in addition to the business community, should be early, systemic, meaningful, and transparent.
- Prioritise action on RBC in key sectors, notably agriculture, mining and garment and footwear sectors. Consider undertaking an alignment assessment of the Indonesian Sustainable Palm Oil standard with the *OECD-FAO Guidance for Responsible Agricultural Supply Chains.*
- Accelerate efforts to promote environmental, social and governance (ESG) considerations and RBC in the financial sector in line with international standards. Assess in particular the extent of barriers for integrating these factors in the market, notably when it comes to long-termism and quality of reporting and rating frameworks.
- Pursue the development of the *National Action Plan on Business and Human Rights* in line with international best practice and with inter-ministerial involvement and consultation. Ensure that the scope of the plan is broad enough to capture the most relevant RBC-related issues. Ensure that the process supports a wide consultation with stakeholders.
- Direct SOEs to establish and undertake RBC due diligence, publicly disclose these expectations and establish mechanisms for follow-up.
- Lead by example and ensure integration of RBC in the high-profile Indo-Pacific Infrastructure and Connectivity strategic objectives. RBC due diligence should be a baseline and entry point for businesses wishing to participate in these efforts.
- Strengthen implementation of the UN Convention against Corruption and closer alignment with the OECD Convention on combating Bribery of Foreign Public Officials in International Business Transactions by criminalising bribery of foreign public officials and enacting corporate liability for corruption offences.

Scope and importance of responsible business conduct

Promoting and enabling RBC is of central interest to policy-makers wishing to attract and keep quality investment and ensure that business activity in their economies contributes to broader value creation and sustainable development. RBC expectations are prevalent throughout global value chains and increasingly in international trade and investment agreements and national development strategies, laws, and regulations. They are also affirmed in the main international instruments on RBC – notably the OECD *Guidelines for Multinational Enterprises* (OECD *Guidelines*), the UN *Guiding Principles on Business and Human Rights* (UN *Guiding Principles*), and the ILO *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* – which align and complement each other (see OECD/OHCHR/ILO, 2019).

RBC centres around an expectation that all businesses – regardless of their legal status, size, ownership structure or sector – avoid and address negative consequences of their operations, while contributing to sustainable development where they operate. This means integrating and considering environmental and social issues within core business activities, including throughout the supply chain and business relationships. A key element of RBC is risk-based due diligence – a process through which businesses identify, prevent and mitigate their actual and potential negative impacts and account for how those impacts are addressed. Many businesses also find that responsible business is good business, beyond ensuring respect for human rights and compliance with relevant laws and regulations. Understanding, addressing, and avoiding risks material to business operations in a more comprehensive way – that is, beyond financial risks – can often lead to a competitive advantage.

The term corporate social responsibility (CSR) has historically been used to describe business interactions with society. Over the last years, CSR is increasingly being used alongside RBC and business and human rights, i.e. highlighting that environmental and social issues are not an add-on, but rather a core issue, to business operations. These concepts should not be understood to be equivalent to philanthropy.

From risk to resilience: RBC and COVID-19

The COVID-19 crisis has caused a major disruption to global supply chains and exposed significant vulnerabilities in company operations, including related to disaster preparedness and supply chain continuity and resilience. In addition to the health impact, entire supply chains have come to a halt and placed millions of companies and workers at economic risk (OECD, 2020a). The crisis has also increased vulnerability of already vulnerable populations such as migrant workers (IOM, 2020).

RBC standards and tools can help governments and companies make decisions that balance environmental, social and governance issues in the crisis, while ensuring that such responses do not create further risks to people, planet and society – or contribute to further destabilising supply chains down the line (e.g. resurgence of forced or child labour in certain strategic sectors). COVID-19 recovery plans will place governments in a particularly strategic position to steer the economy toward long-term value creation (including reduced greenhouse gas emissions, worker skills and benefits and emergency preparedness). Governments should consider in their recovery policies that many companies might not commit of their own accord to an RBC approach in their response to COVID-19, either because of a lack of incentive, capacity, resources or knowledge. This may be especially exacerbated in contexts where awareness of RBC is low. Government support for an RBC approach will be essential for ensuring coherence between their own policies in response to the crisis and their expectations of how businesses should act, including as part of industrial policies. Government should ensure that measures do not exacerbate negative impacts of the crisis, but rather incentivise companies to mitigate any potential harms and maximise the positive impacts of their response.

For businesses, RBC should not be seen as an additional burden in lieu of focusing on business continuity, but rather a strategic orientation that can encourage a more systemic and dynamic crisis response, discourage a ‘go-at-it-alone’ position (Barry, 2020), and bring short and long-term benefits to the company as it designs its crisis response. For example, working out contingency plans with workers and suppliers may make more commercial sense than paying the price of disbanding large segments of a workforce that took years to build and train. Furthermore, information from supply chain due diligence (e.g. on origin of raw materials, and other traceability data) when overlaid with risks related to COVID-19 (such as infection rates, government restrictions and associated disruptions in production or distribution channels) can be used to understand short and medium term vulnerabilities in the supply chain, and support continuity planning to manage disruptions. Notably, it can also contribute to disaster preparedness and resilience overall, which is especially useful considering the risks of disruptions by climate change.

Indonesia has historically promoted social responsibility in business operations

Indonesia was one of the first countries to integrate expectations on corporate social responsibility and corporate philanthropy within its legal framework during the previous decade. CSR was enshrined in several laws in the 2000s, notably in the Company Law in 2007 (40/2007), which made it an obligation for companies operating in the natural resource sector, as well as the Investment Law (25/2007) and the Law on Mineral and Coal Mining (4/2009) (OECD, 2010). Although these efforts may have been limited by implementation challenges and sometimes opposing views about their efficiency, they are an important tradition which has in certain thematic areas continued in recent years and which gives a good basis for continued efforts by the government on RBC.

More recently, in October 2019, the Law and Human Rights Ministry announced that it will explore the development of a National Action Plan on Business and Human Rights (NAP), to focus on plantations, mining and tourism (JP, 2019). This follows earlier efforts in 2017 by the National Commission on Human Rights and the Institute for Policy Research and Advocacy, who submitted recommendations to the government in different areas related to business and human rights (see FIHRRST, 2017) as part of efforts to promote development and launch of the NAP.

The development of the NAP would be an important opportunity to promote more coherence among government agencies at this critical juncture in Indonesia's development trajectory. Indonesia's ASEAN neighbours have also been acting in this regard. For example, on 29 October 2019, Thailand became the first country in Asia to adopt a standalone *National Action Plan on Business and Human Rights (2019-2022)*. With this action, Thailand joins the 22 countries which have developed a standalone NAP on RBC or business and human rights, following a recommendation by the UN to do so as part of the state responsibility to disseminate and implement the UN *Guiding Principles*.

Considering Indonesia's economic landscape, ensuring that the NAP covers the broad range of RBC policy areas would be particularly relevant. The scope of NAPs varies from country to country. Some go beyond the theme of business and human rights by encompassing the environment (for example France and Italy) or RBC more generally and anti-corruption, such as the United States.

Indonesia has also spearheaded other important efforts. Notably, it was an early leader on promoting sustainable finance. Otoritas Jasa Keuangan (OJK), Indonesian financial services authority, launched a Sustainable Finance Roadmap as early as December 2014 when efforts to promote sustainable finance were still growing globally. Financial institutions have a key role to play in driving sustainability through directing financing towards measures to achieve the SDGs and the transition to a low carbon economy. In 2017, OJK set out a new regulation, which came into force in 2019, making it mandatory to submit an annual plan on implementation of sustainable finance as well as a sustainability report. The efforts to engage the financial sector as a whole show an important vision in the country on sustainability that is commendable. The private sector has also supported these efforts. For example, the Indonesia Sustainable Finance Initiative was launched in 2018 and sets out a partnership between WWF Indonesia and eight national banks with accumulative assets reaching up to 46% of total banking assets (WWF, 2018).

In addition, OJK also issued regulation on green bond issuance that enables issuers to offer bonds that meet sustainability criteria and has provided incentives to issuers in this regard (e.g. discounts on registration statement fees for green bond). Additionally, OJK also has coordinated with other agencies/institutions on such an incentive (e.g. Indonesia Stock Exchange provides discounted annual listing fee for green bonds).

Another notable effort by the government has been to promote SDGs. Indonesia has undergone two Voluntary National Reviews (VNR) in 2017 and 2019, which looked at Indonesia's achievements in implementing SDGs, coordinated by Ministry of National Development Planning/National Development Planning Agency and supported by the Ministry of Foreign Affairs and the National Coordination Team for SDGs Implementation. The 2019 VNR summarises efforts by various actors and notes that philanthropy and CSR in the country are growing. It also summarises key challenges in the country that are hindering social progress.

The important role of the private sector in delivering and financing the SDGs as well as in various means of SDG implementation (e.g. public-private partnerships or blended finance) is explicitly recognised by the Agenda 2030 (see UN A/RES/70/1 which calls "upon all businesses to apply their creativity and innovation to solving sustainable development challenges"). A number of SDGs refer to responsible production patterns, inclusive and sustainable economic growth, employment and decent work for all. The Paris Agreement on climate change also underlines the critical role of business in tackling climate change, including through reducing greenhouse gas emissions and improving environmental performance. Implementing RBC principles and standards can help companies operationalise the SDGs and ensure their most significant impacts are prioritised (for more information, see OECD, 2019a).

Notwithstanding the initiatives by the government, RBC-related activities in Indonesia have also been undertaken by the private sector and civil society. Indonesia Business Links (IBL) has been operating since 1999 to promote better business practices in the country and implements a number of RBC-related initiatives. These include important efforts on business integrity, which is implemented at a subnational level in six provinces and will include further guidance on promotion of anti-corruption. IBL has also promoted the green economy concepts, targeting adoption by Bappenas, as well as creating a philanthropy platform for the SDGs. There have also been sector or thematic policy commitments, such as the ILO/IFC Better Work Programme, through which Indonesia aims to improve working conditions and respect of labour rights for workers, and to boost the competitiveness of apparel businesses. Indonesia has also been supporting international initiatives promoting responsibility in business operations (Box 5.1).

Box 5.1. Indonesia's support for sustainability in global economic initiatives

Indonesia has also supported promoting sustainability in the global economic agenda, notably supporting efforts at the G20. The G20 has recognised in several statements the critical role of RBC in investment and global supply chains. Under the 2016 Chinese G20 Presidency, G20 Trade Ministers reinforced their determination to "promote inclusive, robust and sustainable trade and investment growth" and agreed on G20 Guiding Principles for Global Investment Policymaking. The Principles state that "investment policies should promote and facilitate the observance by investors of international best practices and applicable instruments of responsible business conduct and corporate governance" (G20, 2016a). G20 Leaders also acknowledged in their annual Communique "the important role of inclusive business in development" (G20, 2016b). This was followed by further commitments in 2017 under the German Presidency to foster "the implementation of labour, social and environmental standards and human rights in line with internationally recognised frameworks", including the OECD *Guidelines* (G20, 2017a). Indonesia also supported the 2017 G20 Hamburg Climate and Energy Action Plan for Growth, which highlights the need to align financial flows (from both public and private institutions) to promote environmental goals and achieve the objectives of the SDGs. (G20, 2017b).

A similar direction can be seen at the regional level. For example, as a response to increasing demands by businesses, civil society and other stakeholders to take more strategic measures and emphasise company responsibility for economic, social and environmental impacts, references to CSR and key RBC concepts have been included in the ASEAN Economic, Socio-Cultural, and Political Security Community Blueprints 2025 (for more information on regional efforts, see OECD, 2019b).

COVID-19 has placed Indonesia at a critical juncture in its economic and social progress

These activities are positive and should be encouraged; however, a more strategic and coherent approach to promoting implementation of RBC across sectors by the government may be warranted, particularly in light of the heavy social impact COVID-19 has had on Indonesia's manufacturing sector and the high environmental costs that growth so far has brought (see OECD, 2019c). There is a need to better align sector policies with social and environmental sustainability. Alignment with RBC principles and standards in this regard can be both a signal to international investors, as well as a practical tool and a bridge between what the private sector does and what the government's strategic sustainability goals are.

Take Indonesia's manufacturing sector. The garment and footwear industry in particular has reported as of May 2020 that 80% of its workforce (2.1 million workers, mainly women) is not operational (Fairwear, 2020a). Throughout all economic sectors, Ministry of Manpower has reported that job losses since mid-March have been 3 million (Fairwear, 2020a). These immediate and serious consequences for millions of workers have exposed major vulnerabilities in company operations and supply chains, linked to work conditions and lack of resilience across the chain to withstand economic shocks, as well as the failure of employers and governments to ensure garment workers are paid wages that meet their needs. The devastating impact of the crisis on the economy in the short term also raises questions about feasibility of a return to normal following the peak of the pandemic, with the longer term impact on consumer patterns, structure and viability of different business models, investor priorities and environmental and socio-economic impacts on the sector difficult to assess. For example, Indonesian business associations are already projecting that up to 70% of textiles firms may close permanently due to COVID-19 (JP, 2020a). Considering that textile, apparel, and footwear industry in Indonesia is a priority industry in the 2015-2035 Master Plan of National Industrial Development, these effects are serious.

There is an urgent need to strengthen the social safety net to ensure workers livelihoods and protection, and invest in long-term mutually beneficial supply chain partnerships, reduce the environmental impacts of the sector, and develop capacity to prepare for future disruptions. Linked to this, buyers are still not fulfilling their responsibility to ensure their pricing models account for the cost of wages, benefits and investments in decent work, which includes social security as well as respecting rights to freedom of association and collective bargaining. Taking an RBC approach provides the opportunity to learn from this crisis and rebuild the sector based on equitable and more collaborative supply chain relationships and adaptation of business models to withstand future economic and environmental shocks (see Lovell, 2020).

International RBC standards, such as the *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, which address responsibility throughout the whole supply chain, provide a useful framework for finding solutions to mitigate the worst impacts in the short term and to help buyers and suppliers avoid making harmful unilateral decisions. As governments and business plan for the recovery phase, applying an RBC lens can help address these vulnerabilities to create a more resilient value chain, which protects workers and the environment.

Across the global supply chain, businesses and stakeholders have come together to clarify expectations and in some cases already to make commitments. For example, the Sustainable Textile of Asian Region (STAR) Network, a network of Asian manufacturers, has issued a joint statement to lay down expectations of buyers (STAR, 2020). A group of thirteen multi-stakeholder initiatives in the sector also produced a statement laying out joint priorities for the sector (Fairwear, 2020b). A global call to action, which includes a series of priorities and commitments, has been negotiated by the International Organisation of Employers, the International Trade Union Confederation and IndustriALL Global Union, with the International Labour Organization (ILO) as technical partner, and now endorsed by more than 60 companies and organisations (ILO, 2020).

Some of Indonesia's neighbours are also taking a strategic approach to the sector in this regard. For example, Viet Nam has set out a strategy for textiles, garment and footwear which explicitly integrates RBC (benchmarked against international standards) expectations and highlights RBC as a strategic response to implementation of the SDGs and addressing social and environmental risks in the sector.

The crisis has also focused attention on the nexus between business activity and declining biodiversity, degradation of natural resources and the contribution to climate change, which also threaten the future of the supply chain. In the short term, the sector has seen decreased production and transport and a drop in air pollution, but the concerns that restarting of industry could easily make emissions higher than before the crisis are prevalent, especially if factories need to use more polluting fuels because of supply disruption (see Lovell, 2020).

This issue is not only relevant for manufacturing but also on businesses operating in natural resource-based activities, which has already put enormous pressure on Indonesia's ecosystems. Even prior to COVID-19 crisis, annual deforestation was among the world's highest, threatening Indonesia's unique and globally important biodiversity. According to OECD data, 95% of the population was exposed to harmful levels of air pollution (above the WHO guideline value) in 2017. Forest and peat fires have been driving year-to-year variability and pollution peaks across Indonesia and neighbouring Malaysia and Singapore, although efforts to reduce fires have started to bear fruit (see OECD, 2019c)

Better balancing economic, social and environmental objectives in land use has become a government priority, which is important, considering for example that palm oil is Indonesia's major primary agricultural commodity and that Indonesia is also the second-largest rubber producer in the world. Both productivity levels and productivity growth rates are low, however, and both sectors have attracted international attention. While palm oil as a primary cooking oil plays an important role in food security and nutrition, conversion of land use for palm oil production is frequently cited as a driver of deforestation. The palm oil industry is also seen as a major contributor to greenhouse gas emissions, biodiversity loss and air pollution.

The government is aware of the need to improve sustainability of industry. *Making Indonesia 4.0* strategy, which focuses on technology and productivity upgrades in five key manufacturing industries (food and beverages, textiles and garments, automobiles, electronics, and chemicals) includes a cross-sectoral national initiative to improve sustainability standards. It calls on embracing sustainability as a national priority, as well as recognising the need to attract top global firms and investors in order to realise the broader objectives of the strategy (see Chapter 2 for more information on the role of FDI in the strategy). COVID-19 has only underlined how urgent these needs are. Indonesia has also stepped up efforts to clarify land rights and strengthen law enforcement. Moratoriums on use of primary forest and peatland, as well as timber and palm oil certification programmes, help protect valuable ecosystems. Expansion of protected areas and use of payments for ecosystem services offer good potential to complement these efforts (see OECD, 2019c).

However, the recent Omnibus Law on Job Creation may present additional challenges in this regard and should be seen in this context. While the need for regulatory reform of the business environment is well-diagnosed and well-recognised, the Law has drawn criticism from environmental and social groups about its potential effects on the environment and the labour market, including concerns about how environmental permits would be structured as well as the extent of de-regulation affecting working conditions and pay. In addition to non-governmental organisations (NGOs) and trade unions, a group of 36 investors representing approximately USD 4.1 trillion in assets under management called on the government to support the conservation of forests and peatlands; uphold human rights and customary land rights of indigenous peoples; hold proper consultations with environmental and civil society groups and investors on the Law and its implementation; and take a long-term approach to recovery from the pandemic.[1]

Economic development and protection of the environment and workers are not mutually exclusive goals. In a broader COVID-19 context, where FDI has plummeted globally and where significant adverse impacts on inclusive growth are expected, the government should consider that the Omnibus Law on Job Creation

– if the concerns about the environmental and social issues are not taken into account – may have the opposite effect than intended on investment. Furthermore, the long-term effects of COVID-19 on the economy are still to be seen and there is a risk that future shocks could be as severe. Countries with well-functioning social protection programmes and good implementation infrastructure pre-COVID seem to have fared better so far (see World Bank, 2020). There is a direct line between the quality of the social protection net and the resilience of the economy and ability to deal with future shocks.

Benchmarking sustainability efforts with international RBC standards can lead to more clarity in the market and promote trade and investment

Mainstreaming RBC as part of core business could bring significant benefits to addressing climate change risks as well as promoting better community engagement in the context of investments. The below sections focus on key areas where implementation of international RBC principles and standards could make a marked difference in the market.

Integrate explicit references to RBC in key ongoing strategies and efforts

In the context of *Making Indonesia 4.0* and the 2015-2035 Master Plan of National Industrial Development, explicit references to the main international standards on RBC would contribute toward Indonesia's stated goal of becoming one of the largest ten economies by 2030. Evidence from COVID-19 experience is already showing that more resilient production networks can be achieved through better risk management strategies at the firm level, with the emphasis on risk awareness, greater transparency, and agility (OECD, 2020d).

RBC can provide a framework for multiple stakeholders (including buyers, suppliers, foreign investors, NGOs and trade unions) to align on common parameters and to promote collaborative initiatives, which are particularly important when it comes to identifying and addressing complex and systemic risks that cannot be addressed by one actor alone. For example, businesses and stakeholders can pool knowledge on sector risks and solutions in order to make due diligence more efficient for all. This can also facilitate cost sharing and savings. The government should use its convening role in order to assess where the gaps in the industry still exist and where the opportunities would be for its support. Experience from other governments in this regard can be useful.

Furthermore, in the context of the Omnibus Law on Job Creation, the RBC framework could help clarify concrete actions that could be taken to address potential effects on the environment and the labour market. RBC instruments look at a whole-of-supply chain perspective to address the responsibilities of different actors in face of impacts that do not neatly fit within a specific country jurisdiction, sector, or even among business relationships.

Several elements could be considered in this regard. First, while the process of recentralisation of responsibilities is expected to streamline procedures and bring more clarity, it should not be divorced from considerations of how to ensure protection of the people and the planet. As Chapter 7 highlights, Indonesia is still challenged with finding the right balance in the sharing of investment policy responsibilities across different tiers of government. This is a delicate balance, which has broad implications beyond the investment regime. Although the implementing regulations are still to be determined, it will be important to ensure that there is a feedback loop in the context of the new business registration requirements that would allow stakeholders and local authorities to be able to communicate concerns about environmental and social impacts. Additionally, providing further clarity on the provisions that only high-risk investments must be authorised and are subject to an environmental impact study should be prioritised.

Chapter 7 highlights that under the right conditions, local bodies may be better placed to assess land use and environmental risks and that building their capacity is a more sustainable option in the longer-term. At the same time, higher levels of government should have the necessary levers to limit regulatory capture and asymmetries in information between local administrations and investors, and a possible race to the bottom in environmental or other sustainability standards. This is particularly relevant considering that availability of complete, comparable and up-to-date information on the quality of the business climate in Indonesian regions is still a challenge.

Many investors are already implementing RBC due diligence and through that process prioritise how to deal with most significant risks and impacts. Indonesia should consider making RBC due diligence a standard operating procedure in the context of the Omnibus Law and the implementing plans.

Reframing the conversation around existing business operations

Beyond forward-looking strategic actions that the government can take on RBC, there is also a need to speed up action to address the negative impacts of existing business operations. Despite attempts by the government to address major sustainability issues, major challenges remain in terms of creating an enabling framework for RBC. Societies can benefit from investment in many ways, but the relationship between the volume of investment and the benefit from that investment is not necessarily linear. More investment does not automatically lead to productivity growth, more competitive local firms or a more inclusive workforce. In certain cases, particularly when there are large-scale negative impacts associated with projects, investment can make host economies worse off. High-profile disputes, frayed industrial relations, and significant environmental issues suggest that the benefits of existing investments are not being maximised in Indonesia.

It would be worthwhile to consider whether introducing RBC due diligence as a standard operating procedure would be warranted in light of Indonesia's position on the SDGs, its social initiatives, as well its ongoing challenges with addressing environmental impacts.

Experience from the palm oil industry could be interesting in this regard. The industry is key for Indonesia's sustainable development and inclusive growth and one of the sectors where the government has already been taking steps to promote RBC due to its importance in Indonesia's trade and investment portfolio. The share of agriculture in the country's GDP declined from 13.9% in 2010 to 12.8% in 2018 (World Bank, 2018), yet the sector still employed 28.5% of the total population in 2019 (ILO, 2019), with 3.7 million people in the palm oil industry (Noor et al., 2017) and many more indirectly. Indonesia is the world's largest producer of palm oil, and accounts for 85% of the world's palm oil production and generates together with Malaysia (UNDP, 2020). Palm oil production continues to grow strongly, with increasing consumption and demand for vegetable oils domestically and globally, including China, India and the EU. Exports of palm oil were worth over USD 16.5 billion in 2018 (United Nations, 2018) and constitute nearly 9% of the country's total exports, after coal. Given the complexity of the palm oil supply chain, implementation of risk-based due diligence as recommended by the *OECD-FAO Guidance for Responsible Agricultural Supply Chains* can help business address RBC risks.

While palm oil is the most profitable among vegetable oils thanks to its land use efficiency and high yields, a rapid expansion of palm oil production has brought particular attention to RBC risks along its supply chain, including environmental protection and sustainable use of natural resources, human rights, labour rights, food security and nutrition, tenure rights over and access to natural resources, among others. While palm oil as a primary cooking oil plays an important role in food security and nutrition, conversion of land use for palm oil production is frequently cited as a driver of deforestation. The palm oil industry is also seen as a major contributor to greenhouse gas emissions, biodiversity loss and air pollution. In recent years, Amnesty International highlighted the industry-wide systemic issues, such as child labour and forced labour, below minimum wages, poor occupational health and safety (Amnesty International, 2016). The Danish Institute for Human Rights cited lack of access to grievance mechanisms and meaningful stakeholder engagement which should be addressed (The Danish Institute for Human Rights, 2018). Land grabbing in the context of plantation expansions continues to be reported by civil society organisations.

With a view to the industry's sustainable growth, the Indonesian government has introduced a wide range of policies and legislation (Andoko and Zmudczynska, 2019), such as Republic of Indonesia Law 39/2014 concerning Plantations. Ensuring that Indonesia's palm oil production is addressing deforestation and the other RBC risks identified in its supply chain is paramount in all regards, including respecting Indonesian legislation, meeting international standards, alleviating poverty, achieving the Nationally Determined Contributions to the Paris Climate Agreement, and better positioning in global supply chains. The Indonesian Sustainable Palm Oil (ISPO) standard introduced in 2011 by the government is mandatory for any size of oil palm producers – from smallholders to large-scale plantations – operating in Indonesia. It is aligned with existing national regulations and aims to ensure sustainable palm oil production and to reinforce the industry's competitiveness. Large-scale producers were mandated to comply with the ISPO standard by 2014 and 400 oil palm plantation companies were certified by December 2015 while the Ministry of Agriculture has set a target by 2020 for smallholders to be certified (Efeca, 2015). The government should consider whether alignment of the ISPO standard with the recommendations set out in internationally recognised due diligence standards, such as the OECD-FAO *Guidance*, can help suppliers and businesses along the palm oil supply chain communicate expectations on how they are addressing RBC risks. Additionally, the OECD-FAO *Guidance* can be useful for building common understanding among all relevant stakeholders along the global palm oil value chain and the industry's capacity of effective due diligence implementation.

Setting and communicating clear expectations more broadly about what constitutes RBC is key to ensure the sustainability of Indonesia's palm oil industry. Given a proven contribution to the decline of deforestation by 45% within the moratorium area (World Resource Institute, 2019), a moratorium to ban the new clearance of primary forest and peatland for activities such as palm oil plantation was issued by President Joko Widodo in 2018 to further limit deforestation and lower greenhouse gas emissions. It required all levels of governments to forgo issuing any permits for new clearance inside the moratorium area which covers around 66 million hectares of primary forest and peatland (World Economic Forum, 2019). The government could use this important momentum to encourage the industry to come together on due diligence to address broader RBC risks – not limited to deforestation, but also industry-wide challenges and systemic issues. Supporting producers and businesses along the palm oil supply chain to improve their responsible business practices in line with the OECD recommendations on RBC can help foster the industry's continued growth and increase its contribution to achieving the SDGs.

This is also quite important in the context of ensuring future growth does not exacerbate existing conditions. The production of some agricultural commodities leads to soil degradation, water resource depletion and deforestation. The OECD estimates that by 2050 over 40% of the world's population are likely to be living in river basins under severe water stress. Overall water demand is projected to increase by 55%. Surface water quality outside the OECD is expected to deteriorate in the coming decades, through nutrient flows from agriculture and poor wastewater treatment. The consequences will be increased eutrophication, biodiversity loss and disease. Micro-pollutants (medicines, cosmetics, cleaning agents, and biocide residues) are an emerging concern in many countries (OECD, 2012). At the same time, while negative impacts are serious, agriculture can also positively affect the environment, for instance by trapping greenhouse gases within crops and soils, or mitigating flood risks through the adoption of certain farming practices (OECD, 2019d).

Furthermore, this is not just a matter of agriculture. For example, in May 2020, the government amended the 2009 Coal and Mineral Mining Law as part of reforms to improve the investment climate. Some groups have criticised these swift changes as short-sighted and too lax on the environment (Reuters, 2020). The swift speed of the reforms in light of COVID-19 crisis has also been raised as a significant concern by stakeholders. Civil society groups have challenged the Law in the Indonesian courts and have requested that the elaboration of the mining government regulation (PP) be delayed until the judicial review has been completed (JP, 2020c-d).

Accelerate efforts on RBC in the financial sector

As indicated above, Indonesia was an early leader on promoting sustainable finance. OJK efforts are commendable. As Indonesia considers COVID-19 recovery, it will be especially important to accelerate efforts on environmental, social and governance (ESG) and RBC in the financial sector. Risk aversion in the financial markets due to COVID-19 has reached levels not seen since the global financial crisis in 2008. Stock markets have declined over 30% and volatility has spiked to crisis levels (OECD, 2020c). Good news, however, is that early reports already suggest that interest in RBC has significantly increased and that RBC is being seen in the market as a marker for long-term performance of companies. ESG funds have already outperformed traditional funds during the crisis, in line with existing evidence on the business case for RBC.[2]

Increasing interdependence in the Asian financial markets (Box 5.2) can mean that dealing with different legal and regulatory frameworks (including also when it comes to RBC) can be a challenging prospect for financial institutions. Alignment with international practice can also be useful for integrating the sector further in global markets. For example, the recommendations outlined in the OECD paper on *Responsible Business Conduct for Institutional Investors* have been endorsed by leading investment managers[3], pension funds,[4] and recently referenced in an *EU Regulation for Sustainable Disclosure,* which calls on the EU institutional investors and other financial market participants to report on their due diligence processes. The new regulation sets out how financial market participants and financial advisors must integrate ESG risks and opportunities in their processes, including reporting on adherence to internationally recognised standards for due diligence. It calls on financial market participants and advisors to report on due diligence processes “to take into account the due diligence guidance for responsible business conduct developed by the [OECD].” [5]

Box 5.2. Asian financial markets are increasingly integrated

The importance of the financial sector in Asia is significant and increasing. According to the 2019 OECD Equity Market Review of Asia, the average annual amount of equity capital raised by Asian companies increased from USD 46 billion (2000-2008) to USD 67 billion (2009-2018). The opposite trend holds in the United States and Europe, with the respective numbers at USD 78 billion (2000-2008) to USD 51 billion (2009-2018). Additionally, and contrary to the trends in the US and Europe, there is an increasing number of new listings by Asian companies. While these developments are largely due to companies from large Asia markets like China, India, Korea, and Japan, a closer look at the regional IPO activity also reveals that several emerging markets, including in Indonesia, rank higher in terms of IPOs than most advanced economies.

Another finding from the OECD review is that stock markets are increasingly integrated. A growing share of public equity investments are being made across borders, plus companies are also taking advantage of foreign equity markets to raise capital. At the end of 2018, 510 Asian companies were listed on a market other than the domestic market, without having a domestic listing, while 120 Asian companies were cross-listed on the domestic and foreign markets.

Furthermore, a recent report by WWF on sustainable banking in ASEAN showed that most ASEAN banks have not adequately mitigated risks from their clients and may not be aware of the extent of their risk-exposure. It could be useful to consider whether alignment with the *OECD Due Diligence for Responsible Corporate Lending and Securities Underwriting* can be useful in this regard. Published in October 2019, the *Guidance* provides a common global framework for financial institutions to identify, respond to and publicly communicate on environmental and social risks associated with their clients. The report helps banks and other financial institutions implement the due diligence recommendations of the *OECD Guidelines for Multinational Enterprises* in the context of their corporate lending and underwriting activities.

Efforts by OJK and stakeholders should be encouraged and supported as a priority, as well as reinforced among other key financial institutions. Indonesia should assess whether further assessment and removal of barriers in integrating ESG factors in the activities of financial sector practitioners in the Indonesian market is needed (Box 5.3). Indonesian regulators may wish to assess and analyse to what degree the current framework allows for long-termism. A growing body of empirical evidence suggests that investments which take ESG factors into account can add value and lead to higher risk-adjusted returns net of expenses. RBC factors appear to have, at best a positive relationship with corporate financial performance and at worst a neutral relationship (OECD, 2017).

Promoting alignment and being explicit on what RBC due diligence means in practice in line with international principles and standards can further introduce clarity in the market. An additional emerging issue with existing ESG reporting and rating frameworks is ambiguity around the materiality of the data provided. Ensuring that reporting frameworks be explicit about whether they are focused on (only) ESG issues which create a financial risk for the company or actual ESG performance (and whether they report information related to these issues separately) will be critical as well. Indonesia should assess whether this clarification is indeed needed in Indonesia.

Box 5.3. RBC in the financial markets is growing, but practitioners still face barriers to implementation

Investors and other stakeholders have identified various challenges to integrating ESG factors in the activities of financial sector practitioners. Among these challenges are poor understanding of ESG risks and lack of standardised approaches to ESG risk management (see for example State Street Global Advisors, 2018); governance frameworks which are not explicitly compatible with ESG strategies; and lack of quality data and comparative metrics on ESG issues (see Morgan Stanley, 2018).

When it comes to interpretation and design of existing governance frameworks, some investors continue to perceive legal barriers between the responsibility to protect the financial interests of beneficiaries and consideration of ESG factors, even when these do not exist in practice. OECD research has found that this is partially because investment governance regulatory frameworks and risk-based controls generally do not explicitly refer to ESG factors. This gap has meant that investors and other financial institutions have had to interpret for themselves the extent to which responsible investment strategies are possible or permitted (OECD, 2017a).

Another challenge is the tension between ESG objectives (which are viewed as important to long-term value creation) and investment horizons (which seek to maximise shareholder value in the short-term). In a survey by State Street, 47% of asset owners and 43% of asset managers indicated that they believe that the proper timeframe for expecting responsible investment strategies to outperform is five years or more, but only 10%-20% use these time frames for actually evaluating performance. Investment performance is still generally measured and reported on 1, 3 and 5-year horizons (Cappucci, 2017).

Nevertheless, it is possible for regulators to promote long-termism even when taking this context into account. The market, by its nature, is unlikely to deliver such a change. Moving from the current mind-set to a longer-term investment environment requires a new “investment culture”. Further analysis and recommendations on how regulators can promote long-termism by institutional investors are available in OECD brief on Promoting Longer-Term Investment by Institutional Investors: Selected Issues and Policies (OECD, 2011).

Finally, lack of quality data when it comes to responsible investment strategies and measuring the financial performance of such strategies has also been raised by practitioners as a central challenge, mirroring experience globally. For example, 68% of asset owners surveyed in a Morgan Stanley study noted that a lack of availability of quality ESG data is the leading challenge to responsible investment

(Morgan Stanley, 2018). Many investors currently rely on ESG data providers and raters; however, a lack of agreed sustainability disclosure metrics at an international level has resulted in a high level of subjectivity in ESG scoring that hinders the ability to assess performance and risk. These issues are compounded by issues with quality, comparability and availability of ESG data, and the lack of standardised disclosures on ESG data by ESG data providers and issuers.

Resolving challenges with ESG data will be an ongoing process that requires collaboration across policymakers, investment practitioners, ESG data providers and corporates. Policy makers can further encourage quality data and reporting through mandating reporting against widely used and recognised frameworks, such as those developed by the Task Force on Climate Related Disclosures, Global Reporting Initiative, Sustainability Accounting Standards Board and OECD due diligence reporting recommendations. Establishing classification and benchmarking systems for sustainability factors, e.g. GHG emissions and climate performance, should also be considered. For example, such efforts are underway in the EU as part of the EU Sustainable Finance Action Plan which includes establishing an EU classification system for sustainable activities (Action 1); creating standards and labels for green financial products (Action 2); developing and harmonising sustainability benchmarks related to carbon (Action 5); and strengthening sustainability disclosure and accounting rule-making (Action 9). The EU has recently introduced a taxonomy to reflect commonly agreed principles and metrics for assessing whether economic activities can be considered environmentally sustainable for investment purpose.

An additional emerging issue with existing ESG reporting and rating frameworks is ambiguity around the materiality of the data provided. Currently, a lack of clarity exists on two aspects: how ESG products reflect environmental and social performance and impacts and how financial materiality related to ESG factors is assessed. Ensuring that ratings agencies and reporting frameworks be explicit about whether they are focused on (only) ESG issues which create a financial risk for the company or actual ESG performance (and whether they report information related to these issues separately) will be critical for bring clarity to the market.

Giving a signal to the market by directing SOEs on RBC and ensuring future growth does not exacerbate existing challenges

State-owned enterprises play a strong role in Indonesian economy. The 2015 OECD *Guidelines on Corporate Governance of State-Owned Enterprises* recommend that the state ownership policy fully recognise SOE responsibilities towards stakeholders and request that SOEs report on their relations with stakeholders, as well as making clear any expectations the state has in respect of RBC by SOEs (OECD, 2015: V). The *SOE Guidelines* further recommend, and rely in this regard on the Board of Directors to the executive management, extensive measures to report on foreseeable risks, including in the areas of human rights, labour, the environment, as well as risks related to corruption and taxation. These expectations are in line with the OECD *Guidelines for Multinational Enterprises* (which apply to all entities within the enterprise in all sectors, whether of private, state or mixed ownership) as well as the UN *Guiding Principles on Business and Human Rights*, which apply to all states and all enterprises. UN Guiding Principle 4 stipulates that states “should take additional steps to protect against human rights abuses by business enterprises that are owned or controlled by the State, or that receive substantial support and services from State agencies such as export credit agencies and official investment insurance or guarantee agencies, including, where appropriate, by requiring human rights due diligence” (UN, 2011). A 2016 report by the UN Working Group on Business and Human Rights examined the practices with respect to current RBC and business and human rights practices of SOEs and found that there is a general lack of attention to RBC issues and that policies, guidelines and good practices are lacking at both the international and national levels (UN, 2016).

Considering the importance of SOEs in the Indonesian economy, directing SOEs to explicitly implement RBC due diligence principles would give an important signal to the market.[6] Integrating practices like due diligence for environmental and social risks, improving processes related to stakeholder engagement, and promoting disclosure and transparency, could go a long way in mitigating risks. This would be particularly important in priority sectors such as infrastructure where Indonesia has already set out strategic objectives. SOEs operate in almost all sectors of the economy – ranging from manufacturing and construction to agriculture – but they play a particularly important role in infrastructure, notably transport (OECD, 2018b). Listed SOEs represent almost one-quarter of equity market capitalisation.

Giving a definition and direction to exactly how SOEs are supposed to be responsible (e.g. on RBC due diligence) and aligning with internationally accepted corporate governance and responsible business conduct standards could also help offset and alleviate the concerns about balancing the desire to protect the local economy from foreign investment, on the one hand, and the willingness for the economy to further benefit from foreign direct investment. Additionally, in light of the IDR 44 trillion for the SOE stimulus after COVID-19, RBC can help SOEs maximise their contribution to sustainable development along with the government's stated objectives (see JP, 2020b).

Leading by example to ensure that infrastructure and connectivity efforts are sustainable

Indonesia is expected to host the first Indo-Pacific Infrastructure and Connectivity Forum in 2020. This Forum is a strategic push by the President to present an ASEAN-centric outlook on maritime security, connectivity and sustainable development under a new Indo-Pacific co-operation concept (see Diplomat, 2020). Indonesia could take advantage of these high-profile efforts to lead by example on sustainable development and highlight concrete commitments to promoting responsible business conduct principles and standards, notably RBC due diligence, as a baseline and entry point for businesses wishing to participate in these efforts. Clearly communicating information on the UN Guiding Principles and the OECD Guidelines as well as making RBC a standard operating procedure for infrastructure projects would be beneficial beyond setting a strategic vision.

Social and environmental risks in the infrastructure sector are notable. Globally, construction ranks second only to domestic work for prevalence of forced labour, at 18% and 24% respectively (ILO and Walk Free Foundation, 2017). Transparency International estimates that corruption is a bigger problem in construction than in mining, real estate, energy or the arms market. Furthermore, the environmental and social impacts of concrete – a major input – are well-documented. Among materials, only coal, oil and gas are a greater source of greenhouse gases; and mining of sand, without which concrete cannot be made, is reportedly increasingly controlled by organised crime groups (see The Guardian, 2019). Equally, environmental aspects are significant. For example, the International Transport Forum estimates that CO_2 emissions from transport (e.g. roads, rail, aviation, maritime, freight/logistics) could increase 60% by 2050, despite the significant technological progress already assumed in baseline modelling scenarios (OECD/ITF, 2017).

A 2019 report by the UN Office of the High Commissioner for Human Rights and the Heinrich Boell Foundation surveyed human rights risks and opportunities in the energy, transport and water sectors at the macro-, meso- and project levels and published the results in a joint report entitled *The Other Infrastructure Gap: Sustainability: Human Rights and Environmental Dimensions*. The research showed that large infrastructure projects have been associated with serious and sometimes irreparable harm to people and the environment. In many cases, human rights risks were ignored or downplayed in the project risk calculus, and were repeated in future projects. OHCHR has cautioned that without explicitly and systematically acknowledging and addressing human rights in infrastructure policy frameworks and practices, at best the enormous potential of infrastructure as a facilitator for the SDGs will not be realised, and at worst infrastructure development will actually undermine the SDGs. One of the main recommendations of the report was that those implementing and financing large infrastructure projects carry out explicit due diligence on human rights (see UN OHCHR-hbs, 2019).

Fighting corruption and promoting business integrity

Another area of particular relevance is Indonesia's ongoing fight against corruption, which despite significant efforts since early 2000s, remains a massive endeavour (see also Chapter 4). Indonesia ranked 85th out of 180 countries on Transparency International's Corruption Perception Index in 2019, gradually improving its position from 137th in 2005, 110th in 2010 and 88th in 2015.

Tackling corruption is another important component of building the enabling environment for quality investment and RBC. The OECD RBC instruments emphasise that bribery and corruption discourage investment and distort international competitive conditions. In particular, the diversion of funds through corrupt practices undermines attempts by citizens to achieve higher levels of economic, social and environmental welfare and impedes efforts to reduce poverty. Both businesses and governments have a role to play in addressing corruption. For example, RBC standards specify that enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage, and should also resist solicitation of bribes and extortion. Governments also have a responsibility to ensure that a legal and regulatory framework is in place and enforced to deter corruption. They can also lead by example by observing the highest integrity standards in their own actions as economic actors.

The National Strategy of Corruption Prevention & Eradication Long-Term (2012-2025) provides a solid multi-stakeholder framework for monitoring and advancing integrity in government and society. It recognises that combating corruption is an important component of building the enabling environment for quality investment and RBC. The Corruption Eradication Commission (KPK), created in 2002 to investigate and prosecute corruption cases and to monitor the governance of the state, has in particular been a pillar of these efforts and has been well-regarded and well-respected. The new KPK law passed in September 2019 led to demonstrations and calls from stakeholders that KPK influence and independence have been jeopardised.[7]

One particular area of note is Indonesia's efforts on beneficial ownership information. This is a priority under the Presidential Regulation 54/2018 on the National Strategy of Corruption Eradication (prioritising licensing and commerce, state finance, and law enforcement and bureaucratic reform) and was directly addressed in the Presidential Regulation 13/2018, requiring all legal persons to disclose their beneficial owner and to provide beneficial ownership electronically. This information is expected to be published in an electronic database accessible to the public by the end of 2020. This is an important leap forward in terms of transparency (see Stranas PK, 2019).

Efforts are also ongoing to promote regional action. KPK is spearheading efforts to promote regional collaboration as well, notably spearheading a capacity building programme to promote and improve collaboration between members of the ASEAN Parties Against Corruption (ASEAN-PAC) in preventing and eradicating corruption (KPK, 2019). The recent efforts encompass efforts to promote integrity in the private sector. KPK itself has called on Indonesia to consider a regulation on embezzlement, bribery, accepting bribery, and facilitating bribery in the private sector. KPK also played an important role in the creation of the Online Single Submission (OSS) with other government bodies, which was set up to improve the efficiency and transparency of business procedures (see Chapter 6 on investment promotion and facilitation policies). According to KPK, the OSS, by centralising business procedures in an online system, helps reducing avenues for corruption.

Indonesia should criminalise the bribery of foreign public officials and enact corporate liability for corruption offences as a Party to UNCAC and a G20 member. Indonesia's neighbours are also taking steps to implement such provisions. Malaysia, for example, under Section 17A of the amended Malaysian Anti-Corruption Commission Act 2009, started enforcing corporate liability in June 2020.

These legislative changes would also position Indonesia to request accession to the OECD Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention), which focuses on combating the supply of bribes to foreign public officials in international business. Parties must make foreign bribery a criminal offence, individuals and companies must be subject to effective sanctions and bribes must be explicitly non-tax deductible. The 44 Parties that make up the OECD Working Group on Bribery in International Business Transactions (Working Group) include most of the world's major economies, including eight non-OECD countries. Fifteen G20 members are Parties to the Convention. Four Parties to the Convention belong to the Asia-Pacific region (Australia, Japan, Korea and New Zealand).

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Notes

[1] See: https://www.greencentury.com/wp-content/uploads/2020/10/Indonesian-Omnibus-Investor-Letter.pdf.

[2]According to research from Bloomberg Intelligence, "so far in 2020, 59% of U.S. ESG ETFs are doing better than the S&P 500 Index while 60% of European ESG ETFs have beat the MSCI Europe Index". See Claire Ballentine (31 March 2020), "ESG Stock Resilience Is Paving the Way for a Surge in Popularity" *Bloomberg* https://www.bloomberg.com/news/articles/2020-03-31/esg-stock-resilance-is-paving-the-way-for-a-surge-in-popularity. See also Saijel Kishan and Emily Chasan (13 March 2020), "Older ESG Funds Outperform Their Newer Rivals in Market Tumult", *Bloomberg* https://www.bloomberg.com/news/articles/2020-03-13/older-esg-funds-outperform-their-newer-rivals-in-market-tumult?sref=wingcnxe and Jon Hale (16 March 2020), "Sustainable Equity Funds are Outperforming in Bear Market", *Morningstar* https://www.morningstar.com/articles/972475/sustainable-equity-funds-are-outperforming-in-bear-market

[3] For example, Blackrock, NBIM, APG were key partners in developing the paper. Additionally, investors representing $ 1.9 trillion in AUM have also released a formal statement endorsing the recommendations in the paper as best practice.
See: https://investorsforhumanrights.org/sites/default/files/attachments/2019-04/IAHR_Making%20Finance%20Work%20for%20People%20and%20Planet_FINAL.pdf

[4] In 2018 the Federation of the Dutch Pension Funds, non-governmental organisations (NGOs), trade unions and the Dutch government signed a Responsible Business Conduct Agreement on responsible investment by Pension Funds rooted in the recommendations of the paper. See: https://www.imvoconvenanten.nl/pensioenfondsen?sc_lang=en

[5] See https://data.consilium.europa.eu/doc/document/ST-7571-2019-ADD-1/en/pdf

[6] Some ASEAN Members have already acted in this regard. For example, Thailand has directed Thai SOEs to follow RBC principles and standards according to international RBC standards.

[7] See for example UNCAC Civil Society Coalition https://uncaccoalition.org/uncac-coalition-statement-on-threats-to-the-independence-of-indonesias-corruption-eradication-commission-kpk/.